



RHB Investment Bank Berhad

strategic

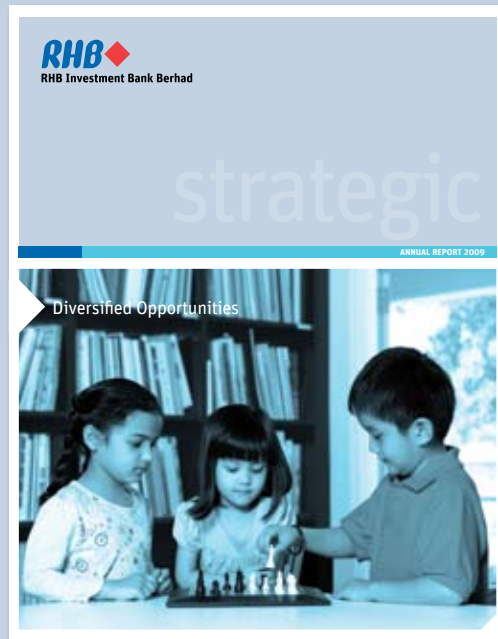
ANNUAL REPORT 2009

Diversified Opportunities



◆ Cover Rationale

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





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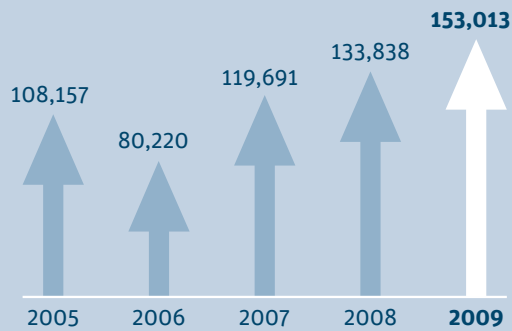
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Group Financial Highlights

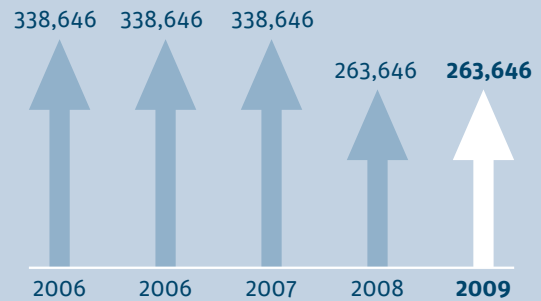
	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000
RESULTS					
Profit before taxation	153,013	133,838	119,691	80,220	108,157
Profit after taxation and minority interests	113,243	97,242	83,870	64,729	78,905
Net dividends	-	60,507	52,910	162,942	53,642
BALANCE SHEETS					
Share capital	263,646	263,646	338,646	338,646	338,646
Shareholder's equity	742,486	718,100	696,690	710,001	801,457
Total assets	5,789,630	6,810,160	8,233,798	6,878,451	4,317,726
Loans and advances	60,158	468,244	851,544	651,283	724,647
Total deposits	4,305,318	5,425,445	6,872,435	3,815,977	2,256,097
RATIOS					
Earnings per share (sen)	43.0	34.4	24.8	19.1	23.3
Gross dividend per share (sen)	-	30.6	21.4	66.7	22.0
Net tangible assets per share (sen)	216.1	192.7	154.7	158.6	185.6
Return on shareholder's equity (%)	15.5	13.7	11.9	8.6	9.7

Group Financial Highlights

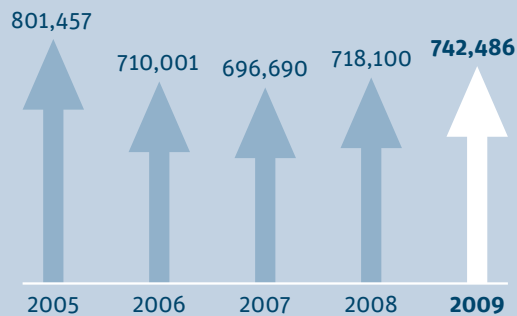
PROFIT BEFORE TAXATION RM'000



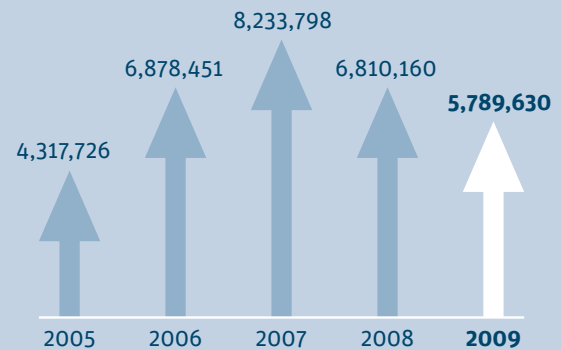
SHARE CAPITAL RM'000



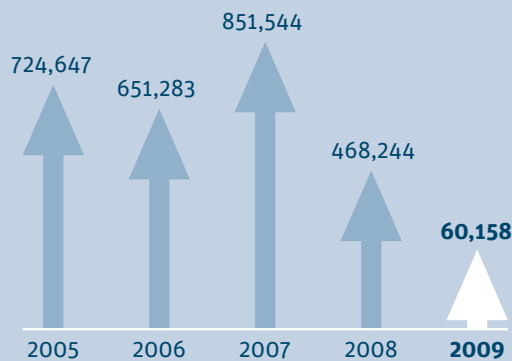
SHAREHOLDER'S EQUITY RM'000



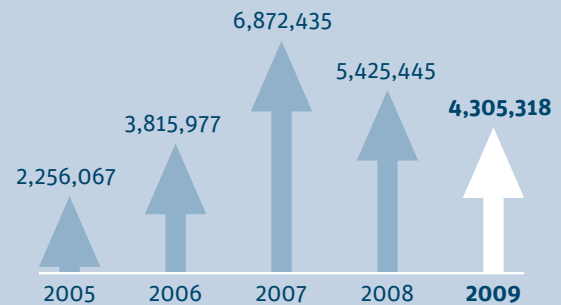
TOTAL ASSETS RM'000



LOANS AND ADVANCES RM'000



TOTAL DEPOSITS RM'000



Corporate Information

BOARD OF DIRECTORS

Dato Abdullah Mat Noh
Independent Non-Executive Chairman

Tan Sri Azlan Zainol
Non-Independent Non-Executive Director

Arul Kanda Kandasamy
Non-Independent Non-Executive Director

Dato' Mohamed Khadar Merican
Independent Non-Executive Director

Akira Miyama
Non-Independent Non-Executive Director

Lew Foon Keong
Independent Non-Executive Director

Patrick Chin Yoke Chung
Independent Non-Executive Director

Datuk Tan Kim Leong
Independent Non-Executive Director

Dato' Saw Choo Boon
Independent Non-Executive Director

Chay Wai Leong
Managing Director

COMPANY SECRETARY

Azman Shah Md Yaman

BOARD COMMITTEES

GROUP AUDIT COMMITTEE#

Ong Seng Pheow
Chairman

Dato' Othman Jusoh
Patrick Chin Yoke Chung
Datuk Tan Kim Leong
Haji Md Ja'far Abdul Carrim

GROUP NOMINATING COMMITTEE*

Datuk Haji Faisal Siraj
Chairman

Tan Sri Azlan Zainol
Datuk Tan Kim Leong
Johari Abdul Muid
Dato' Mohamed Khadar Merican

GROUP REMUNERATION AND HUMAN RESOURCE COMMITTEE*

Datuk Tan Kim Leong
Chairman

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

GROUP RISK MANAGEMENT COMMITTEE*

Haji Khairuddin Ahmad
Chairman

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

GROUP CREDIT COMMITTEE# (formerly known as CENTRAL LOANS COMMITTEE)

Dato Abdullah Mat Noh
Chairman

Johari Abdul Muid
Dato' Mohamed Khadar Merican
Haji Khairuddin Ahmad

GROUP RECOVERY COMMITTEE#

Haji Khairuddin Ahmad
Chairman

Tan Sri Azlan Zainol
Dato' Mohamed Khadar Merican
Dato Abdullah Mat Noh

GROUP INFORMATION TECHNOLOGY STEERING COMMITTEE#

Ong Seng Pheow
Chairman

Johari Abdul Muid
Dato' Tajuddin Atan
Kellee Kam Chee Khiong
Ho Sin Kheong

SENIOR MANAGEMENT

Dato' Tajuddin Atan
Group Managing Director,
RHB Capital Berhad

Norazzah Sulaiman
Director, Group Corporate Services/
Group Human Resource

Kellee Kam Chee Khiong
Director, Group Finance

Chay Wai Leong
Director, Corporate & Investment Banking

Renzo Christopher Viegas
Director, Retail Banking/
Group Transaction Banking

Amy Ooi Swee Lian
Director, Business Banking

Michael Lim Kheng Boon
Director, Global Financial Banking

Datin Zaimah Zakaria
Director, Group Treasury

MANAGEMENT

Chay Wai Leong
Managing Director

MANAGEMENT OF SUBSIDIARIES

RHB INVESTMENT MANAGEMENT SDN BHD

Sharifatul Hanizah Said Ali
Managing Director/
Head, Investment Management

RHB RESEARCH INSTITUTE SDN BHD

Lim Chee Sing
Executive Director/Head, Research Institute

REGISTERED OFFICE

Level 10, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9287 8888
Fax : (03) 9280 6507

COMPANY NO.

19663-P

BUSINESS ADDRESS

HEAD OFFICE

Level 13, Tower Three
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9287 3888
Fax : (03) 9281 5000

MELAKA BRANCH

Lot 9 & 10, 1st Floor
Bangunan Tabung Haji
Jalan Banda Kaba
75000 Melaka
Tel : (06) 283 3622
Fax : (06) 284 9886

KUCHING DESK OFFICE

Suite 102, 1st Floor
Crown Tower
88 Jalan Pending
93450 Kuching
Sarawak
Tel : (082) 332 898, 342 898
Fax : (082) 335 989

RHB RESEARCH INSTITUTE SDN BHD

Level 11, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9285 2233
Fax : (03) 9284 8693

RHB INVESTMENT MANAGEMENT SDN BHD

Level 7, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Hotline : 1800 88 3656
Tel : (03) 9286 2666
Fax : (03) 9286 2407
(Branches in Cheras, Penang, Sabah & Sarawak)

RHB PRIVATE EQUITY HOLDINGS SDN BHD

Level 12, Tower Three
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9280 5586
Fax : (03) 9287 5392

JOINTLY CONTROLLED ENTITY

VIETNAM SECURITIES CORPORATION

8th Floor
59 Quang Trung
Hai Ba Trung District
Hanoi
Vietnam
Tel : (84) 4 944 6066, 67, 68, 69
Fax : (84) 4 944 6070

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
Level 8-15, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur

Tel : (03) 2173 1188
Fax : (03) 2173 1288

* The Committee resides at RHB Capital Berhad and is shared with relevant subsidiaries of the Group.

The Committee resides at RHB Bank Berhad and is shared with relevant subsidiaries of the Group.

Profile of the Board of Directors

DATO ABDULLAH MAT NOH

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

Dato Abdullah Mat Noh (“Dato Abdullah”) was formerly the President/Chief Executive Officer of Bank Utama (Malaysia) Berhad. Prior to joining Bank Utama in April 1999, he was attached to Standard Chartered Bank Malaysia Berhad for 36 years where his last position was the Senior Manager of its East Malaysia operations. Dato Abdullah is a Member of the Chartered Institute of Bankers and Chartered Institute of Secretaries.

Dato Abdullah’s other directorships in public companies include RHB Bank Berhad and RHB Islamic Bank Berhad.

Dato Abdullah was appointed as a Director and formalised as Chairman of RHB Investment Bank on 7 May 2003 and 14 December 2003, respectively. Dato Abdullah was re-designated as Independent Non-Executive Chairman of RHB Investment Bank on 6 September 2007 after Utama Banking Group Berhad ceased to be a substantial shareholder of Rashid Hussain Berhad on 22 May 2007. Dato Abdullah also serves as the Chairman of the Group Credit Committee and a Member of Group Recovery Committee.

TAN SRI AZLAN ZAINOL

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

Tan Sri Azlan Zainol (“Tan Sri Azlan”) is also currently the Chief Executive Officer of the Employees Provident Fund Board (“EPF”). 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 is a Fellow of the Institute of Chartered Accountants in England & Wales, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Azlan’s other directorships in public companies include RHB Capital Berhad, RHB Bank Berhad (Chairman), 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 was appointed as a Non-Independent Non-Executive Director of RHB Investment Bank on 27 July 2005. He also serves as a Member of the Group Nominating Committee, Group Remuneration and Human Resource Committee and Group Recovery Committee.

ARUL KANDA KANDASAMY

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

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

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

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

Mr Arul was appointed as a Director of RHB Investment Bank on 20 July 2009.

DATO’ MOHAMED KHADAR MERICAN

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

Dato’ Mohamed Khadar Merican (“Dato’ Mohamed Khadar”) has had more than 25 years of experience in financial and general management. He served as an auditor and a consultant in an international accounting firm, before joining a financial services group in 1986. Dato’ Mohamed Khadar has held various senior management positions in Pernas International Holdings Berhad (now known as Tradewinds Corporation Berhad) between 1988 and April 2003, including those of President and Chief Operating Officer.

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

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

Dato’ Mohamed Khadar was appointed as a Director of RHB Investment Bank Berhad on 4 December 2003. He also serves as a Member of the Group Credit Committee, Group Recovery Committee, Group Nominating Committee and the Group Remuneration and Human Resource Committee.

Profile of the Board of Directors

AKIRA MIYAMA

(59 years of age – Japanese)

Non-Independent Non-Executive Director

Akira Miyama (“Mr Miyama”) is currently the Head, Group Japanese Business of RHB Banking Group. He started his career in London as Senior Vice President of the Syndicated Loan Division of The Sakura Bank [now known as Sumitomo Mitsui Banking Corporation (SMBC)] and thereafter as a Board Member of Central European International Bank in Budapest, Hungary. He held various positions including Chief Dealer of Capital Market, Head of International Financial Institutions Division and Secretary to Chairman of SMBC, Tokyo. Since 1998, he has been the Country Head of SMBC, Malaysia.

Mr Miyama holds a Bachelor of Laws degree from Keio University, Tokyo.

He is also a director of The Japanese Chamber of Trade and Industry, Malaysia.

Mr Miyama was appointed as a Director of RHB Investment Bank on 25 September 2000.

LEW FOON KEONG

(52 years of age – Malaysian)

Independent Non-Executive Director

Lew Foon Keong (“Mr Lew”) has more than 25 years of investment banking experience. He started his career in 1983 in London with Wardley James Capel (then the merchant banking and stockbroking operations of the HongKong Bank Group) and subsequently worked for British merchant bank, Robert Fleming prior to joining Credit Commercial de France in 1989. In 1990, he returned to Asia to join Hoare Govett Asia in Singapore, where he was responsible for the regional corporate finance business. In 1997, following the sale of Hoare Govett Asia to ABN AMRO Bank, Mr Lew was appointed as the Managing Director of ABN AMRO’s investment banking operations in Singapore. In late 1999, Mr Lew founded Equator Capital, an investment management and advisory company primarily active in trading of US equities options and managed futures. He has also participated in a number of private equity and pre-Initial Public Offerings (IPOs) investments in the region. Over the years, he has been involved in a wide range of investment banking work, including global IPOs, equities placements, corporate takeovers and mergers, debt/equity restructuring and venture capital financing.

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

Mr Lew’s other directorships in public companies include RHB Islamic Bank Berhad and Singapore Medical Group.

Mr Lew was appointed as a Director of RHB Investment Bank on 15 March 2004.

PATRICK CHIN YOKE CHUNG

(64 years of age – Malaysian)

Independent Non-Executive Director

Patrick Chin Yoke Chung (“Mr Patrick Chin”) was previously the Chairman of Schroders Malaysia Sdn Bhd. Prior to that, he was the Chief Representative/Country Head of Bankers Trust Company, Kuala Lumpur from 1995 to 1999. From 1994 to 1995, he was the Chief Representative of Morgan Grenfell responsible for co-ordinating the Company’s activities and business interests in Malaysia. He was also an Executive Director of Morgan Grenfell Asia-Kenanga Sdn Bhd and Head of Corporate Finance in Kuala Lumpur. From 1973 to 1993, he was with Asian International Merchant Bankers Berhad as Deputy Chief Executive Officer and Head of Corporate Finance.

Mr Patrick Chin is a Fellow of The Institute of Chartered Accountants in England and Wales. He also attended the Management Development Program at Harvard Business School.

Mr Patrick Chin’s other directorships in public companies include Muda Holdings Berhad and Leader Universal Holdings Berhad.

Mr Patrick Chin was appointed as a Director of RHB Investment Bank on 2 August 2007. He also serves as a member of the Group Audit Committee and Group Risk Management Committee.

DATUK TAN KIM LEONG

(70 years of age – Malaysian)

Independent Non-Executive Director

Datuk Tan Kim Leong (“Datuk Tan”) is a Fellow of the Institute of Chartered Accountants in Australia and the Institute of Chartered Secretaries and Administrators as well as Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

With over 38 years of experience with major corporate and multinational organisation, Datuk Tan has extensive knowledge in corporate finance and restructuring work. He was the former Executive Chairman of BDO Binder Malaysia as well as the former Board Member of Bursa Malaysia Berhad from 1997 until 2004 and had, on 3 February 2009, been appointed as the Governor of Yayasan Bursa Malaysia.

Datuk Tan’s other directorships in public companies include RHB Capital Berhad, Goldis Berhad, MCIS Zurich Insurance Berhad, KL Industrial Services Bhd and The Amoy Canning Corporation (Malaya) Berhad.

Datuk Tan was appointed as a Director of RHB Investment Bank on 17 June 2008. Datuk Tan also serves as the Chairman of the Group Remuneration and Human Resource Committee as well as a Member of the Group Audit Committee, Group Risk Management Committee and Group Nominating Committee.

Profile of the Board of Directors

DATO' SAW CHOO BOON

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

Dato' Saw Choo Boon (“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 Netherlands. In 1996, Dato' Saw was appointed Managing Director of Shell MDS (Malaysia) Sendirian Berhad. In 1998 – 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia and Managing Director of Shell Refining Company (Federation of Malaya) Berhad. In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice-President of the commercial business in the Asia-Pacific region and in 2004, he became the President of Shell Oil Product East. Since 2006, he has been managing the global marine business and special projects.

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

Currently, Dato' Saw is the Senior Adviser of Shell Malaysia and the Chairman of Shell Refining Company (Federation of Malaya) Berhad as well as Board Member of Shell Timur Sdn Bhd and Integrated Petroleum Services Sdn Bhd.

Dato' Saw was appointed as a Director of RHB Investment Bank on 1 April 2010.

CHAY WAI LEONG

(46 years of age - Singaporean)
Managing Director

Chay Wai Leong (“Mr Chay”) began his career in 1987 as a Senior Investment Analyst for Bankers Trust Brokerage (subsequently acquired by Deutsche Bank), in Singapore. He was with Jardine Fleming Securities Ltd in Hong Kong from 1990 to 1996, where he served as Director of Corporate Finance. His main responsibilities were regional coverage-origination and execution of transactions in Hong Kong, China, Philippines, Taiwan, Singapore and Malaysia. From 1997 to 2000, he was with Pesaka Jardine Fleming Sdn Bhd, Kuala Lumpur as Director, Head of Corporate Finance whereby the team led by him, specialising in equity capital markets as well as mergers and acquisitions, had won Euromoney's Annual Award for “Best Foreign Securities Firm in Malaysia” for four consecutive years. In 2000 to 2001, he was with JPMorgan Malaysia as Director, Head of Investment Banking. Prior to joining RHB Investment Bank, he was the Country Head of Malaysia for Standard Bank from 2002 to 2006, the largest bank in South Africa, where he was also responsible for originating emerging market debt issues and resource-sector banking products in the Asia Region.

Mr. Chay holds a Bachelor Degree in Business Administration from the National University of Singapore.

Mr. Chay's other directorships include RHB Investment Management Sdn Bhd and RHB Research Institute Sdn Bhd (Chairman).

On 1 November 2006, Mr Chay was appointed as the Chief Executive Officer of RHB Investment Bank and subsequently as the Managing Director on 8 October 2007. In addition thereto, pursuant to the transformation exercise undertaken by the Group in November 2007 and further enhancement of Group's internal organisational structure in 2010, Mr Chay is also now overseeing the day-to-day management of Corporate & Investment Banking Strategic Business Group of the RHB Banking Group.

Awards and Recognition

RHB INVESTMENT BANK BERHAD

Finance Asia	<ul style="list-style-type: none"> ◆ 2009 - Country Awards for Achievement - Best Equity House in Malaysia
IFR Asia	<ul style="list-style-type: none"> ◆ 2009 - Malaysia Capital Markets Deal of the Year - Maxis' RM11.2 billion IPO - Joint Managing Underwriter for the Retail Offering and Adviser to the Selling Shareholder
Asiamoney	<ul style="list-style-type: none"> ◆ 2009 - Asiamoney Brokers Poll of Polls - Best Local Brokerage House in Malaysia, 1990-2008 ◆ 2009 - Brokers Poll - Best Local Brokerage House - 2nd place
The Edge Malaysia	<ul style="list-style-type: none"> ◆ 2009 - Deals of the Year <ul style="list-style-type: none"> - Best Mergers & Acquisitions - Carlsberg Brewery (M) Bhd's acquisition of Carlsberg Singapore Pte Ltd for RM370 million - Independent Adviser
Islamic Finance News	<ul style="list-style-type: none"> ◆ 2009 - IPO Deal of the Year <ul style="list-style-type: none"> - Maxis' RM11.2 billion IPO - Joint Managing Underwriter for the Retail Offering and Adviser to the Selling Shareholder
The Asset	<ul style="list-style-type: none"> ◆ 2009 - Triple A Islamic Finance Awards <ul style="list-style-type: none"> - Most Innovative Islamic Finance Deal - Projek Lintasan Shah Alam (PLSA) RM745 million project finance SUKUK Programme - Arranger
Alpha Southeast Asia	<ul style="list-style-type: none"> ◆ 3rd Annual Best Financial Institution Awards in Southeast Asia - Best Equity House ◆ 3rd Annual Deal & Solution Awards in Southeast Asia <ul style="list-style-type: none"> - Best Local Currency Bond Deal of the Year - Hana Bank's RM1 billion MTN Programme - Sole Lead Manager - Best Secondary Deal of the Year in Southeast Asia - Axiata Group's RM5.2 billion Rights Offering - International Joint Leads and Joint Global Coordinators

RHB RESEARCH INSTITUTE SDN BHD

The Edge Malaysia - StarMine	<ul style="list-style-type: none"> ◆ 2010 - Broker Ranking Awards <ul style="list-style-type: none"> - FTSE Bursa Malaysia 30 Index - Recommendations : Rank (1) - Malaysia Mid- and Small-Cap Stock - Recommendations : Rank (3) ◆ 2010 - Analyst Awards - Industry Award Winners <ul style="list-style-type: none"> - Energy 1st place - Joseph Wong Chin Wai - Real Estate - 2nd place - Low Yee Huap - Financials - 3rd place - Low Yee Huap ◆ 2009 - Broker Ranking Awards <ul style="list-style-type: none"> - Mid- and Small-Cap Recommendations - 1st place - Top Industry Stock Pickers for Consumer Products - 2nd place - Hoe Lee Leng - Top Industry Stock Pickers for Transport - 2nd place - Joshua Ng Chin Yuing
The Edge Malaysia	<ul style="list-style-type: none"> ◆ 2009 - Best Call Awards <ul style="list-style-type: none"> - Best Strategist - 1st place - Lim Chee Sing - Best Technical Analyst - 1st place - Khoo Ban Yu - Best Banking & Finance sector call - Low Yee Huap - Best Oil & Gas sector call - Joseph Wong
The Asset	<ul style="list-style-type: none"> ◆ 2009 - Asian Currency Bond Benchmark Survey <ul style="list-style-type: none"> - Top Sellside Individual in Local Currency Bond (Malaysia) - Research - 1st place - Ray Choy
Asiamoney	<ul style="list-style-type: none"> ◆ 2009 - Brokers Poll <ul style="list-style-type: none"> - Best Overall Macroeconomics - 2nd place - Best Overall Banks - 3rd place - Best Overall Small Caps - 3rd place

RHB INVESTMENT MANAGEMENT SDN BHD

The Asset	<ul style="list-style-type: none"> ◆ 2009 - Benchmark Survey <ul style="list-style-type: none"> - One of the Most Astute Investors in Malaysian Ringgit Bond
Asia Asset Management	<ul style="list-style-type: none"> ◆ 2009 - Best of the Best Awards <ul style="list-style-type: none"> - Most Innovative Product - Malaysia RHB China Averaging Capital Protected Fund

RHB Banking Group Structure

As at 31 March 2010



COMMERCIAL BANKING GROUP

RHB Bank Berhad

- ◆ RHB Islamic Bank Berhad
- ◆ RHB Bank (L) Ltd
 - ◆ RHB International Trust (L) Ltd
 - ◆ RHB Corporate Services Sdn Bhd
- ◆ RHB Leasing Sdn Bhd
- ◆ RHB Capital Nominees (Tempatan) Sdn Bhd
 - ◆ RHB Capital Nominees (Asing) Sdn Bhd
- ◆ RHB Capital Properties Sdn Bhd
- ◆ Utama Assets Sdn Bhd
- ◆ RHB Bank Nominees Pte Ltd (*Singapore*)
- ◆ Banfora Pte Ltd (*Singapore*)
- ◆ RHB Investment Ltd (*Singapore*)
- ◆ RHB Trade Services Limited (*Hong Kong*)
- ◆ Utama Gilang Sdn Bhd
- ◆ UMBC Sdn Bhd
- ◆ RHB Delta Sdn Bhd
- ◆ RHB Delta Nominees (Tempatan) Sdn Bhd ⁽³⁾

INVESTMENT BANKING GROUP

RHB Investment Bank Berhad

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

OTHERS

- ◆ RHB Insurance Berhad (79.5%)
- ◆ RHB Equities Sdn Bhd ⁽¹⁾
 - ◆ KYB Sdn Bhd
- ◆ RHB Capital (Jersey) Limited (*Channel Islands*)
 - ◆ Rashid Hussain Securities (Philippines), Inc. (*Philippines*) ⁽²⁾
- ◆ RHB Hartanah Sdn Bhd
 - ◆ Positive Properties Sdn Bhd (50%)
- ◆ Straits Asset Holdings Sdn Bhd
 - ◆ SSSB Services (Melaka) Sdn Bhd
 - ◆ SFSB Services (Melaka) Sdn Bhd
- ◆ RHBF Sdn Bhd
 - ◆ KYF Sdn Bhd
- ◆ RHB Venture Capital Sdn Bhd
- ◆ RHB Kawal Sdn Bhd

Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant company

Associate company

Jointly Controlled Entity

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

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

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

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

Corporate Governance Statement

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

As a testament to high standards of corporate governance employed, the Investment Bank is proud to announce that its immediate holding company, RHB Capital Berhad (“RHB Capital”) was a recipient of a Merit Award under the Malaysian Corporate Governance Index 2009 listing which rates Malaysia’s top 100 public listed companies in terms of best governance practices including international best practice codes.

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

BOARD OF DIRECTORS

Duties And Responsibilities Of The Board

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

- to provide strategic leadership to the Investment Bank and Group;
- to review, approve and monitor the implementation of the Investment Bank’s strategic business plans and policies;
- to ensure the Investment Bank maintains an effective system of internal controls as well as the identification and management of principal risks resulting in efficiency in operations and a stable financial environment;
- to act as the guardian of the Investment Bank’s corporate values and ethical principles in parallel with the goal to enhance shareholder’s value;
- to monitor as well as evaluate the performance of the Management in ensuring that the performance criteria remains dynamic; and
- to ensure the formulation of a succession plan for the Investment Bank for the long-term business continuity.

The day-to-day management of the Investment Bank is delegated to the Managing Director (“MD”) who is responsible for ensuring the successful implementation of policies and directions as may be formulated by the Board. The distinct and separate duties and responsibilities of the MD and Non-Executive Directors (“NEDs”) ensure the balance of power and authority in relation to the establishment of a fully effective Board.

The MD is also the Director of Corporate & Investment Banking, one of the Strategic Business Groups (“SBGs”) within the RHB Banking Group, and a member of the Central Management Committee (“CMC”). The Group’s SBGs and Strategic Functional Groups (“SFGs”) were set up to achieve the Group’s visions and goals. The Group’s internal organisational structure was further enhanced in 2010 to ensure business relevance and drive higher performance. In carrying out these tasks, the Group is supported by CMC, which comprises key Management personnel of the Group. The CMC has several objectives which include the following:-

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

The CMC is governed by its terms of reference.

Board Composition and Balance

The structure and composition of the Board comply with the Code as well as the Revised BNM/GP1 . The Board currently comprises an Independent Non-Executive Chairman, five (5) Independent Non-Executive Directors (“INEDs”), three (3) Non-Independent Non-Executive Directors (“NINEDs”) and the MD. As a financial services group, the Board recognises that its Members must have the appropriate mix of skills as well as the necessary knowledge, experience and commitment to effectively contribute towards the growth and expansion of the Investment Bank and the Group as a whole. Furthermore, being on the Board of an investment bank, Board Members are required to be responsive to the constantly changing global financial landscape. The Board regularly reviews the composition of its own Board as well as the Boards of the major subsidiaries and the Group’s Board Committees to ensure the appropriate balance is maintained and that there is an adequate mix of skills and experience.

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

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

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

In addition to the above, the Chairman shall:-

- provide effective leadership in the strategic direction for the Investment Bank.
- work with the Company Secretary to schedule Board and Committee meetings and ensure that Directors receive accurate, timely and clear information in particular about the Investment Bank’s performance and issues arising, to enable the Board to make sound decisions, monitor effectively and provide sensible advice in achieving the Investment Bank’s objectives.

- work with the Board to establish appropriate Board Committee structures and charters, including the assignment of Directors and the appointment of Chairmen of each of the Board Committees.
- ensure the independence of the Board in discharging its duties. This includes encouraging NEDs of the Board to meet regularly to deliberate on matters of concern and ensure that the Board engages independent advisors where required (subject to the proper approval process).
- ensure that the Board and individual Directors fully exercise their responsibilities and adhere to applicable laws, regulations, rules, directives, policies and guidelines.
- consider and address the development needs of individual Directors and the Board as a whole to maintain the necessary depth and breadth of knowledge and skills to enhance the effectiveness of the Board as a whole.
- promote effective relationships and open communication between the Board and Senior Management team in relation to corporate governance and corporate performance.
- represent the Investment Bank and the collective views of the Board externally and oversee public relations, including relations with key clients, stakeholders, government officials, other public organisations and the general public.

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

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

Corporate Governance Statement

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

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

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

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

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

A brief profile of each Director is presented on pages 006 to 008 of this Annual Report.

Board Charter

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

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

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

Board Meetings and Access to Information

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

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

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

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

Corporate Governance Statement

The Board had adopted the Standard Procedures for Directors to have access to independent advice which lays down the procedures for Directors seeking internal and/or external professional independent advice. The objectives of these guidelines among others are as follows:-

- i) to ensure consistency throughout the RHB Banking Group on the procedures for Directors of the Group to have access to independent professional advice; and
- ii) 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 requirement and best practices that the respective companies are obliged to adhere to.

The Board convened thirteen (13) meetings for the financial year ended 31 December 2009. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
Dato Abdullah Mat Noh	13/13	100
Tan Sri Azlan Zainol	13/13	100
Arul Kanda Kandasamy ¹	6/6*	100
Dato' Mohamed Khadar Merican	13/13	100
Lew Foon Keong	11/13	85
Akira Miyama	13/13	100
Patrick Chin Yoke Chung	12/13	92
Datuk Tan Kim Leong	12/13	92
Chay Wai Leong	13/13	100

Notes:

¹ Appointed as a Director on 20 July 2009.

* Based on the number of Board meetings attended since his appointment on the Board.

Pursuant to the Revised BNM/GP1, individual directors must attend at least 75% of the board meetings held in each financial year. For the year under review, all Directors complied with the attendance requirement as stipulated by BNM.

Appointments and Re-election to the Board

RHB Investment Bank is governed by the Revised BNM/GP1 in relation to the appointment of new Directors and the re-appointment of its existing Directors upon the expiry of their respective tenures of office as approved by BNM.

The Group Nominating Committee reviews and assesses the appointments/re-appointments of Directors. The results of the individual assessments conducted via the Board Effectiveness Evaluation exercise will be highlighted by the Chairman of the Group Nominating Committee to the Board. Upon the approval by the Board, the application for the appointment/re-appointment of Directors will be submitted to BNM for approval.

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

Article 93 of the Investment Bank'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 shareholder at the next Annual General Meeting held following their appointment.

Directors' Training

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

Corporate Governance Statement

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

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

Note:

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

The NEDs of the Investment Bank also attend local and/or overseas training programs organised by credible training organisations under the Board High Performance Program (“BHPP”). This program 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.

For 2009, one (1) Director attended a program titled “Making Corporate Board More Effective” at Harvard Business School, US under the BHPP.

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

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

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

Board Performance Evaluation

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

Corporate Governance Statement

Board Committees

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

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

The Group Audit Committee, Group Credit Committee and Group Recovery Committee are formed at RHB Bank for adoption by the relevant entities within the Group.

The functions and terms of reference of the Group Board Committees are clearly defined and comply with the relevant governing laws, regulations and guidelines among others the Code and the Revised BNM/GP1. The members of the Group Board Committees comprise the Directors of the Investment Bank 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 are tabled before the Board for notation.

Apart from the above Group Board Committees, the Investment Bank also utilised the functions of a centralised IT Steering Committee known as the Group IT Steering Committee residing at RHB Bank. The members of the Group IT Steering Committee comprise Directors and Management of the RHB Banking Group.

Group Nominating Committee

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

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

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

	Attendance at Meetings
Datuk Haji Faisal Siraj (Independent Non-Executive Director/Chairman)	8/8 (100%)
Tan Sri Azlan Zainol (Non-Independent Non-Executive Director)	8/8 (100%)
Datuk Tan Kim Leong (Independent Non-Executive Director)	8/8 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	7/8 (88%)
YBhg Dato' Mohamed Khadar Merican ¹ (Independent Non-Executive Director)	N/A
Ismael Fariz Ali ² (Independent Non-Executive Director)	2/6 (33%)

Notes:-

- ¹ Appointed as Member on 1 December 2009 after which no meeting was held.
- ² Based on attendance prior to his resignation on 30 September 2009.

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

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

Corporate Governance Statement

Group Remuneration and Human Resource Committee

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

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

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

	Attendance at Meetings
Datuk Tan Kim Leong (Independent Non-Executive Director/Chairman)	8/8 (100%)
Tan Sri Azlan Zainol (Non-Independent Non-Executive Director)	8/8 (100%)
Datuk Haji Faisal Siraj (Independent Non-Executive Director)	8/8 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	7/8 (88%)
Dato' Mohamed Khadar Merican ¹ (Independent Non-Executive Director)	N/A
Ismael Fariz Ali ² (Independent Non-Executive Director)	2/6 (33%)

Notes:-

¹ Appointed as Member on 1 December 2009 after which no meeting was held.

² Based on attendance prior to his resignation on 30 September 2009.

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

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

- to oversee and review the scope and quality of human resource projects/programs of the Group; and

- to oversee the disciplinary procedures, regulations and preventive measures as well as to ensure implementation and adherence to the disciplinary procedures.

Group Risk Management Committee

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

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

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

	Attendance at Meetings
Haji Khairuddin Ahmad ¹ (Independent Non-Executive Director/Chairman)	13/13 (100%)
Patrick Chin Yoke Chung (Independent Non-Executive Director)	11/13 (85%)
Datuk Tan Kim Leong (Independent Non-Executive Director)	12/13 (92%)
Johari Abdul Muid ² (Non-Independent Non-Executive Director)	7/8*(88%)
Haji Md Ja'far Abdul Carrim ³ (Independent Non-Executive Director)	3/3* (100%)
Datin Sri Khamarzan Ahmed Meah ⁴ (Independent Non-Executive Director)	2/5* (40%)
Dato' Mohd Salleh Haji Harun ⁵ (Independent Non-Executive Director/Chairman)	11/11* (100%)

Notes:-

¹ Appointed as Chairman on 1 December 2009.

² Appointed as Member on 1 June 2009.

³ Appointed as Member on 29 September 2009.

⁴ Resigned as Member on 1 June 2009.

⁵ Resigned as Chairman and Member on 18 November 2009.

* Based on the number of meetings attended during the tenure of appointment in 2009.

Corporate Governance Statement

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

- to provide in-depth 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 Audit Committee

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

The Group Audit Committee meets regularly with the internal auditors. The Group Audit Committee together with the Senior Management of the respective companies in the Group meet with the external auditors in reviewing the Investment Bank'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 twenty-nine (29) Group Audit Committee meetings were held.

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

The composition of the Group Audit Committee and the attendance of the members thereof together with the terms of reference and activities of the Group Audit Committee during the financial year are set out in the Group Audit Committee Report at pages O26 to O30 of this Annual Report.

Group Credit Committee (formerly known as Central Loans Committee)

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

The Committee met thirty-two (32) times during the financial year 2009.

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

	Attendance at Meetings
Dato Abdullah Mat Noh (Independent Non-Executive Director/Chairman)	32/32 (100%)
Johari Abdul Muid (Non-Independent Non-Executive Director)	26/32 (81%)
Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	29/32 (91%)
Haji Khairuddin Ahmad (Independent Non-Executive Director)	32/32 (100%)

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

- to affirm, veto or impose additional conditions on credits/debts and equity underwriting (excluding applications from Recovery) for amounts above the defined thresholds of the Central Credit Committee;
- to ensure that credits and underwriting approved by Central Credit Committee adhere to the Group Credit Policy and the Underwriting Policy, Guidelines and Procedures of RHB Bank, RHB Bank (L) Ltd, RHB Investment Bank Bhd and RHB Islamic Bank Bhd; and
- to endorse all policy loans/financing and loans/financing required by Bank Negara Malaysia to be referred to the respective Boards for approval.

Corporate Governance Statement

Group Recovery Committee

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

The Committee met eleven (11) times during the financial year 2009.

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

	Attendance at Meetings
Haji Khairuddin Ahmad (Independent Non-Executive Director/Chairman)	11/11 (100%)
Tan Sri Azlan Zainol (Non-Independent Non-Executive Director)	11/11 (100%)
Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	11/11 (100%)
Dato Abdullah Mat Noh ¹ (Independent Non-Executive Director)	2/2 [^] (100%)
Ismael Fariz Ali ² (Independent Non-Executive Director)	2/8 [^] (25%)

Notes:-

¹ Appointed as Member on 1 December 2009.

² Resigned as Member on 30 September 2009.

[^] Based on attendance during the tenure of appointment in 2009.

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

- to affirm, veto or include additional conditions on credit applications under Non-Performing Loan (NPL)/Non-Performing Account (NPA) as well as all credit/renewal applications from Loan/Asset Recovery including for amounts above the defined thresholds of the central Credit Committee;
- to oversee the management of NPL/NPA as well as monitor the recovery of NPL/NPA to enhance the Committee's oversight of the loan/asset recovery functions;

- to oversee the performance of rescheduled and restructured accounts under NPL/NPA to minimise credit loss and maximise the recovery of such accounts;
- to endorse and recommend all write-offs to the respective Boards for approval; and
- to endorse all policy loans/financing and loans/financing required by BNM to be referred to the respective Boards for approval in relation to NPL/NPA.

Executive Committee

The Executive Committee ("EXCO") of the Investment Bank was established since 9 September 1974 and dissolved with effect from 1 May 2009 pursuant to the restructuring of the credit committees within RHB Banking Group.

Up to 1 May 2009, a total of eight (8) meetings were held.

The EXCO comprised the following Members and the details of attendance of each Member at the EXCO meetings held up to 1 May 2009 are as follows:-

	Attendance at Meetings
Dato' Abdullah Mat Noh (Independent Non-Executive Director/Chairman)	8/8 (100%)
Dato' Mohamed Khadar Merican (Independent Non-Executive Director)	7/8 (88%)
Akira Miyama (Non-Independent Non-Executive Director)	8/8 (100%)
Chay Wai Leong (Managing Director)	7/8 (88%)

Group Shariah Committee

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

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

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

DIRECTORS' REMUNERATION

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

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

i) Annual Fees

The NEDs are entitled to an annual Directors' fees. The annual Directors' fees are subject to shareholder's approval at the Annual General Meeting of the Investment Bank.

ii) Allowances

NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committee meetings. On top of that, NEDs who sit on Board Committees are entitled to receive annual Board Committee allowances which shall be paid on an annual basis at the end of each financial year.

iii) Benefits-in-kind

Benefits accorded to the Chairmen of the Group, consisting of the provision of a Company car, driver and petrol allowance.

The remuneration strategy for the MDs within the Group dictates that they be paid in a competitive manner through an integrated pay and benefits structure which rewards corporate and individual performance in line with contributions to the organisation. The 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 other salary, bonus and benefits-in-kind is solely derived from RHB Investment Bank.

Further details on Directors' remuneration are disclosed under Note 28 of the Notes to the Financial Statements in this Annual Report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

Corporate Governance Statement

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

The Group continues to place an emphasis on Corporate Responsibility (“CR”) by engaging itself in initiatives that cut across and provide sustainable benefits to the community at large.

Investor Relations

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

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

Formal briefings are held on quarterly basis to coincide with the release of the Group’s quarterly results to enable the Management to brief analysts and fund managers on the Group’s financial performance and to give them the opportunity to raise questions or seek clarification. Through these briefings, the Group has also managed to obtain valuable feedback from the investing community. RHB Banking Group’s Management also conducts regular meetings with fund managers and analysts to provide information and updates on the development of the Group on an ongoing basis. In 2009, the investor relation team met with over 100 analysts, fund managers and investors via formal briefings, face-to-face meetings and teleconferencing.

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board ensures that the shareholder is provided with a clear, balanced and meaningful assessment of the Investment Bank’s financial performance, position and its future prospect through the Annual Audited Financial Statements and quarterly reports.

A Responsibility Statement by the Board of Directors for the Annual Audited Financial Statements of the Investment Bank is set out on page O33 of this Annual Report.

Internal Control

An overview of the Investment Bank’s systems of internal control is contained in the Statement on Internal Control set out on pages O23 to O25 of this Annual Report.

Relationship with External Auditors

The Board maintains a formal and transparent professional relationship with the External Auditors via the Group Audit Committee. The role of the Group Audit Committee in relation to the External Auditors is disclosed in the Group Audit Committee Report set out on pages O26 to O30 of this Annual Report.

COMPLIANCE WITH THE CODE

The Board is satisfied that the Investment Bank has complied with the principles and best practices outlined in the Code as at 31 December 2009.

This Corporate Governance Statement was approved by the Board of Directors on 24 March 2010.

Statement on Internal Control

For the Financial Year ended 31 December 2009

INTRODUCTION

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

Although RHB Investment Bank Berhad (the "Investment Bank") is not a listed company, the Board has endeavoured to prepare its Internal Control Statement. Set out below is the Board's Statement on Internal Control, which has been prepared in accordance with the "Guidance for Directors of Public Listed Companies" issued by Bursa Malaysia Securities Berhad.

RESPONSIBILITY

The Board acknowledges its overall responsibilities in respect of the Investment Bank's system of internal controls and for reviewing the adequacy and integrity thereof. Such system covers not only financial controls but also controls relating to governance, operations, risk management, and compliance with applicable laws, regulations, rules, directives and guidelines.

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

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

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

KEY INTERNAL CONTROL PROCESSES

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

- **Risk Management Framework**

The risk management process seeks to identify, measure, monitor and control risk in ensuring that risk exposures are adequately managed and the expected returns compensate the risks taken particularly so in an industry where the risks it faces

continually change and evolve. This process is regularly reviewed by the Board through its Group Risk Management Committee to ensure proper management of risks and appropriate measures are taken to mitigate any identified weaknesses in the control environment.

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

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

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

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

Statement on Internal Control

For the Financial Year ended 31 December 2009

- **Internal Audit**

The Group Internal Audit performs regular reviews of the Investment Bank'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. The annual audit plan is reviewed and approved by the Group Audit Committee ("Group AC").

Results of the audits conducted by Group Internal Audit are reported to the Group AC while follow-up and review of the status of actions taken on the auditors' recommendations are carried out by the Management via the Management Audit Committee ("MAC") whose members comprise senior management. The minutes of meetings of MAC are tabled to the Group AC for notation.

The Group AC holds regular meetings to deliberate on findings and recommendations for improvement highlighted by both the internal and external auditors as well as regulatory authorities on the state of the Investment Bank's internal control system. The minutes of meetings of the Group AC are subsequently tabled to the Board for notation.

Further details of the activities undertaken by the Group AC are set out in the Group AC Report.

- **Compliance**

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

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

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

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

- **Board Committees**

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

- **Central Management Committee**

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

- **Authority Limits**

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

- **Internal Policies and Procedures**

Policies and procedures manuals for key processes are documented and regularly updated for application across the Group. These are supplemented by operating standards set by the individual entity, as required for the type of business or geographical location as the case may be.

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

- **Budgeting Process**

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

Statement on Internal Control

For the Financial Year ended 31 December 2009

- **Performance Review**

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

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

- **Human Resource Policies and Procedures**

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

- **Code of Ethics and Conduct**

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

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

- **Incident Management Framework**

To complement the Group's system of internal controls, there is a comprehensive incident reporting and incident management framework implemented to ensure proper escalation and management of incidents that had occurred as well as ensuring necessary steps are taken to effectively mitigate any potential risks that may arise. This enables decision makers to be kept abreast of the situation, to enable effective management of risk and informed decision making when confronted with such situation.

- **Suspicious Transaction Reporting and 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.

Group Audit Committee Report

For the Financial Year ended 31 December 2009

ACTIVITIES OF THE GROUP AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

Group Audit Committee (“Group AC”) - Composition And Attendance Of Meetings

The Group AC presently comprises five (5) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2009 (“year”), a total of 29 Group AC meetings were held and details of attendance of each member at the Group AC meetings held during the year are as follows:-

Composition of the Group AC	No. of Meetings Attended Whilst in Office
1. Ong Seng Pheow (Chairman / Independent Non-Executive Director)	29 out of 29 meetings
2. Dato' Mohd Salleh Haji Harun (Member / Independent Non-Executive Director) - Ceased as member on 18 November 2009	24 out of 26 meetings
3. Dato' Othman Jusoh (Member / Independent Non-Executive Director)	28 out of 29 meetings
4. Datuk Tan Kim Leong (Member / Independent Non-Executive Director)	27 out of 29 meetings
5. Patrick Chin Yoke Chung (Member / Independent Non-Executive Director)	27 out of 29 meetings
6. Tuan Haji Md Ja'far Abdul Carrim (Member / Independent Non-Executive Director) - Appointed as member on 29 September 2009	6 out of 6 meetings

On 29 September 2009, Tuan Haji Md Ja'far Abdul Carrim, an Independent Non-Executive Director, was appointed as a new member of the Group AC. Dato' Mohd Salleh Haji Harun, an Independent Non-Executive Director, ceased to be a member of the Group AC on 18 November 2009.

Group Audit Committee Report

For the Financial Year ended 31 December 2009

The main activities undertaken by the Group AC during the year are summarised as follows:-

- Reviewed the unaudited quarterly and half-year financial results and the annual audited financial statements of the Investment Bank and the Group prior to their approval by the Board. It also considered the accounting standards applicable in the preparation of the consolidated financial statements;
- Reviewed the related party transactions entered into by the Investment Bank 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 for discussion without the presence of the Management;
- Reviewed the non-audit services rendered by the external auditors and the related fees;
- Evaluated the performance of the external auditors and made recommendations to the Board for their appointment and audit fees;
- Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the identified auditable areas including staffing requirements;
- Reviewed the status of completion of the internal audit plan, the internal audit reports, audit recommendations made and Management's response to these recommendations as well as actions taken to improve the system of internal controls and procedures;
- Reviewed the inspection and examination reports issued by the regulatory authorities and the appropriate remedial actions taken in respect of any findings to satisfy itself that all matters highlighted in these reports have been adequately and promptly addressed by Management; and
- Tabled the minutes of each Group AC meeting to the Board for notation, and for further direction by the Board, where necessary.

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

(a) Banking and Finance

- Financial Institutions Directors Education Programme
- Islamic Markets Programme 2009 - Seizing opportunities while strengthening resilience

(b) Board and Corporate Governance

- Chief Executive Officer and Board Succession Planning
- Competitive Strategy versus Redundant Strategy Workshop for Board of Directors and Senior Management
- Anti-money laundering and counter financing of terrorism trends and typologies seminar

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 Group AC. Its primary role is to assist the Group AC to discharge its 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 Group AC approves the annual internal audit plan 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 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 Group AC.

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.

Group Audit Committee Report

For the Financial Year ended 31 December 2009

TERMS OF REFERENCE OF THE GROUP AUDIT COMMITTEE

Objectives

1. To provide independent oversight over the management of the financial reporting and internal control system and ensuring checks and balances for entities within RHB Banking Group (“the Group”), namely RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.
2. To review the financial condition and performance of the Group.
3. To assist the Boards of the respective entities in the discharge of their responsibilities by reviewing the effectiveness, adequacy and integrity of 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.
4. To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit activities.
5. To provide, by way of regular meetings, a line of communication between the respective Boards and the external auditors.
6. To provide emphasis on the internal audit function by ensuring the objectivity and independence of the internal auditors and provide a forum for discussion that is among others independent of the Management.
7. To review the quality of the audits conducted by the internal and external auditors.
8. To enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.
3. To review the effectiveness of internal controls and risk management processes, including the scope of the internal audit programme and the appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits.
4. To ensure that the reporting relationships of the internal audit staff do not impede the exercise of independent judgement by the internal auditors. In particular, the reports of internal auditors should not be subject to the clearance of the managing director / chief executive officer or any executive directors.
5. To ensure that all findings and recommendations are resolved effectively and in a timely manner.
6. To make appropriate public disclosure of the terms of reference and the activities of the Group AC in the respective licensed entities’ financial statements.
7. To review the respective entities’ quarterly results and year-end financial statements and to recommend the same to the respective Boards 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.
8. To review regularly the adequacy of provisions made and to recommend the same to the respective Boards for approval.
9. To review any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
10. To review with the external and internal auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.
11. To review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
12. To review and approve the internal audit plan, audit charter and the budget for the audit plan.
13. To ensure that internal audit staff receives necessary training to perform audit work. There shall be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.

Duties And Responsibilities

1. The Group AC is directly accountable to the Boards of the respective entities and the Boards will continue to be accountable for all matters relating to their respective entities.
2. To ensure that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives.

Group Audit Committee Report

For the Financial Year ended 31 December 2009

14. To appraise the performance of the head of internal audit and to review the appraisals of senior staff members of the internal audit function.
15. To approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary.
16. 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.
17. To recommend to the respective Boards on the appointment and the annual reappointment of the external auditors and assessing their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit.
18. To discuss and review with the external auditors any proposal from them to resign as auditors.
19. To investigate reasons for any request made by management to dismiss the external auditors, or any resignation by the external auditors. The results of the investigation shall be disclosed to the respective full Board together with the recommendations on proposed actions to be taken.
20. To review the non-audit services rendered by the external auditors together with the related fees and thereafter approving or recommending the same to the respective Boards for approval (whichever relevant), in accordance with the Group Policy on Non-Audit Fees payable to the external auditors.
21. To review the co-ordination of audit activities between the external and internal auditors.
22. To review the effectiveness of the infrastructure for ensuring Shariah compliance.
23. 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.
24. To review the following pertaining to RHB Insurance Berhad:-
 - (i) The Chairman's statement, interim financial reports and preliminary announcements;
 - (ii) Corporate governance disclosures made in the Directors' Report pursuant to the requirement in JPI/GPI25: Prudential Framework of Corporate Governance for Insurers; and
 - (iii) All representation letters signed by Management, and be satisfied that the information provided is complete and appropriate.
25. To ensure that RHB Insurance Berhad complies with Section 95 of the Insurance Act which requires the Company to publish its accounts within fourteen (14) days of the laying of its accounts at its annual general meeting.
26. To perform any other functions as authorised by the respective Boards.

Authority

1. The Chairman of the Group AC should engage on a continuous basis with senior management, such as the managing director / chief executive officer, the chief operating officer, the chief financial officer, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.
2. The Group AC is authorised by the respective Boards 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 Group AC.
3. The Group AC shall have direct communication channels with the external and internal auditors.
4. The Group AC is authorised by the respective Boards to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend meetings, if it considers this necessary.

Group Audit Committee Report

For the Financial Year ended 31 December 2009

Meetings

1. Meetings shall be held at least four (4) times a year and the frequency of meetings shall reflect the wider and increased responsibilities assumed. Meetings shall convene with a minimum quorum of two-thirds of the members and the majority of members present shall be independent non-executive directors.
2. The Group AC should not convene any meeting to discuss specific issues of a particular entity without the presence of the representative of the said entity.
3. The head of internal audit shall be in attendance at meetings of the Group AC. The Group AC 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.
4. At least twice a year, the Group AC 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 Group AC shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the respective Boards or shareholders.
5. The Company Secretary shall act as Secretary of the Group AC and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to Group AC members within a reasonable timeframe prior to each meeting.
6. The Company Secretary shall also be responsible for keeping the minutes of meetings of the Group AC, their timely circulation to Group AC members and other members of the Boards, and following up on outstanding matters in relation to the meetings.
7. The Chairman of the Group AC shall provide reports to the respective Boards on the deliberations of the Group AC on a regular basis. In addition, the Chairman shall also present summary of all significant matters (highlighting the risks and implications) and resolutions made by the Group AC at the Board meetings.
8. The minutes of each Group AC meeting shall be tabled to the respective Boards. Thereafter, a copy of the minutes of the Group AC meeting pertaining to RHB Investment Bank Berhad shall be submitted to Bursa Malaysia Securities Berhad within thirty (30) days from the date of the minutes having been adopted by the Board.

Membership

1. The membership of the Group AC, including the position of Chairman shall be approved by the respective Boards based on the recommendation made by the Group Nominating Committee.
2. The Group AC shall comprise at least three (3) members and there should be a fair representative on the Group AC, from each entity within the Group. All members of the Group AC should be non-executive directors with majority of whom are independent.
3. The Chairman of the Group AC shall be an independent non-executive director.
4. No Group AC member shall be employed in an executive position in the Group, or otherwise have a relationship which in the opinion of the respective Boards will interfere with the exercise of independent judgement in carrying out the functions of the Group AC. In addition, members of the Group AC shall not be directly responsible for, or part of any committee involved in, the management functions within the Group.
5. No alternate director shall be appointed as a member of the Group AC.
6. Disclosure of customers' information to the members of the Group AC to be strictly on need to know basis and the members are to provide undertaking to preserve the confidentiality of the customers' information.
7. Collectively, the Group AC shall have a wide range of necessary skills to undertake its duties and responsibilities and are expected to be familiar with the areas included in the scope of internal audit, including the area of risk management.
8. All members of the Group AC shall be financially literate and at least one member shall be a member of an accounting association or body.
9. Details of the activities of Group AC, the number of audit meetings held in a year, details of attendance of each member in respect of meetings, and the details of relevant training attended by each member should be documented in an informative way.
10. The term of office and performance of the Group AC and each of its members must be reviewed by the respective Boards at least once every two (2) years.
11. If a member of the Group AC 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 respective 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.

Services

I. CORPORATE AND INVESTMENT BANKING SERVICES

Corporate and Investment Banking Services (CIBS) provides advice on corporate strategy covering corporate restructuring, initial public offerings, mergers and acquisitions and structuring and distribution of both equity and debt instruments. Services provided include advising and structuring of bilateral lending, project financing, loans syndication and infrastructure financing. Their dedicated relationship managers with expertise across all industries act as a liaison between clients and the relevant business units, enabling them to come up with integrated solutions for clients. The CIBS team is supported by the following product specialist teams.

DEBT CAPITAL MARKETS

Debt Capital Markets (DCM) is a major player in the Malaysian debt markets, having undertaken a number of landmark transactions noted by the market for innovation and creativity. The department offers both advisory and fund raising services for clients seeking debt financing, including structuring and issuance of private debt securities, both conventional and Islamic.

EQUITY CAPITAL MARKETS

Equity Capital Markets (ECM) is a leading participant in the primary and secondary markets for equity and equity-linked products. ECM provides support in the origination and structuring of equity transactions such as initial public offerings, rights issues and private placements. ECM also manages syndication, marketing, and distribution of products through a quality network of institutional, corporate and private clients.

CORPORATE FINANCE

Corporate Finance delivers advisory services and transactional execution expertise to its client base across a range of product areas. This includes corporate and debt restructuring, mergers and acquisitions (M&A), takeovers, stock exchange listings, public offerings of equity and debt instruments, private placements, underwriting and valuation of securities.

EQUITIES BROKING

Equities Broking offers facilities for share trading in the local stock market and in other markets such as Singapore, Thailand, Australia, UK, US as well as Hong Kong. We also provide access to the local market by electronic means for both retail and institutional clients. In this way clients have full control of their orders as they will be able to key in their orders directly into the market. To complement these activities, we also provide share margin financing as well as custodian and nominees services.

FUTURES BROKING

Futures Broking provides products and services offered by Bursa Malaysia Derivatives Berhad such as KLCI Futures Index, KLCI Options Index, Crude Palm Oil Futures, FKB3 contracts and FMGS bonds futures contracts. Through its dual license holders, clients may also hedge their investments in the equity market.

Services

ACQUISITION AND LEVERAGE FINANCING

Acquisition and Leverage Financing in close liaison with CIBS and RHB Banking Group, offers a wide range of customised financing solutions for investment banking activities. These include structured acquisition and leverage financing, bridging for corporate fund raising exercises, loan syndication and cross-border financing deals.

II. TREASURY

Treasury provides services to a wide range of clients with diverse needs, comprising government agencies, pension funds, mutual funds, insurance companies, corporations and inter-bank parties. These include market information dissemination, deposit-taking services, custodian services and provision of investment options.

Treasury is also involved in the proprietary trading of various financial products that include short-term money market instruments, long term securities and foreign exchange and derivatives products. It is supported by a well-established distribution network.

III. RESEARCH

Research helps investors make informed decisions by providing comprehensive economic, equity and debt market research. The team of researchers will analyse investor implications with an outlook for the economy, industry and market conditions. Research also provides financial analysis and business prospects on a broad range of listed companies on Bursa Malaysia. Clients also benefit from research, valuations and credit opinions of companies relating to potential corporate deals for CIBS.

IV. INVESTMENT MANAGEMENT

Investment Management has the expertise and skill in managing a full range of investment instruments customized according to client risk profile, including conventional and Shariah compliant instruments. The investments and mandates managed include equity, fixed income, hybrid structures, structured deposits, cash management, investment-linked and unit trust products. It also distributes a full array of domestic and global unit trust funds, encompassing conventional and Shariah compliant funds. Other investment services include investment advisory, product manufacturing, portfolio restructuring and managing sinking funds.

V. PRIVATE EQUITY

Private Equity provides capital for high growth potential companies across the region with an aim to propel them to the next level of maturity. The sector preference includes technology, consumer staples, healthcare, industrials, basic materials and energy. Private Equity selects potential investees based on macro outlook and also detailed financial and business analysis. The transaction is structured through a negotiated process with the potential investees.

Responsibility Statement by the Board of Directors

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with Financial Reporting Standards ('FRS'), the Malaysian Accounting Standards Board approved accounting standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and of the Bank present a true and fair view of the state of affairs of the Group and of the Bank as of the end of the financial year and the results and cash flows for the financial year ended 31 December 2009.

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

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

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 135 of the Audited Statutory Financial Statements.



STATUTORY FINANCIAL STATEMENTS

- 035** Directors' Report
- 050** Balance Sheets
- 051** Income Statements
- 052** Statements of Changes in Equity
- 054** Cash Flow Statements
- 056** Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions
- 071** Notes to the Financial Statements
- 135** Statement by Directors
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Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activities of the Bank include merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and option contracts.

The Group is involved in merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and options contracts, investment management services including the management of unit trust funds, research services and provision of nominee services.

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

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	153,013	150,723
Taxation	(39,770)	(39,145)
Net profit for the financial year	113,243	111,578

DIVIDENDS

The dividends paid by the Bank since 31 December 2008 was as follows:

	RM'000
In respect of the financial year ended 31 December 2008:	
Final dividend of 30.60% less 25% income tax paid on 25 June 2009	60,507

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year of 55.60% less 25% income tax amounting to RM109,940,382 and a special final dividend of 38.40% less 25% income tax amounting to RM75,930,048 will be proposed for shareholder's approval. These financial statements do not reflect the final and special final dividends which will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2010 when approved by the shareholder.

ISSUE OF SHARES

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

Directors' Report

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Bank were made out, the directors took reasonable steps to ascertain that proper actions have been taken in relation to the writing off of bad debts and the making of allowance for non-performing debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for non-performing debts.

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

CURRENT ASSETS

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and the Bank, 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 Bank 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 and the Bank for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 41 to the financial statements.

DIRECTORS OF THE BANK

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

Dato Abdullah Mat Noh (Chairman)

Tan Sri Azlan Zainol

Arul Kanda Kandasamy

(appointed on 20 July 2009)

Dato' Mohamed Khadar Merican

Akira Miyama

Lew Foon Keong

Patrick Chin Yoke Chung

Datuk Tan Kim Leong

Chay Wai Leong (Managing Director)

Datin Sri Khamarzan Ahmed Meah

(resigned on 9 June 2009)

Pursuant to Article 93 of the Bank's Articles of Association, Akira Miyama, Lew Foon Keong and Patrick Chin Yoke Chung retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Article 97 of the Bank's Articles of Association, Arul Kanda Kandasamy retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129 of the Companies Act 1965, Datuk Tan Kim Leong retires at the forthcoming Annual General Meeting of the Bank and does not wish to offer himself for re-election.

Directors' Report

DIRECTORS OF THE BANK (CONTINUED)

Directors' Interests in Securities

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

	As at 1.1.2009/ Date of appointment	Number of ordinary shares of RM1.00 each		As at 31.12.2009
		Bought	Sold	
Immediate Holding Company				
RHB Capital Berhad				
Dato' Mohamed Khadar Merican				
- Direct	59,770	-	-	59,770
Arul Kanda Kandasamy				
- Direct	12,000	-	-	12,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 28 to the financial statements) by reason of a contract made by the Bank 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 Bank or its subsidiaries is a party, being arrangements with the object or objects of enabling the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of Directors ('Board') of RHB Investment Bank Berhad ('RHB Investment Bank' or 'the Investment Bank') continuously supports the institution of relevant framework and designs in upholding the principles and best practices of corporate governance.

We set out below the abridged Corporate Governance Statement as required under Bank Negara Malaysia's ('BNM') requirements. The full version of the Corporate Governance Statement will be included in the Annual Report.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)**(A) Board of Directors****Composition of the Board**

The Board currently has nine (9) members, comprising an Independent Non-Executive Chairman, three (3) Non-Independent Non-Executive Directors, four (4) Independent Non-Executive Directors and a Managing Director, details of which are as follows:

Name of Director	Designation
Dato Abdullah Mat Noh	Independent Non-Executive Chairman
Tan Sri Azlan Zainol	Non-Independent Non-Executive Director
Arul Kanda Kandasamy	Non-Independent Non-Executive Director
Dato' Mohamed Khadar Merican	Independent Non-Executive Director
Lew Foon Keong	Independent Non-Executive Director
Akira Miyama	Non-Independent Non-Executive Director
Patrick Chin Yoke Chung	Independent Non-Executive Director
Datuk Tan Kim Leong	Independent Non-Executive Director
Chay Wai Leong	Managing Director

Datin Sri Khamarzan Ahmed Meah resigned as an Independent Non-Executive Director on 9 June 2009.

Arul Kanda Kandasamy was appointed as a Non-Independent Non-Executive Director on 20 July 2009.

Duties and responsibilities of the Board

The Board's core responsibilities include among others, the review and approval of the Group's strategic directions, fundamental policies, monitoring financial performance and overseeing as well as evaluating the performance of the Management. In discharging its responsibilities, the Board always ensure that best practices in corporate governance are subscribed to and ethical standards are upheld. Realising that the business is not only responsible to its shareholders but also to its stakeholders, the Board continuously review its corporate responsibility initiatives in ensuring positive social impact as well as long term sustainability and growth.

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

Pursuant to the transformation exercise undertaken by the RHB Banking Group in November 2007, the MD of the Investment Bank is also recognised as the Head of Corporate & Investment Banking and is a member of the RHB Banking Group's Central Management Committee ("CMC") which comprises of key management personnel of the Group. The objectives of the CMC, among others, are as follows:

- to provide strategic guidance to the Strategic Business Group and Strategic Functional Group;
- to recommend to the Board of the holding company and other entities within the Group in respect of the implementation of key strategic business plans and policies; and
- to assist the Board of the holding company and other entities in reviewing performances and business efficiencies of the Group.

The CMC is governed by its own terms of reference.

Directors' Report

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) Board of Directors (Continued)

Board Meetings

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

The Board is provided with the meeting papers in advance of meetings to enable it to request for clarifications from the Management on issues at hand, if required, and formulate opinion on matters to be deliberated at the meetings. In line with the best practices, the Management will deliver Board materials/papers to Board Members at least seven (7) days prior to the scheduled Board Meeting dates. At each Meeting, the Board receives updates from the respective Chairman/representatives of the Group Audit Committee and Group Risk Management Committee on matters that have been deliberated at both committees as well as on matters that require immediate attention. The Board also receives regular management reports and information on corporate and business issues to enable reviews of performance against business targets and objectives.

Each member of the Board is required to apply independent judgement to their decision making. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions in accordance with the Investment Bank's Articles of Association.

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

The Board convened thirteen (13) meetings for the financial year ended 31 December 2009. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings are set out below:

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
Dato Abdullah Mat Noh	13/13	100
Tan Sri Azlan Zainol	13/13	100
Arul Kanda Kandasamy ^{(1)*}	6/6	100
Dato' Mohamed Khadar Merican	13/13	100
Lew Foon Keong	11/13	85
Akira Miyama	13/13	100
Patrick Chin Yoke Chung	12/13	92
Datuk Tan Kim Leong	12/13	92
Chay Wai Leong (MD)	13/13	100
Previous Member:		
Datin Sri Khamarzan Ahmed Meah ^{(2)#}	2/6	33

Notes:-

⁽¹⁾ Appointed on 20 July 2009

⁽²⁾ Resigned on 9 June 2009

* Based on the number of meetings attended since his appointment in 2009

Based on the number of meetings attended during her tenure of appointment in 2009

Pursuant to the Revised BNM/GP1, individual directors must attend at least 75% of the board meetings held in each financial year. For the year under review, all Directors complied with the attendance requirement as stipulated by BNM.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) Board of Directors (Continued)

Board Committees

Group Audit Committee

The Board has established an Audit Committee ('AC') since 23 June 1997. On 1 July 2008, the Group Audit Committee ('Group AC') was formally established at RHB Bank Berhad ('RHB Bank') to undertake the roles and responsibilities of the ACs within the RHB Banking Group. Accordingly, the AC of RHB Investment Bank was dissolved on the same date.

Currently, the Group AC comprises five (5) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2009, a total of twenty-nine (29) meetings were held and the details of attendance of each member at the Group AC Meetings held during the financial year ended 31 December 2009 are as follows:

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
Ong Seng Pheow (Chairman)	29/29	100
Dato' Othman Jusoh	28/29	97
Patrick Chin Yoke Chung	27/29	93
Datuk Tan Kim Leong	27/29	93
Haji Md Ja'far Abdul Carrim ^{(1)*}	6/6	100
Previous Member:		
Dato' Mohd Salleh Haji Harun ^{(2)#}	24/26	92

Notes:-

⁽¹⁾ Appointed on 29 September 2009

⁽²⁾ Resigned on 18 November 2009

* Based on the number of meetings attended since his appointment as a member of Group AC in 2009

Based on the number of meetings attended during his tenure of appointment in 2009

The Group AC meets regularly to provide independent oversight over the management of the financial reporting and internal control system and ensure checks and balances for the relevant entities within RHB Banking Group. The Management, Head of Central Finance, group internal auditors as well as the external auditors are invited to these meetings as and when necessary.

To ensure the independence and objectivity of the external auditors, the Group AC meets with the external auditors without the presence of the Management at least twice a year.

Directors' Report

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) Board of Directors (Continued)

Group Nominating Committee

The Board has established the Nomination Committee on 7 May 2003 and was renamed as Nominating Committee ('NC') on 31 July 2003. On 1 January 2008, the Group Nominating Committee ('Group NC') was formally established at RHB Capital Berhad ('RHB Capital') to undertake the roles and responsibilities of the NCs within the RHB Banking Group. Accordingly, the NC of RHB Investment Bank was dissolved on the same date.

The Group NC presently comprises three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, and two (2) Non-Independent Non-Executive Directors. During the financial year ended 31 December 2009, a total of eight (8) meetings were held and the details of attendance of each member at the Group NC Meetings held during the financial year ended 31 December 2009 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Datuk Haji Faisal Siraj (Chairman)	8/8	100
Tan Sri Azlan Zainol	8/8	100
Datuk Tan Kim Leong	8/8	100
Johari Abdul Muid	7/8	88
Dato' Mohamed Khadar Merican ^{(1)*}	-	-
Previous Member:		
Ismael Fariz Ali ^{(2)#}	2/6	33

Notes:-

⁽¹⁾ Appointed on 1 December 2009

⁽²⁾ Resigned on 30 September 2009

* Based on the number of meetings attended since his appointment as a member of Group NC in 2009

Based on the number of meetings attended during his tenure of appointment in 2009

Apart from identifying and selecting candidates for new appointments, the Group NC is also responsible for assessing the effectiveness of individual Directors, Board as a whole and the various committees of the Board, Group Shariah Committee members, chief executive officers and key senior management officers of the relevant companies in the Group. The Group NC reviews annually the required mix of skills, experience and other qualities including core competencies which directors should bring to the Board and which the Board requires for it to function efficiently and effectively.

As a tool in assisting the Group NC in its yearly assessment on the effectiveness of an individual director within the Group, the Investment Bank and its major operating subsidiaries have adopted the Board Effectiveness Evaluation methodology for its Board, Board Committees and the individual directors, in line with the Corporate Governance Standards.

The Company Secretary complements the functions of the Group NC by ensuring all regulatory requirements are strictly adhered to and all relevant records and returns are updated regularly.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) Board of Directors (Continued)

Group Remuneration and Human Resource Committee

The Board has established the Human Resource Committee on 31 October 2001 and was renamed as the Remuneration and Human Resource Committee ('RHRC') on 31 July 2003. On 1 January 2008, the Group Remuneration and Human Resource Committee ('Group RHRC') has also been established at RHB Capital to undertake the roles and responsibilities of the RHRCs within the RHB Banking Group. Arising therefrom, the RHRC of RHB Investment Bank was dissolved.

The Group RHRC presently comprises three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, and two (2) Non-Independent Non-Executive Directors. During the financial year ended 31 December 2009, a total of eight (8) meetings were held and the details of attendance of each member at the Group RHRC Meetings held during the financial year ended 31 December 2009 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Datuk Tan Kim Leong (Chairman)	8/8	100
Tan Sri Azlan Zainol	8/8	100
Datuk Haji Faisal Siraj	8/8	100
Johari Abdul Muid	7/8	88
Dato' Mohamed Khadar Merican ^{(1)*}	-	-
Previous Member:		
Ismael Fariz Ali ^{(2)#}	2/6	33

Notes:

⁽¹⁾ Appointed on 1 December 2009

⁽²⁾ Resigned on 30 September 2009

* Based on the number of meetings attended since his appointment as a member of Group RHRC in 2009

Based on the number of meetings attended during his tenure of appointment in 2009

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

Directors' Report

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) Board of Directors (Continued)

Group Risk Management Committee

The Board has established the Group Risk Management Committee ('GRMC') since 20 December 2001. The Group Risk Management Committee ('Group RMC') for RHB Capital Group was established at RHB Capital effective 1 November 2007. Accordingly, the GRMC of the Investment Bank was dissolved on the same date.

The Group RMC presently comprises four (4) Independent Non-Executive Directors of whom one (1) is the Chairman and one (1) Non-Independent Non-Executive Director. During the financial year ended 31 December 2009, a total of thirteen (13) meetings were held and the details of attendance of each member at the Group RMC Meetings held during the financial year ended 31 December 2009 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Haji Khairuddin Ahmad (Chairman) ⁽¹⁾	13/13	100
Patrick Chin Yoke Chung	11/13	85
Datuk Tan Kim Leong	12/13	92
Johari Abdul Muid ^{(2)*}	7/8	88
Haji Md Ja'far Abdul Carrim ^{(3)*}	3/3	100
Previous Member:		
Dato' Mohd Salleh Haji Harun (Chairman) ^{(4)#}	11/11	100
Datin Sri Khamarzan Ahmed Meah ^{(5)#}	2/5	40

Notes:-

(1) Appointed as the Chairman on 1 December 2009

(2) Appointed on 1 June 2009

(3) Appointed on 29 September 2009

(4) Resigned as the Chairman and Member on 18 November 2009

(5) Resigned on 1 June 2009

* Based on the number of meetings attended since his appointment as a member of Group RMC in 2009

Based on the number of meetings attended during his/her tenure of appointment in 2009

The Group RMC provides in-depth governance of risks for each of the key operating subsidiaries as formerly discharged by the individual RMCs i.e. RHB Capital Berhad ('RHB Capital'), RHB Bank, RHB Investment Bank, RHB Islamic Bank Berhad and RHB Insurance Berhad.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) Board of Directors (Continued)

Group Credit Committee (formerly known as Central Loans Committee)

The Board has adopted the Central Loans Committee ('CLC') which was established at RHB Bank in June 2007 to reflect its functions of affirming, imposing additional covenants or vetoing credits of RHB Banking Group which were duly approved by the Central Credit Committee. The CLC was subsequently renamed to Group Credit Committee ("GCC") on 1 May 2009.

Currently, the GCC comprises three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, and a Non-Independent Non-Executive Director. During the financial year ended 31 December 2009, a total of thirty-two (32) meetings were held and the details of attendance of each member at the GCC Meetings held during the financial year ended 31 December 2009 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Dato Abdullah Mat Noh (Chairman)	32/32	100
Johari Abdul Muid	26/32	81
Dato' Mohamed Khadar Merican	29/32	91
Haji Khairuddin Ahmad	32/32	100

Group Recovery Committee

The Board has established the Group Recovery Committee ('GRC') since 1 May 2009. The GRC's main functions are to oversee the management of non-performing loans/non-performing accounts (NPL/NPA) and high risk accounts of RHB Banking Group as well as affirming, imposing additional covenants or vetoing credits under NPL/NPA from Loan/Asset Recovery for amounts above the defined thresholds of the Central Credit Committee.

Currently the GRC comprises three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, and a Non-Independent Non-Executive Director. During the period from 1 May 2009 to 31 December 2009, a total of eleven (11) meetings were held and the details of attendance of each member at the GRC Meetings held during the financial year ended 31 December 2009 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Haji Khairuddin Ahmad (Chairman)	11/11	100
Tan Sri Azlan Zainol	11/11	100
Dato' Mohamed Khadar Merican	11/11	100
Dato Abdullah Mat Noh ^{(1)*}	2/2	100

Previous Member:

Ismael Fariz Ali ^{(2)#}	2/8	25
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Notes:-

⁽¹⁾ Appointed on 1 December 2009

⁽²⁾ Resigned on 30 September 2009

* Based on the number of meetings attended since his appointment as a member of GRC in 2009

Based on the number of meetings attended during his tenure of appointment in 2009

Directors' Report

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) Board of Directors (Continued)

Executive Committee

The Executive Committee ('EXCO') of the Investment Bank was established by the Board since 9 September 1974. The EXCO was dissolved with effect from 1 May 2009 pursuant to the restructuring of the credit committees within the RHB Banking Group.

Up to 1 May 2009, a total of eight (8) EXCO Meetings were held. The EXCO comprised the following members and details of attendance of each member at the EXCO Meetings held up to 1 May 2009 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Dato Abdullah Mat Noh (Chairman)	8/8	100
Dato' Mohamed Khadar Merican	7/8	88
Akira Miyama	8/8	100
Chay Wai Leong	7/8	88

Apart from the above Group Board Committees, the Investment Bank also utilise the functions of a centralised IT Steering Committee known as the Group IT Steering Committee residing at RHB Bank. The members of the Group IT Steering Committee comprise directors and management of the RHB Banking Group.

(B) Risk Management Framework

The RHB Banking Group (the Group) has in place a Group Risk Management Framework which governs the management of various types of risks in the banking group. The Framework operates on two interlocking layers. Firstly, it provides a holistic overview of the risk and control environment with the risk management going towards risk mitigation and protection against losses which may occur through, principally, the failure of effective checks and balances in the organisation, as well as deficiencies in risk management culture. Secondly, it sets out the strategic progression of risk management towards becoming a value creation enterprise. This is effected through building up capabilities and infrastructure in risk management sophistication, and using the improvement in risk quantification to optimise risk-adjusted (or economic) returns.

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

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

The Board of Directors (the Board) ensures that an effective risk management strategy is in place and uniformly understood across the Bank. The structured framework supports the Board's oversight responsibilities. Risk management processes are a collective responsibility and cooperation of business and functional units, risk management functions, top management and the Board.

The business and functional units have a clear segregation of duties with sufficient check and balance to ensure that business processes are functioning effectively. There is appropriate accountability delegated to the appropriate authority to execute their respective authorities in meeting the business strategies without compromising the risk management strategies.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(B) Risk Management Framework (Continued)

In addition, the Group's Asset and Liabilities Committee ('ALCO') performs a critical role in the management of assets and liabilities. The ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of asset and liabilities. Global and domestic economic data, information and events are synthesized at the ALCO which enables the Banking Group to determine its actions and reactions in the capital markets.

For effective control of operations, defined management action triggers and risk limits are established and actively monitored. Breaches of limits are not allowed. Should exposures or transactions set off pre-established triggers, management will deliberate and determine on course of actions required (whether remedial or otherwise) on a timely basis. Triggers and limits are determined based on the Bank's risk appetite and is advised by appropriate risk measures and attendant stress testing exercises.

The financial risk management objectives and policies of the Bank are set out in Note 39 to the Financial Statements.

(C) Internal Audit And Internal Control Activities

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

The Group Internal Auditors perform regular reviews of the Bank's operational processes and system of internal controls. Auditable units of priority and frequency of review are determined by adopting a risk-based approach, and the annual internal audit plan is reviewed and approved by the Group Audit Committee. Results of the audits conducted by the Group Internal Auditors are reported to the Group Audit Committee while follow-up and review of the status of actions taken on the auditors' recommendations are carried out by the Management via the Management Audit Committee which comprises senior management. The minutes of the Management Audit Committee meetings are tabled to the Group Audit Committee for notation.

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

In addition to audit assignments, the Group Internal Audit is invited to participate on a consultative basis in the development of new products and systems, and information technology related initiatives as well as in the review of operational manuals and guidelines.

(D) Management Reports

Annual business plans and financial budgets are prepared by the Bank's strategic business group and operating subsidiaries and are reviewed and approved by the Board. The performance of business group and operating subsidiaries are assessed and monitored against the approved budget and any significant variances are explained to the Board.

The Board also receives and reviews monthly financial accounts, financial information reports and monthly progress reports from management on a regular basis. In addition, matters such as key business strategies and business plans, major capital expenditure, material contracts, new operational guidelines and new policies and guidelines are approved by the Board prior to it being implemented. Furthermore, minutes of meeting of various Board Committees of the Bank and changes on regulatory requirements, are also tabled for the Board's notation.

Directors' Report

IMMEDIATE AND ULTIMATE HOLDING COMPANY/BODY

The directors regard RHB Capital Berhad, a company incorporated in Malaysia and the Employees Provident Fund Board ('EPF), a statutory body established in Malaysia, as the immediate holding company and ultimate holding body respectively.

BUSINESS PLAN AND STRATEGY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 AND OUTLOOK FOR 2010

RHB Investment Bank maintained its market position as one of the leading investment banks in Malaysia in 2009.

In the equity capital markets, RHB Investment Bank was in a unique position of being the only investment bank involved in all the multi-billion equity deals announced in 2009 in Malaysia – namely, Axiata Group Berhad's RM5.25 billion Rights Issue, Malayan Banking Berhad's RM6.02 billion Rights Issue, Maxis Berhad's RM11.2 billion IPO, MISC Berhad's RM5.2 billion Rights Issue and Malaysian Airlines Berhad's RM2.7 billion Rights Issue. Our participation in these deals helped to further reinforce our position as a leading player in equity capital markets in Malaysia.

In the debt capital markets, RHB Investment Bank remained as the market leader in attracting foreign and local issuers to the Ringgit bond market after a successful track record in 2008. Some of the major debt deals done in 2009 include those for Hana Bank of Korea (Sole Arranger for RM1 billion raised), Public Bank Group (RM1.2 billion) and Genting Group (RM1.45 billion).

RHB Investment Bank also played a key role in several cross-border mergers and acquisitions (M&A) transactions last year. The most notable is the acquisition of Indonesia's Bank Mestika Dharma by RHB Capital Berhad for RM1.1 billion. The acquisition marked a strategic milestone in the RHB Banking Group's regional expansion strategy. Other cross-border deals that RHB Investment Bank has advised are Carlsberg Brewery Malaysia's acquisitions of the entire equity interest in Carlsberg Singapore Pte Ltd (which won The Edge's "Best M&A Deal of the Year 2009") and Rubberex Corporation (M) Berhad's acquisition of the remaining 40% equity interest in Pioneer Vantage Ltd and Lifestyle Investment (Hong Kong) Ltd and a 20% equity interest in Rubberex (Hong Kong) Ltd.

Our league table positions showed our strengthening market position. We ended the year ranked 1st on the Bloomberg rights issues league table (from 9th in 2008) and ranked 3rd on Bloomberg league tables for – M&A (7th in 2008), Ringgit bond market (4th in 2008) and equity capital markets (also 3rd in 2008).

RHB Investment Bank's performance was also recognized by the number of awards won during the year given by leading foreign financial magazines. Most notably, we were accorded the coveted "Best Local Brokerage House in Malaysia 1990 – 2008" by Asiamoney's Brokers Poll of Polls, "Best Equity House in Malaysia 2009" by FinanceAsia and the "Capital Markets Deal of the Year 2009" award by IFR Asia for Maxis Berhad's re-listing.

The market continues to value the research views and recommendations provided by our subsidiary, RHB Research Institute Sdn Bhd. Last year, our research team won 4 major awards by The Edge Malaysia including 1st placing for the distinguished "Best Strategist" and "Best Technical Analyst" awards as well as Best Sector calls for Banking & Finance and Oil & Gas.

For 2010, we expect the momentum of capital markets activities to continue as the Malaysian economy recovers in line with the global economic recovery. Whilst competition is expected to remain intense, we envisage that our strong pipeline of deals and execution capabilities will enable us to maintain our position as a leading player in the capital markets in 2010.

RATINGS BY AGENCY

On November 2009, RAM Rating Services Berhad ('RAM') has upgraded the Bank's long term financial institution rating from A2 to AA2, while the short term financial institution rating of P1 has been reaffirmed.

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.

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.

For long-term financial institution ratings, RAM applies subscripts 1, 2 or 3 in each rating category from AA to C. The subscript 1 indicates that the financial institution 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.

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 ABDULLAH MAT NOH
CHAIRMAN

Kuala Lumpur
1 March 2010

CHAY WAI LEONG
MANAGING DIRECTOR

Balance Sheets

As at 31 December 2009

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Assets					
Cash and short term funds	2	1,449,186	1,354,445	1,409,767	1,317,411
Deposits and placements with banks and other financial institutions	3	360,120	120	360,120	120
Securities held-for-trading	4	677,852	2,655,100	675,493	2,651,634
Securities available-for-sale	5	2,449,706	1,522,877	2,448,485	1,520,445
Securities held-to-maturity	6	206,241	222,653	206,241	222,653
Loans and advances	7	60,158	468,244	60,158	468,244
Clients' and brokers' balances	8	249,667	175,303	249,667	175,303
Other assets	9	64,880	67,575	55,409	58,611
Derivative assets	10	25,870	50,538	25,870	50,538
Tax recoverable		1,102	24,625	168	25,103
Deferred tax assets	11	5,974	54	5,466	-
Statutory deposit with Bank Negara Malaysia	12	27,291	58,236	27,291	58,236
Investments in subsidiaries	13	-	-	58,270	58,270
Investment in a joint venture	14	25,976	26,349	27,399	27,399
Property, plant and equipment	15	12,763	11,197	10,857	9,090
Goodwill	16	172,844	172,844	159,280	159,280
Total Assets		5,789,630	6,810,160	5,779,941	6,802,337
Liabilities And Equity					
Deposits from customers	17	3,219,748	3,106,487	3,219,748	3,106,487
Deposits and placements of banks and other financial institutions	18	1,085,570	2,318,958	1,085,570	2,318,958
Clients' and brokers' balances	19	401,857	289,053	401,857	289,053
Other liabilities	20	58,289	68,698	50,322	60,157
Derivative liabilities	10	34,764	62,291	34,764	62,291
Taxation		1,916	14	-	-
Deferred tax liabilities	11	-	1,559	-	1,367
Subordinated obligations	21	245,000	245,000	245,000	245,000
Total Liabilities		5,047,144	6,092,060	5,037,261	6,083,313
Share capital	22	263,646	263,646	263,646	263,646
Reserves	23	478,840	454,454	479,034	455,378
Total Equity		742,486	718,100	742,680	719,024
Total Liabilities and Equity		5,789,630	6,810,160	5,779,941	6,802,337
Commitments and Contingencies	35	3,188,262	4,583,319	3,188,262	4,583,319

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

Income Statements

For the Financial Year Ended 31 December 2009

	Note	2009 RM'000	Group 2008 RM'000	2009 RM'000	Bank 2008 RM'000
Interest income	24	251,496	299,535	250,870	298,751
Interest expense	25	(148,175)	(226,809)	(148,175)	(226,809)
Net interest income		103,321	72,726	102,695	71,942
Other operating income	26	183,701	174,957	155,867	149,927
		287,022	247,683	258,562	221,869
Other operating expenses	27	(136,325)	(152,998)	(110,903)	(125,376)
Operating profit before allowances		150,697	94,685	147,659	96,493
Write-back on allowances for losses on loans and other losses	29	9,311	39,216	9,311	39,216
Impairment loss	30	(7,415)	-	(6,247)	-
		152,593	133,901	150,723	135,709
Share of results of a joint venture	14	420	(63)	-	-
Profit before taxation		153,013	133,838	150,723	135,709
Taxation	31	(39,770)	(36,596)	(39,145)	(36,053)
Net profit for the financial year		113,243	97,242	111,578	99,656
Earnings per share (sen)					
- basic	32	43.0	34.4	42.3	35.2

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

Statements of Changes in Equity

For the Financial Year Ended 31 December 2009

	Note	← Attributable to equity holders of the Bank →				Retained profits RM'000	Total RM'000
		Share capital RM'000	Statutory reserve RM'000	AFS revaluation reserve RM'000	Translation reserve RM'000		
Group							
Balance as at 1 January 2009		263,646	278,549	7,731	(1,542)	169,716	718,100
Currency translation differences		-	-	-	(935)	-	(935)
Unrealised net loss on revaluation of AFS securities		-	-	(22,526)	-	-	(22,526)
Net transfer to income statement on disposal or impairment of AFS securities		-	-	(14,027)	-	-	(14,027)
Deferred tax		-	-	9,138	-	-	9,138
Income and expenses recognised directly in equity		-	-	(27,415)	(935)	-	(28,350)
Net profit for the financial year		-	-	-	-	113,243	113,243
Total recognised income and expenses for the financial year		-	-	(27,415)	(935)	113,243	84,893
Ordinary dividend	33	-	-	-	-	(60,507)	(60,507)
Balance as at 31 December 2009		263,646	278,549	(19,684)	(2,477)	222,452	742,486
Balance as at 1 January 2008		338,646	278,549	8,113	(1,092)	72,474	696,690
Currency translation differences		-	-	-	(450)	-	(450)
Unrealised net gain on revaluation of AFS securities		-	-	8,183	-	-	8,183
Net transfer to income statement on disposal or impairment of AFS securities		-	-	(8,838)	-	-	(8,838)
Deferred tax		-	-	273	-	-	273
Income and expenses recognised directly in equity		-	-	(382)	(450)	-	(832)
Net profit for the financial year		-	-	-	-	97,242	97,242
Total recognised income and expenses for the financial year		-	-	(382)	(450)	97,242	96,410
Capital repayment		(75,000)	-	-	-	-	(75,000)
Balance as at 31 December 2008		263,646	278,549	7,731	(1,542)	169,716	718,100

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

Statements of Changes in Equity

For the Financial Year Ended 31 December 2009

	Note	← Non-distributable →			Distributable revaluation reserve RM'000	Total RM'000
		Share capital RM'000	Statutory reserve RM'000	AFS revaluation reserve RM'000		
Bank						
Balance as at 1 January 2009		263,646	278,549	7,731	169,098	719,024
Unrealised net loss on revaluation of AFS securities		-	-	(22,526)	-	(22,526)
Net transfer to income statement on disposal or impairment of AFS securities		-	-	(14,027)	-	(14,027)
Deferred tax		-	-	9,138	-	9,138
Income and expenses recognised directly in equity		-	-	(27,415)	-	(27,415)
Net profit for the financial year		-	-	-	111,578	111,578
Total recognised income and expenses for the financial year		-	-	(27,415)	111,578	84,163
Ordinary dividend	33	-	-	-	(60,507)	(60,507)
Balance as at 31 December 2009		263,646	278,549	(19,684)	220,169	742,680
Balance as at 1 January 2008		338,646	278,549	8,113	69,442	694,750
Unrealised net gain on revaluation of AFS securities		-	-	8,183	-	8,183
Net transfer to income statement on disposal or impairment of AFS securities		-	-	(8,838)	-	(8,838)
Deferred tax		-	-	273	-	273
Income and expenses recognised directly in equity		-	-	(382)	-	(382)
Net profit for the financial year		-	-	-	99,656	99,656
Total recognised income and expenses for the financial year		-	-	(382)	99,656	99,274
Capital repayment		(75,000)	-	-	-	(75,000)
Balance as at 31 December 2008		263,646	278,549	7,731	169,098	719,024

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

Cash Flow Statements

For the Financial Year Ended 31 December 2009

Note	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash Flows from Operating Activities				
Profit before taxation	153,013	133,838	150,723	135,709
Adjustments for items not involving movements of cash and cash equivalents:				
Property, plant and equipment				
- depreciation	5,299	5,089	4,514	4,305
- gain on transfer/disposal	(40)	(72)	(3)	-
Accretion of discount less amortisation of premium	(1,120)	(8,480)	(1,120)	(8,480)
Allowances for losses on loans	(8,696)	(4,755)	(8,696)	(4,755)
Allowances for other losses	(234)	96	(234)	96
Impairment loss on securities	7,415	-	6,247	-
Bad debts written off	-	5	-	5
Interest suspended	38	1,762	38	1,762
Interest income from:				
- securities held-to-maturity	(9,465)	(7,640)	(9,465)	(7,640)
- securities available-for-sale	(128,046)	(53,147)	(128,031)	(53,147)
Gain from early redemption/sales of:				
- securities held-to-maturity	(7,101)	(2,305)	(7,101)	(2,305)
- securities available-for-sale	(14,027)	(8,838)	(14,027)	(8,838)
Gross dividend income	(214)	(415)	(173)	(347)
Share of results of a joint venture	(420)	63	-	-
Unrealised loss/(gain) on revaluation of:				
- securities held-for-trading	4,383	7,872	6,413	5,917
- derivatives	(2,858)	4,086	(2,858)	4,086
Operating (loss)/profit before working capital changes	(2,073)	67,159	(3,773)	66,368
(Increase)/decrease in operating assets:				
Deposits and placements with banks and other financial institutions	(360,000)	183,200	(360,000)	183,200
Securities held-for-trading	812,073	1,192,858	808,936	1,194,906
Loans and advances	416,744	386,288	416,744	386,288
Clients' and brokers' balances	(73,613)	71,429	(73,613)	71,429
Other assets	16,509	4,287	17,952	230
Derivative assets	24,668	(46,782)	24,668	(46,782)
Statutory deposit with Bank Negara Malaysia	30,945	11,250	30,945	11,250
Increase/(decrease) in operating liabilities:				
Deposits from customers	113,261	(552,293)	113,261	(552,293)
Deposits and placements of banks and other financial institutions	(1,233,388)	(894,697)	(1,233,388)	(894,697)
Clients' and brokers' balances	112,804	(79,383)	112,804	(79,383)
Other liabilities	(10,409)	(15,576)	(9,835)	(8,060)
Derivative liabilities	(27,527)	50,869	(27,527)	50,869
Cash (used in)/generated from operations	(177,933)	311,450	(179,053)	316,957
Tax paid	(30,392)	(41,396)	(29,608)	(39,572)
Tax recovered	17,712	3,542	17,709	3,542
Net cash (used in)/generated from operating activities	(190,613)	273,596	(190,952)	280,927

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

Cash Flow Statements

For the Financial Year Ended 31 December 2009

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash Flows from Investing Activities					
Proceeds from sale of securities held-to-maturity (net)		25,086	94,771	25,086	94,771
Sale/(purchase) of securities available-for-sale (net)		203,570	(948,059)	203,526	(947,941)
Interest received from securities held-to-maturity		9,491	7,843	9,491	7,843
Interest received from securities available-for-sale		115,611	46,839	115,596	46,839
Property, plant and equipment:					
- purchase		(6,867)	(2,735)	(6,284)	(2,547)
- proceeds from transfer disposal		42	76	6	1
Dividend income received		208	385	167	317
Subscription of shares in subsidiaries		-	-	-	(10,000)
Investment in a joint venture		-	(27,399)	-	(27,399)
Net cash generated from/(used in) investing activities		347,141	(828,279)	347,588	(838,116)
Cash Flows From Financing Activities					
Dividends paid to shareholder		(60,507)	-	(60,507)	-
Net proceeds received from issuance of subordinated notes		-	45,000	-	45,000
Capital repayment to shareholder		-	(75,000)	-	(75,000)
Net cash used in financing activities		(60,507)	(30,000)	(60,507)	(30,000)
Net increase/(decrease) in cash and short-term funds		93,948	(517,524)	92,356	(520,821)
Cash and cash equivalents at beginning of the financial year		1,354,445	1,870,982	1,317,411	1,838,232
Effect of currency translation		793	987	-	-
Cash and cash equivalents at end of the financial year		1,449,186	1,354,445	1,409,767	1,317,411
Analysis Of Cash And Cash Equivalents					
Clients trust account		170,095	137,025	170,095	137,025
Cash and short-term funds with banks & other financial institutions		1,279,091	1,217,420	1,239,672	1,180,386
Cash and short-term funds	2	1,449,186	1,354,445	1,409,767	1,317,411

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies

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

1 Basis of preparation of the financial statements

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

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

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

(a) Standards, amendments to published standards and interpretations to existing standards that are effective:

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

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

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

- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of IC Interpretation 10 does not have any significant financial impact on the results of the Group and the Bank.
- Amendments to FRS 101 Presentation of Financial Statement (effective for accounting periods beginning on or after 1 January 2010) separates owner and non-owner changes in equity and introduces the statement of comprehensive income. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of FRS 101 will require additional disclosure requirements for the Group's and the Bank's financial statements.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (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 Bank but not yet effective and have not been early adopted are as follows: (Continued)
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2010 allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method and requires investors to present dividends as income in the separate financial statements. The amendments do not have any significant financial impact on the results of the Group and the Bank.
 - FRS 139 Financial Instruments: Recognition and Measurement (effective for accounting periods beginning on or after 1 January 2010). FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combination that are firmly committed to being completed within a reasonable timeframe. For banking subsidiaries, BNM has on 8 January 2010 issued the revised BNM Garis Panduan (“GP3”) – “Classification and Impairment Provisions for Loans/Financing”, which sets out the minimum requirements on the classifications of impaired loans/financing and allowances for loan/financing impairment effective for annual accounting period beginning on or after 1 January 2010. The guideline also prescribes the use of an alternative basis for collective assessment of impairment for a transitional period for purpose of complying with the collective assessment of impairment requirement in FRS 139. The Group and the Bank will apply this standard and BNM GP3 when effective. Nevertheless, the accounting policies of the Group and the Bank incorporate requirements of the Revised Guidelines on Financial Reporting for Licensed Institutions (‘BNM/GP8’) which includes selected principles of FRS 139.
 - IC Interpretation 9 Reassessment of Embedded Derivatives (effective for accounting periods beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The improvement to IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.
 - FRS 7 Financial Instruments: Disclosure (effective for accounting periods beginning on or after 1 January 2010). FRS 7 replaces the disclosures requirements currently in FRS 132 Financial Instruments: Disclosures and Presentation. FRS 7 requires disclosure of quantitative and qualitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, market risk and liquidity risk. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

1 Basis of preparation of the financial statements (Continued)

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

In respect of FRS 139, Improvement to FRS 139, IC Interpretation 9, FRS 7 and Improvement to FRS 7, the Group and the Bank have applied the transitional provision in the respective standards which exempts the Group and the Bank from disclosing the possible impact arising from the initial application of the standard and interpretation on the Group's and the Bank's financial statements.

- Revised FRS 3 Business Combination (effective prospectively from 1 July 2010). The revised FRS 3 continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The adoption of the revised FRS 3 does not have any significant financial impact on the results of the Group and the Bank.
- FRS 127 Consolidated and Separate Financial Statements (effective prospectively from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of FRS 127 does not have any significant financial impact on the results of the Group and the Bank.
- Improvement to existing MASB's standards (effective for accounting periods beginning on or after 1 January 2010) are as follows:
 - FRS 5 Non-current Assets Held for Sale and Discontinued Operations. Improvement effective from 1 January 2010 clarifies that FRS 5 disclosures apply to non-current assets or and discontinued operations. Improvement effective from 1 July 2010 clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.
 - FRS 107 Statement of Cash Flows (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
 - FRS 110 Events after the Balance Sheet Date (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
 - FRS 116 Property, Plant and Equipment (effective from 1 January 2010) requires entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

1 Basis of preparation of the financial statements (Continued)

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

- Improvement to existing MASB's standards (effective for accounting periods beginning on or after 1 January 2010) are as follows: (Continued)
 - FRS 117 Leases (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.
 - FRS 118 Revenue (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'.
 - FRS 127 Consolidated and Separate Financial Statements (effective from 1 January 2010) clarifies that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied.
 - FRS 134 Interim Financial Reporting (effective from 1 January 2010) clarifies that basic and diluted earnings per share ("EPS") must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report.
 - FRS 136 Impairment of Assets (effective from 1 January 2010) clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment before the aggregation of segments with similar economic characteristics. The improvement also clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use should be made.

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

2 Basis of consolidation

Subsidiaries

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

Subsidiaries are consolidated using the purchase method of accounting except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2007 which, the merger method of accounting was used.

Under the merger method of accounting, the results of businesses merged are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer.

Under the purchase 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 cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

2 Basis of consolidation (Continued)

Subsidiaries (Continued)

Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities at the date of acquisition is reflected as goodwill. See the accounting policy Note 5 on goodwill. If the cost of acquisition is less than the net fair value of the Group's share of identifiable assets, liabilities and contingent liabilities at the acquisition date, the difference is recognised directly in the income statement.

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.

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

Joint venture

Investment in joint venture is accounted for in the consolidated financial statements using the equity method of accounting.

The Group's share of its joint venture's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, which includes goodwill identified at date of acquisition (net of accumulated impairment loss).

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

3 Investments in subsidiaries

Subsidiaries are those corporations or other entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights.

Investments in subsidiaries are stated at cost less accumulated impairment loss. At each balance sheet date, the Bank 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. See accounting policy Note 20 on impairment of non-financial assets.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

4 Investment in joint venture

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

Investment in joint venture is stated at cost less accumulated impairment loss. At each balance sheet date, the Bank 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. See accounting policy Note 20 on impairment of non-financial assets.

5 Goodwill

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

Goodwill is stated at cost less any accumulated impairment loss and is tested at least annually for impairment. Impairment losses on goodwill are not reversed. Gain or loss on the disposal of a subsidiary or joint venture includes the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ('CGU') for the purpose of impairment testing. The allocation is made to those CGU or groups of CGU that are expected to benefit from the synergies of the business combination in which the goodwill arose. See accounting policy Note 20 on impairment of non-financial assets.

6 Securities

The Group and the Bank classify its securities portfolio into the following categories: securities held-for-trading, securities held-to-maturity or securities available-for-sale. Classification of the securities is determined at initial recognition.

(a) Securities held-for-trading ('HFT')

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

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

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

6 Securities (Continued)

(b) Securities held-to-maturity ('HTM')

Securities HTM are securities with fixed or determinable payments and fixed maturity that the Group and the Bank have the positive intention and ability to hold to maturity. Securities HTM are measured at fair value at initial recognition and subsequently carried at amortised cost using the effective interest method, less accumulated impairment loss. Any gain or loss is recognised in the income statement when the securities are derecognised or impaired and through the amortisation process. See accounting policy Note 19 on impairment of securities.

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

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

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

Securities AFS are securities that are not classified as HFT or HTM. Securities AFS are measured at fair value at initial recognition and subsequently carried at fair value less accumulated impairment loss. Any gain or loss arising from a change in fair value, net of income tax is recognised directly in equity, except for impairment losses and foreign exchange gains and losses. See accounting policy Note 19 on impairment of securities.

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

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

Interest calculated using the effective interest method is recognised in the income statement. Dividends on AFS equity instruments are recognised in the income statement when the right to receive payment has been established.

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

For loans converted into debt or equity instrument/impaired securities, the Group and the Bank shall assess whether there is any objective evidence that the securities or group of securities arising from conversion scheme/other securities are impaired, and the impairment rules shall be applied. See accounting policy Note 19 on impairment of securities.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

7 Loans and advances

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at fair value, which is the cash given to originate the loans and advances, and subsequently are carried at amortised cost, which is represented by the outstanding balance, net of allowances for bad and doubtful debts and unearned interest. They are derecognised when either borrowers repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. See accounting policy Note 18 on allowance for losses on non-performing debts.

8 Receivables

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

Other receivables are carried at cost, net of allowance for bad and doubtful debts (anticipated realisable values). An estimate is made for allowance for bad and doubtful debts based on the review of all outstanding amounts at the end of the financial year. Bad debts are written off during the financial year in which they are identified.

9 Property, plant and equipment and depreciation

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

Depreciation is calculated to write down the costs of the property, plant and equipment on a straight line basis over their estimated useful lives of the assets concerned. The principal annual depreciation rates are as follows:

Renovations	10% to 20%
Computer equipment and software	20% to 33 $\frac{1}{3}$ %
Furniture, fittings and equipment	20%
Motor vehicles	20%

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

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

At each balance sheet date, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable amount. See accounting policy Note 20 on impairment of non-financial assets.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

10 Derivative financial instruments and hedge accounting

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

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique where variables include only data from observable markets. When such evidence exists, the Group and the Bank 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 and the Bank designate 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 and the Bank document, 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 and the Bank also document its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

(c) Derivatives that do not qualify for hedge accounting

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

11 Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

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.

12 Other provisions

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

13 Borrowings

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

14 Contingent liabilities and contingent assets

The Group and the Bank do not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or the Bank 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 Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

15 Dividends payable

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

16 Cash and cash equivalents

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

17 Income recognition

- (a) Interest income is recognised on an accruals basis.

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

- (b) Interest income from margin financing, clients' overdue outstanding purchases and contra losses are recognised on an accrual basis and where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. The stockbroking's policy of classifying an account as non-performing conforms with the requirements of Chapter 11, Schedule 7, Rule 1104.1 laid down in the Rules of the Bursa Securities.
- (c) Loan arrangement, management and participation fees, acceptance and underwriting commissions are recognised as income when all conditions precedent are fulfilled.
- (d) Brokerage is recognised when contracts are executed.
- (e) Guarantee fees are recognised as income upon issuance of guarantees.
- (f) Commitment fees are recognised as income based on time apportionment.
- (g) Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.
- (h) Management fees of the unit trust management company are recognised on accruals basis. Sales value of trust units is recognised on the approval of a unitholder's application. Value from the cancellation of trust units is recognised upon approval of the trustee.
- (i) Dividends from all investments are recognised when the shareholders' right to receive payment is established.

18 Allowance for losses on non-performing debts

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

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

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

18 Allowance for losses on non-performing debts (Continued)

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

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

19 Impairment of securities

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

(a) Securities carried at amortised cost

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

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

(b) Securities carried at fair value

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

20 Impairment of non-financial assets

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

The recoverable amount is the higher of a non-financial asset's 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 are separately identifiable cash flow/CGU. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment losses at each reporting date.

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

21 Employee benefits

(a) Short term employee benefits

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

(b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to the national pension scheme, Employees' Provident Fund ("EPF"). The Group's and the Bank's contributions to defined contribution plans are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group and the Bank have 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.

22 Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Bank operate and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries and joint venture and arising from distributions of retained earnings to companies in the Group.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) Summary of Significant Accounting Policies (Continued)

22 Income taxes (Continued)

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

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

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

23 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 Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(B) Critical accounting estimates and assumptions

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

(a) Allowance for losses on loans and advances

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

(b) Impairment of goodwill

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

(c) Impairment of securities

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

(d) Fair value of financial instruments

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

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

1 GENERAL INFORMATION

RHB Investment Bank Berhad is a public limited company, incorporated and domiciled in Malaysia.

The principal activities of the Bank include merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and option contracts.

The Group is involved in merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and options contracts, investment management services including the management of unit trust funds, research services and provision of nominee services.

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

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

2 CASH AND SHORT TERM FUNDS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	35,478	28,095	23,915	18,066
Money at call and deposit placements maturing within one month	1,413,708	1,326,350	1,385,852	1,299,345
	1,449,186	1,354,445	1,409,767	1,317,411

Included in the cash and short term funds are monies held in trust for clients and remisiers:

	Group and Bank	
	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	7,593	6,630
Money at call and deposit placements maturing within one month	162,502	130,395
	170,095	137,025

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2009 RM'000	2008 RM'000
Licensed banks	200,120	120
Licensed investment banks	60,000	-
BNM	100,000	-
	360,120	120

Included in deposit and placements of the Group and the Bank is RM120,000 (2008:RM120,000) pledged to a licensed bank concern as collateral for facility granted to its stock broking division.

4 SECURITIES HELD-FOR-TRADING

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At fair value				
Money market instruments:				
Khazanah bonds	-	11,367	-	11,367
Malaysian Government Investment Issue	-	47,695	-	47,695
Malaysian Government Securities	49,775	193,981	49,775	193,981
Bankers' acceptances	-	307,712	-	307,712
Negotiable instruments of deposits	452,193	829,367	452,193	829,367
Quoted securities:				
<u>In Malaysia</u>				
Unit trust	-	3,103	-	-
<u>Outside Malaysia</u>				
Shares	2,359	363	-	-
Unquoted securities:				
<u>In Malaysia</u>				
Private debt securities	173,525	1,261,512	173,525	1,261,512
	677,852	2,655,100	675,493	2,651,634

The Group and the Bank have reclassified certain securities held-for-trading to securities available-for-sale category. The reclassification has been accounted for based on the amendment to Revised BNM/GP8 Guidelines, which is effective from 1 July 2008 until 31 December 2009.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4 SECURITIES HELD-FOR-TRADING (CONTINUED)

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

	Group and Bank	
	2009 RM'000	2008 RM'000
At fair value		
Amount reclassified from securities:		
- held-for-trading to securities available-for-sale	1,533,498	-

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

	Group and Bank	
	2009 RM'000	2008 RM'000
At fair value		
Amount recognised to income statement		
- held-for-trading to securities available-for-sale	-	46,289

As at the date of reclassification, the effective interest rates on the reclassified securities held-for-trading, based on the new cost for the Group and the Bank, ranged from 3.18% to 10.16% per annum (2008:Nil) with expected recoverable cash flows for the Group and the Bank of approximately RM1,852,035,000 (2008:Nil).

5 SECURITIES AVAILABLE-FOR-SALE

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At fair value				
Money market instruments:				
Khazanah bonds	11,179	-	11,179	-
Malaysian Government Investment Issue	120,542	64,497	120,542	64,497
Malaysian Government Securities	652,863	266,995	652,863	266,995
Quoted securities:				
<u>In Malaysia</u>				
Shares	30	72	30	72
Loan stocks	935	6,542	935	6,542
Warrants	-	695	-	695

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

5 SECURITIES AVAILABLE-FOR-SALE (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted securities:				
<u>In Malaysia</u>				
Shares	2,200	2,200	2,200	2,200
Private debt securities	1,640,074	1,179,444	1,640,074	1,179,444
Loan stocks	20,662	-	20,662	-
<u>Outside Malaysia</u>				
Loan stocks	1,221	2,432	-	-
	2,449,706	1,522,877	2,448,485	1,520,445

The carrying value of securities available-for-sale as at 31 December 2009, which was transferred from securities held-for-trading, for the Group and the Bank are RM1,038,472,000 (2008:Nil).

6 SECURITIES HELD-TO-MATURITY

	Group and Bank	
	2009 RM'000	2008 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government Securities	44,647	44,529
Unquoted securities:		
<u>In Malaysia</u>		
Shares	2,200	2,200
Bonds	23	23
Prasarana bonds	99,180	98,852
Private debt securities	138,561	156,466
Accumulated impairment losses	284,611 (78,370)	302,070 (79,417)
	206,241	222,653

Included in unquoted shares is RM1,000,000 (2008: RM1,000,000) of a third party redeemable preference shares with a nominal value of RM1.00 each which were charged to a third party as part of a financing transaction facilitated by the Group and the Bank.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

7 LOANS AND ADVANCES

	Group and Bank	
	2009 RM'000	2008 RM'000
Term loans	-	248,616
Share margin financing	59,004	62,544
Claims on customers under acceptance credits	-	10
Revolving credits	-	206,176
Staff loans	3,161	4,103
Gross loans and advances	62,165	521,449
Allowances for bad and doubtful debts		
- specific	(1,091)	(44,909)
- general	(916)	(8,296)
Net loans and advances	60,158	468,244

On 31 December 2009, the Bank transferred its entire loans portfolio except for staff loan and share margin financing to RHB Bank, its related company, based on the net book value as at 31 December 2009 amounting to RM411,986,850. The transfer is in accordance to the vesting order obtained from the High Court.

(a) The maturity structure of gross loans and advances are as follows:

Maturing within one year	59,010	374,472
One year to three years	468	112,166
Three years to five years	153	19,125
Over five years	2,534	15,686
	62,165	521,449

(b) Loans and advances analysed by type of customers are as follows:

Domestic non-bank financial institutions	-	95,173
Domestic business enterprises		
- others	7,720	373,793
Individuals	53,372	51,622
Foreign entities	1,073	861
	62,165	521,449

(c) Loans and advances analysed by type of interest rate sensitivity are as follows:

Fixed rate		
- Other fixed rate loans	62,165	66,664
Variable rate		
- Cost plus	-	454,785
	62,165	521,449

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

7 LOANS AND ADVANCES (CONTINUED)

	Group and Bank	
	2009 RM'000	2008 RM'000
(d) Loans and advances analysed by purpose are as follows:		
Purchase of securities	59,004	118,236
Purchase of transport vehicles	509	1,150
Purchase of landed property:		
- residential	2,652	2,949
- non-residential	-	2,868
Purchase of property, plant and equipment other than land and building	-	3,482
Personal use	-	5
Construction	-	110,109
Working capital	-	155,080
Others	-	127,570
	62,165	521,449
(e) Non-performing loans and advances analysed by purpose are as follows:		
Purchase of securities	1,183	33,568
Purchase of landed property:		
- residential	-	294
- non-residential	-	1,365
Construction	-	1,214
Working capital	-	29,984
	1,183	66,425
(f) Movements in the non-performing loans and advances are as follows:		
Balance as at the beginning of the financial year	66,425	123,582
Amount vested over to RHB Bank Bhd	(67,279)	-
Classified as non-performing during the financial year	3,150	3,396
Reclassified as performing during the financial year	-	(48,960)
Amount recovered	(1,113)	(5,085)
Amount written off	-	(6,508)
Balance as at the end of the financial year	1,183	66,425
Specific allowance	(1,091)	(44,909)
Net non-performing loans and advances	92	21,516
Ratio of net non-performing loans and advances as % of gross loans and advances, less specific allowance	0.15%	4.52%

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

7 LOANS AND ADVANCES (CONTINUED)

	Group and Bank	
	2009 RM'000	2008 RM'000
(g) Movements in the allowances for bad and doubtful debts are as follows:		
General allowance		
Balance as at the beginning of the financial year	8,296	15,005
Written back during the year	(7,380)	(6,709)
Balance as at the end of the financial year	916	8,296
% of total gross loans and advances less specific allowance	1.50%	1.74%
Specific allowance		
Balance as at the beginning of the financial year	44,909	49,463
Amount vested over to RHB Bank Bhd	(14,204)	-
Allowance (reversal)/made during the financial year	(56)	3,730
Amount recovered	(1,260)	(1,776)
Amount written off	-	(6,508)
Amount transferred to accumulated impairment loss in value of securities	(28,298)	-
Balance as at the end of the financial year	1,091	44,909

8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances represent amount receivable from outstanding purchase contracts in respect of the Group's and the Bank's stockbroking business entered on behalf of clients, amount due from brokers and contra losses.

	Group and Bank	
	2009 RM'000	2008 RM'000
Performing accounts	248,323	174,324
Non-performing accounts - Bad	21,920	21,626
- Doubtful	803	558
	271,046	196,508
Less: Allowances for bad and doubtful debts		
- Specific	(8,061)	(8,888)
- General	(221)	(146)
- Interest in suspense	(13,097)	(12,171)
	249,667	175,303

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

8 CLIENTS' AND BROKERS' BALANCES (CONTINUED)

	Group and Bank	
	2009 RM'000	2008 RM'000
Movements in the allowances for bad and doubtful debts are as follows:		
Specific allowance		
Balance as at the beginning of the financial year	8,888	8,623
Allowance made during the financial year	923	265
Amount recovered	(1,750)	-
Balance as at the end of the financial year	8,061	8,888
General allowance		
Balance as at the beginning of the financial year	146	273
Allowance made/(written back) during the financial year	75	(127)
Balance as at the end of the financial year	221	146
Interest-in-suspense		
Balance as at the beginning of the financial year	12,171	11,036
Interest suspended during the financial year	2,094	2,379
Amounts written back in respect of recoveries	(1,111)	(1,234)
Amounts written off	(57)	(10)
Balance as at the end of the financial year	13,097	12,171

9 OTHER ASSETS

		Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Amount due from ultimate holding body	(i)	785	-	-	-
Amount due from immediate holding company	(i)	500	-	500	-
Amounts due from subsidiaries	(i)	-	-	1,353	1,061
Amounts due from related companies	(i)	1,601	4,482	39	274
Other debtors, deposits and prepayments	(ii)	30,299	27,337	21,822	21,520
Accrued interest receivable		31,695	35,756	31,695	35,756
		64,880	67,575	55,409	58,611

(i) Amounts due from ultimate holding body, immediate holding company, subsidiaries and related companies are unsecured, interest free and have no fixed terms of repayment.

(ii) The other debtors, deposits and prepayments of the Group and the Bank are stated net of allowance for bad and doubtful debts of RM1,073,000 (2008: RM555,000).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

10 DERIVATIVES ASSETS/(LIABILITIES)

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group and the Bank 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 and the Bank's accounting policies.

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

	Group and Bank	
	2009 RM'000	2008 RM'000
Derivative assets	25,870	50,538
Derivative liabilities	(34,764)	(62,291)
	(8,894)	(11,753)

	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
2009			
Interest rate related contracts:			
- futures	990,000	-	6,498
- swaps	1,960,000	25,870	28,266
	2,950,000	25,870	34,764
2008			
Interest rate related contracts:			
- futures	1,980,000	-	11,625
- swaps	1,720,000	50,538	50,666
	3,700,000	50,538	62,291

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

11 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 approximate set-off are shown in the balance sheet:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax assets	5,974	54	5,466	-
Deferred tax liabilities	-	(1,559)	-	(1,367)
	5,974	(1,505)	5,466	(1,367)

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

Deferred tax assets/(liabilities)

	Property, plant and equipment RM'000	General allowance on loans and advances RM'000	Other temporary differences RM'000	AFS reserve RM'000	Total RM'000
Group 2009					
Balance as at the beginning of the financial year	(1,413)	2,111	374	(2,577)	(1,505)
Transfer (to)/from income statement (Note 31)	(222)	(1,827)	390	-	(1,659)
Transferred from AFS reserve	-	-	-	9,138	9,138
Balance as at the end of the financial year	(1,635)	284	764	6,561	5,974
Group 2008					
Balance as at the beginning of the financial year	(2,021)	3,972	577	(2,850)	(322)
Transfer (to)/from income statement (Note 31)	608	(1,861)	(203)	-	(1,456)
Transferred from AFS reserve	-	-	-	273	273
Balance as at the end of the financial year	(1,413)	2,111	374	(2,577)	(1,505)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

11 DEFERRED TAX ASSETS/ (LIABILITIES) (CONTINUED)

Deferred tax assets/(liabilities)

	Property, plant and equipment RM'000	General allowance on loans and advances RM'000	Other temporary differences RM'000	AFS reserve RM'000	Total RM'000
Bank 2009					
Balance as at the beginning of the financial year	(1,183)	2,111	282	(2,577)	(1,367)
Transfer to income statement (Note 31)	(260)	(1,827)	(218)	-	(2,305)
Transferred from AFS reserve	-	-	-	9,138	9,138
Balance as at the end of the financial year	(1,443)	284	64	6,561	5,466
Bank 2008					
Balance as at the beginning of the financial year	(1,798)	3,972	300	(2,850)	(376)
Transfer from/(to) income statement (Note 31)	615	(1,861)	(18)	-	(1,264)
Transferred from AFS reserve	-	-	-	273	273
Balance as at the end of the financial year	(1,183)	2,111	282	(2,577)	(1,367)

12 STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act 1958 (revised 1994), the amount of which is determined as a set percentage of total eligible liabilities.

13 INVESTMENTS IN SUBSIDIARIES

	2009 RM'000	Bank 2008 RM'000
Unquoted shares at cost	142,643	142,643
Less: Allowance for impairment loss	(84,373)	(84,373)
	58,270	58,270

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The subsidiaries of the Bank are as follows:

Name of Company	Country of incorporation	Paid-up share capital	Effective equity interest		Principal activities
			2009 %	2008 %	
RHB Investment Management Sdn Bhd	Malaysia	RM10,000,000	100	100	Asset management services and management of unit trust funds
RHB Research Institute Sdn Bhd	Malaysia	RM500,000	100	100	Research services
RHB Private Equity Holdings Sdn Bhd ¹	Malaysia	RM11,650,002	100	100	Private equity business and venture capital management
RHB Private Equity Management Ltd ²	Labuan, Malaysia	USD1	100	100	Investment advisor, investment consultant and other ancillary services only for private funds
RHB Private Equity Fund Ltd ³	Cayman Island	USD10,001	100	100	Investment company
RHB Nominees Sdn Bhd	Malaysia	RM25,000	100	100	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	RM25,000	100	100	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	RM25,000	100	100	Nominee and custodian services for Malaysian beneficial shareholders
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	RM10,000	100	100	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	RM10,000	100	100	Nominee services for foreign beneficial shareholders
RHB Marketing Services Sdn Bhd	Malaysia	RM100,000	100	100	Dormant
RHB Venture Capital Sdn Bhd ⁴	Malaysia	RM2	-	100	Dormant

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Country of incorporation	Paid-up share capital	Effective equity interest		Principal activities
			2009 %	2008 %	
RHB Unit Trust Management Berhad ⁵	Malaysia	RM5,000,000	100	100	Dormant
RHB Progressive Sdn Bhd ⁶	Malaysia	RM13,500,000	100	100	Dormant
RHB Excel Sdn Bhd ⁶	Malaysia	RM200,000,000	100	100	Dormant

Notes:

- ¹ RHB Private Equity Holdings Sdn Bhd, a wholly owned subsidiary of the Bank has on 17 June 2008 issued RM10.0 million of Redeemable Preference Shares ('RPS') to the Bank in the form of 5.0 million RPS at a subscription price of RM2.00 each.
- ² The Company was incorporated on 15 September 2006 under the Offshore Companies Act 1990.
- ³ The Company was incorporated on 29 September 2006 under the Companies Law CAP 22.
- ⁴ The Company ceased to become a wholly-owned subsidiary of the Bank on 16 October 2009. Refer to Note 41 (b) for details.
- ⁵ Pursuant to the vesting order granted by the High Court of Malaya on 19 December 2007, all the assets, rights, title, interest, undertakings, obligations and liabilities were transferred to RHB Investment Management Sdn Bhd with effect from 1 January 2008.
- ⁶ Pursuant to the vesting order granted by the High Court of Malaya on 12 December 2006, the business of the Company including its assets and liabilities were transferred to the Bank with effect from 30 December 2006.

All subsidiaries are audited by PricewaterhouseCoopers, Malaysia.

14 INVESTMENT IN A JOINT VENTURE

	2009 RM'000	2008 RM'000
Group		
Share of net assets of a joint venture	12,565	12,145
Translation differences	(793)	-
	11,772	12,145
Goodwill arising from acquisition	14,204	14,204
	25,976	26,349
Bank		
Unquoted shares at cost	27,399	27,399

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

14 INVESTMENT IN A JOINT VENTURE (CONTINUED)

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

	2009 RM'000	2008 RM'000
Income	1,116	25
Expenses	(696)	(88)
Net profit/(loss) for the year	420	(63)
Non-current assets	279	319
Current assets	11,748	12,640
Current liabilities	(255)	(814)
Net assets	11,772	12,145

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

Name of Company	Country of incorporation	Paid-up share capital VND'000	Effective equity interest		Principal activities
			2009 %	2008 %	
Vietnam Securities Corporation ("VSEC")	Vietnam	135,000,000	49	49	Stockbroking and corporate finance advisory

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

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

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

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

15 PROPERTY, PLANT AND EQUIPMENT

	Office equipment and furniture RM'000	Renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Group					
2009					
Cost					
Balance as at the beginning of the financial year	30,625	23,293	50,875	3,502	108,295
Additions	1,330	1,467	4,070	-	6,867
Disposal	(23)	-	(160)	(285)	(468)
Write-offs	(40)	(11)	(8)	-	(59)
Balance as at the end of the financial year	31,892	24,749	54,777	3,217	114,635
Accumulated depreciation					
Balance as at the beginning of the financial year	29,406	20,751	41,155	2,861	94,173
Charge for the financial year	772	591	3,524	412	5,299
Disposal	(21)	-	(160)	(285)	(466)
Write-offs	(40)	(11)	(8)	-	(59)
Balance as at the end of the financial year	30,117	21,331	44,511	2,988	98,947
Impairment loss					
Balance as at the beginning and end of the financial year	-	-	2,925	-	2,925
Net book value as at the end of the financial year	1,775	3,418	7,341	229	12,763

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment and furniture RM'000	Renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Group					
2008					
Cost					
Balance as at the beginning of the financial year	30,420	22,048	50,244	3,832	106,544
Additions	334	1,248	1,153	-	2,735
Disposal	(7)	-	-	(330)	(337)
Write-offs	(122)	(3)	(522)	-	(647)
Balance as at the end of the financial year	30,625	23,293	50,875	3,502	108,295
Accumulated depreciation					
Balance as at the beginning of the financial year	28,877	20,370	38,232	2,585	90,064
Charge for the financial year	654	384	3,445	606	5,089
Disposal	(3)	-	-	(330)	(333)
Write-offs	(122)	(3)	(522)	-	(647)
Balance as at the end of the financial year	29,406	20,751	41,155	2,861	94,173
Impairment loss					
Balance as at the beginning and end of the financial year	-	-	2,925	-	2,925
Net book value as at the end of the financial year	1,219	2,542	6,795	641	11,197

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment and furniture RM'000	Renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank					
2009					
Cost					
Balance as at the beginning of the financial year	27,979	19,160	44,609	2,429	94,177
Additions	1,219	1,214	3,851	-	6,284
Disposal	(21)	-	-	-	(21)
Transfer to related companies	(3)	-	-	-	(3)
Balance as at the end of the financial year	29,174	20,374	48,460	2,429	100,437
Accumulated depreciation					
Balance as at the beginning of the financial year	26,917	16,926	36,408	1,911	82,162
Charge for the financial year	685	477	3,038	314	4,514
Disposal	(20)	-	-	-	(20)
Transfer to related companies	(1)	-	-	-	(1)
Balance as at the end of the financial year	27,581	17,403	39,446	2,225	86,655
Impairment loss					
Balance as at the beginning and end of the financial year	-	-	2,925	-	2,925
Net book value as at the end of the financial year	1,593	2,971	6,089	204	10,857

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment and furniture RM'000	Renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank					
2008					
Cost					
Balance as at the beginning of the financial year	27,769	17,948	44,124	2,429	92,270
Additions	330	1,215	1,002	-	2,547
Disposal	(1)	-	-	-	(1)
Write-offs	(118)	(3)	(517)	-	(638)
Transfer to related companies	(1)	-	-	-	(1)
Balance as at the end of the financial year	27,979	19,160	44,609	2,429	94,177
Accumulated depreciation					
Balance as at the beginning of the financial year	26,478	16,734	33,881	1,403	78,496
Charge for the financial year	558	195	3,044	508	4,305
Disposal	-	-	-	-	-
Write-offs	(118)	(3)	(517)	-	(638)
Transfer to related companies	(1)	-	-	-	(1)
Balance as at the end of the financial year	26,917	16,926	36,408	1,911	82,162
Impairment loss					
Balance as at the beginning and end of the financial year	-	-	2,925	-	2,925
Net book value as at the end of the financial year	1,062	2,234	5,276	518	9,090

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Accumulated depreciation and impairment loss				
Balance as at the beginning of the financial year	97,098	92,989	85,087	81,421
Balance as at the end of the financial year	101,872	97,098	89,580	85,087

16 GOODWILL

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Balance as at the beginning and end of the financial year	172,844	172,844	159,280	159,280

The carrying amount of goodwill allocated to the Group's and the Bank's cash-generating units (CGUs) are as follows:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CGUs				
Corporate investment banking	67,229	67,229	53,665	53,665
Treasury	105,615	105,615	105,615	105,615
	172,844	172,844	159,280	159,280

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets/forecasts approved by Directors covering a four-year period (2008: five-year). Cash flows beyond the four-year period are assumed to grow at 3.0% p.a. (2008: 3.0% p.a.) to perpetuity.

The cash flow projection is derived on a number of key factors including the past performance and the management's expectations of the market developments. The discount rate used in determining the recoverable amount of all CGUs within the business segment is 9.71% (2008: 12.99%). The discount rate used is pre-tax and is computed based on industry information to reflect the risks of the CGUs.

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 2009

17 DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2009 RM'000	2008 RM'000
Call money	96,245	30,670
Fixed deposits	2,186,825	1,962,047
Short term deposits	936,678	1,113,770
	3,219,748	3,106,487
(i) The maturity structure of total deposits are as follows:		
Due within six months	3,113,278	2,884,327
Six months to one year	106,470	222,160
	3,219,748	3,106,487
(ii) The deposits are sourced from the following customers:		
Federal Government and statutory bodies	145,900	420,000
Business enterprises	3,073,848	2,685,987
Others	-	500
	3,219,748	3,106,487

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2009 RM'000	2008 RM'000
Licensed banks	22,767	24,187
Other financial institutions	1,062,803	2,294,771
	1,085,570	2,318,958

19 CLIENTS' AND BROKERS' BALANCES

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

20 OTHER LIABILITIES

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Accrued interest payable	12,352	19,843	12,352	19,843
Amount due to related companies (i)	1,871	433	1,704	340
Amount due to immediate holding company (i)	1,233	769	527	62
Amount due to subsidiaries (i)	-	-	4	1,213
Amount payable for creation of units due to funds	350	298	-	-
Amount payable for redemption units	463	503	-	-
Remisiers' trust deposits	7,965	8,886	7,965	8,886
Accrued personnel costs	11,666	22,076	8,550	17,961
Other accruals and payables	22,389	15,890	19,220	11,852
	58,289	68,698	50,322	60,157

(i) Amounts due to immediate holding company, subsidiaries and related companies are unsecured, interest free and have no fixed term of repayment.

21 SUBORDINATED OBLIGATIONS

	Group and Bank	
	2009 RM'000	2008 RM'000
5.3% RM200 million Tier II Subordinated Notes 2007/2017	200,000	200,000
5.5% RM45 million Tier II Subordinated Notes 2008/2018	45,000	45,000
	245,000	245,000

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

In year 2007, the Bank proposed issuance of up to RM245 million nominal value of Subordinated Notes ('Sub Notes') under a Subordinated Note Programme ('the Sub Notes Programme'). The Sub Notes shall have a tenure of 15 years from the date of first issue. During the tenure of the Sub Notes Programme, the 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.

On 10 December 2007, the Bank successfully issued Sub Notes for an aggregate nominal value of RM200 million at par and qualify as Tier II Capital of the Bank for the purpose of BNM's capital adequacy requirements.

The Sub Notes constitute direct unsecured obligations of the 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 the Bank except all other present and future unsecured and subordinated obligations of the 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 the Bank, be subordinated in right of payments to the claims of the depositors and all other creditors of the Bank other than claimants in respect of the 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

21 SUBORDINATED OBLIGATIONS (CONTINUED)

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

The Sub Notes proceeds raised shall be utilised for the Bank's general working capital.

The coupon for Sub Notes shall be accrued at the rate of 5.30% p.a. and commencing from the beginning of the sixth year from the issue date, the coupon rate shall be stepped up annually at 0.5% p.a. Coupon payments are payable semi-annually in arrears, with the last payment to be made on the maturity date.

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

On 21 April 2008, the Bank has successfully issued the remaining RM45.0 million nominal value of the Sub Notes at par and qualify as Tier II Capital of the Bank for the purpose of Bank Negara Malaysia's capital adequacy requirements.

The Sub Notes proceeds raised shall be utilised for the Bank's general working capital.

The coupon for Sub Notes shall be accrued at the rate of 5.50% p.a. and commencing from the beginning of the sixth year from the issue date, the coupon rate shall be stepped up annually at 0.5% p.a. Coupon payments are payable semi-annually in arrears, with the last payment to be made on the maturity date.

(c) Ratings by agency

RAM has assigned a long-term rating of AA³ to the Bank's up to RM245 million Subordinated Note Programme ('Sub Notes').

Long-Term Ratings (Issue)

AA High safety for timely payment of interest and principal.

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.

22 SHARE CAPITAL

	Group and Bank	
	2009 RM'000	2008 RM'000
Ordinary shares of RM1 each:		
Authorised:		
Balance as at the beginning/end of the financial year	1,000,000	1,000,000
Issued and fully paid:		
Balance as at the beginning of the financial year	263,646	338,646
Capital repayment	-	(75,000)
Balance as at the end of the financial year	263,646	263,646

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

23 RESERVES

The statutory reserve represents non-distributable profits held by the Bank in compliance with Section 36 of the Banking and Financial Institutions Act, 1989. This fund is not distributable as cash dividends.

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

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

A single tier company tax was introduced effective 1 January 2008. Under this single tier system, tax on a company's profits is a final tax, and dividends distributed to shareholders will be exempted from tax. Companies with Section 108 tax credit balance are given an option to elect to move to a single tier system immediately or allowed to use the Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013.

The Bank 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 Bank 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.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act 1999 to pay dividends out of its entire retained profits as at 31 December 2009.

24 INTEREST INCOME

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Loans and advances				
- interest income other than recoveries from NPLs	25,362	39,097	25,362	39,097
- recoveries from NPLs	4,905	925	4,905	925
Money at call and deposit placements with banks and other financial institutions	25,669	66,513	25,058	65,729
Securities held-for-trading	36,812	118,302	36,812	118,302
Securities available-for-sale	128,046	53,147	128,031	53,147
Securities held-to-maturity	9,465	7,640	9,465	7,640
Others	20,155	7,193	20,155	7,193
	250,414	292,817	249,788	292,033
Accretion of discount less amortisation of premium	1,120	8,480	1,120	8,480
Interest suspended	(38)	(1,762)	(38)	(1,762)
	251,496	299,535	250,870	298,751

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

25 INTEREST EXPENSE

	Group and Bank	
	2009 RM'000	2008 RM'000
Deposits and placements of banks and other financial institutions	38,278	88,395
Deposits from customers	78,301	120,679
Subordinated obligations	13,075	12,358
Others	18,521	5,377
	148,175	226,809

26 OTHER OPERATING INCOME

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fee income:				
Arrangement fees	12,386	16,055	12,386	16,055
Brokerage	66,925	63,221	66,925	63,221
Corporate advisory fees	15,674	13,527	15,674	13,527
Fees on loans and advances	3,355	3,265	3,355	3,265
Fund management fees	18,596	23,299	-	-
Guarantee fees	2,112	1,991	2,112	1,991
Underwriting fees	23,748	4,879	23,748	4,879
Unit trust fee income	1,946	2,895	-	-
Other fee income	17,118	10,764	12,038	9,980
	161,860	139,896	136,238	112,918
Net gain/(loss) arising from sale/ redemption of securities and derivatives:				
Net gain from sale of				
- Securities held-for-trading	7,567	34,558	7,504	34,713
- Securities available-for-sale	14,027	8,838	14,027	8,838
Net gain from redemption of				
- Securities held-to-maturity	7,101	2,305	7,101	2,305
Derivatives	(7,147)	(455)	(7,147)	(455)
	21,548	45,246	21,485	45,401
Unrealised (loss)/gain on revaluation of securities held-for-trading and derivatives:				
Securities held-for-trading	(4,383)	(7,872)	(6,413)	(5,917)
Derivatives	2,858	(4,086)	2,858	(4,086)
	(1,525)	(11,958)	(3,555)	(10,003)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

26 OTHER OPERATING INCOME (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Gross dividend income from:				
Securities held-for-trading	78	181	37	113
Securities available-for-sale	1	101	1	101
Securities held-to-maturity	135	133	135	133
	214	415	173	347
Other income:				
Foreign exchange gain/(loss)				
- Realised	782	886	782	886
- Unrealised	281	(241)	253	(257)
Gain on transfer/disposal of property, plant and equipment	40	72	3	-
Others	501	641	488	635
	1,604	1,358	1,526	1,264
Total other operating income	183,701	174,957	155,867	149,927

27 OTHER OPERATING EXPENSES

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Personnel costs				
Salaries, allowances and bonus	63,128	74,065	47,818	58,922
Defined contribution plans	9,805	11,637	7,432	9,388
Other staff costs	7,792	8,489	6,916	7,260
	80,725	94,191	62,166	75,570
Establishment costs				
Property, plant and equipment				
- depreciation	5,299	5,089	4,514	4,305
Rental of premises	9,447	9,182	7,779	7,617
Information technology expenses	4,601	3,268	4,063	2,852
Others	6,038	6,314	5,511	5,683
	25,385	23,853	21,867	20,457

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

27 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Marketing expenses				
Sales commission	1,475	3,463	-	-
Advertising and publicity	2,294	1,535	2,173	1,341
Others	7,124	8,552	6,824	7,973
	10,893	13,550	8,997	9,314
Administration and general expenses				
Auditors' remuneration				
- statutory audit fees	224	280	140	185
- non-audit fee	64	160	10	140
Communication expenses	6,177	5,827	5,579	5,258
Legal and professional fees	1,222	1,618	993	1,324
Others	11,635	13,519	11,151	13,128
	19,322	21,404	17,873	20,035
Total other operating expenses	136,325	152,998	110,903	125,376

28 DIRECTORS' REMUNERATION

The Directors of the Bank in office during the financial year are as follows:

Dato Abdullah Mat Noh (Chairman)

Tan Sri Azlan Zainol

Arul Kanda Kandasamy

(appointed on 20 July 2009)

Dato' Mohamed Khadar Merican

Akira Miyama

Lew Foon Keong

Patrick Chin Yoke Chung

Datuk Tan Kim Leong

Chay Wai Leong (Managing Director)

Datin Sri Khamarzan Ahmed Meah

(resigned on 9 June 2009)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

28 DIRECTORS' REMUNERATION (CONTINUED)

The aggregate remuneration of the Directors and Managing Director ('MD') of the Bank is as follows:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Managing Director				
- Salary and other remuneration	3,181	2,614	3,181	2,614
- Benefits-in-kind (based on an estimated money value)	33	35	33	35
	3,214	2,649	3,214	2,649
Non-Executive Directors				
- Fees	591	533	494	473
- Allowances	455	370	427	359
- Others	65	66	37	37
	4,325	3,618	4,172	3,518

The remuneration including benefits-in-kind of all the Directors and MD of the Bank is within the following bands:

RM	Group		Bank	
	2009 No.of Directors	2008 No.of Directors	2009 No.of Directors	2008 No.of Directors
Managing Director				
Above 1,500,000	1	1	1	1
	1	1	1	1
Non-Executive				
0 - 50,000	2	1	2	1
50,001 - 100,000	2	5	2	5
100,001 - 150,000	1	1	2	2
150,001 - 200,000	3	1	3	1
200,001 - 250,000	-	1	-	-
250,001 - 300,000	1	-	-	-
	9	9	9	9

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

29 ALLOWANCES FOR LOSSES ON LOANS AND OTHER LOSSES

	Group and Bank	
	2009 RM'000	2008 RM'000
Allowance for losses on loans :		
Specific allowance		
- (Reversal)/made during the financial year	(56)	3,730
- Written back	(1,260)	(1,776)
	(1,316)	1,954
General allowance		
- Written back during the financial year	(7,380)	(6,709)
Allowance for losses on clients' and brokers' balances		
Specific allowance		
- Made during the financial year	923	265
- Written back	(1,750)	-
	(827)	265
General allowance		
- Made/(Written back) during the financial year	75	(127)
Bad debts		
- Recovered	(381)	(34,562)
- Written off	-	5
Specific allowance made/(written back) for other debtors	518	(42)
	(9,311)	(39,216)

30 IMPAIRMENT LOSS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Charge/(reversal) for the financial year				
- Securities available-for-sale	7,868	-	6,700	-
- Securities held-to-maturity	(453)	-	(453)	-
	7,415	-	6,247	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

31 TAXATION

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income tax based on profit for the financial year				
- Malaysian income tax	37,244	35,586	36,995	35,260
Deferred taxation (Note 11)	1,659	1,456	2,305	1,264
Under/(over) provision in respect of prior years	867	(446)	(155)	(471)
Tax expense	39,770	36,596	39,145	36,053

The numeric reconciliation between the effective tax rate and the applicable tax rate is as follows:

	Group		Bank	
	2009 %	2008 %	2009 %	2008 %
Group and Bank average applicable tax rate	25.0	26.0	25.0	26.0
Tax effects in respect of:				
Non allowable expenses	0.9	0.9	0.9	0.9
Current year's tax losses	-	0.7	-	-
Other temporary differences not recognised in prior years	(0.5)	-	0.2	-
Under/(over) provision in respect of prior years	0.6	(0.3)	(0.1)	(0.3)
Effective tax rate	26.0	27.3	26.0	26.6

32 BASIC EARNINGS PER SHARE

The basic earnings per share has been calculated by dividing the net profit for the financial year of the Group and the Bank of RM113,243,000 (2008: RM97,242,000) and RM111,578,000 (2008: RM99,656,000) by the weighted average number of ordinary shares in issue during the financial year of 263,646,000 (2008: 282,908,000).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

33 ORDINARY DIVIDENDS

Dividends declared or proposed for the financial year ended 31 December 2009 are as follows:

	Group and Bank			
	2009		2008	
	Gross dividend per share Sen	Amount of dividend net of tax RM'000	Gross dividend per share Sen	Amount of dividend net of tax RM'000
Ordinary shares:				
Special final dividend	38.40	75,930	-	-
Proposed final dividend	55.60	109,940	30.60	60,507
	94.00	185,870	30.60	60,507

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year of 55.60% less 25% income tax amounting to RM109,940,382 and a special final dividend of 38.40% less 25% income tax amounting to RM75,930,048 will be proposed for shareholder's approval. These financial statements do not reflect the final and special final dividends which will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2010 when approved by the shareholder.

Dividends recognised as distribution to ordinary equity holders are as follows:

	Group and Bank			
	2009		2008	
	Gross dividend per share Sen	Amount of dividend net of tax RM'000	Gross dividend per share Sen	Amount of dividend net of tax RM'000
Ordinary shares:				
Final dividend for financial year ended 31 December 2008	30.60	60,507	-	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

34 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationship

The related parties of and their relationships with the Bank are as follows:

<u>Related parties</u>	<u>Relationship</u>
EPF	Ultimate holding body
RHB Capital Berhad	Immediate holding company
Subsidiaries and associates of EPF as disclosed in its financial statements	Subsidiaries and associates of the ultimate holding body
Subsidiaries and associates of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries and associates of the immediate holding company
Subsidiaries of the Bank as disclosed in Note 13	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consist of: <ul style="list-style-type: none"> - All Directors of the Bank, its key subsidiaries and RHB Capital Berhad - RHB Capital Berhad Central Management Committee members - Key management personnel of EPF who are in charge of the RHB Capital Group
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

34 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party transactions and balances

In addition to the related party disclosures mentioned in Notes 9 and 20, set out below are other significant related party transactions and balances.

Other related companies comprise the other companies in the EPF Group and RHB Capital Berhad Group.

	Ultimate holding body RM'000	Immediate holding Company RM'000	Key management personnel RM'000	Other related companies RM'000
Group				
2009				
Income				
Interest on deposits	-	-	-	3,666
Fee income	-	2,560	-	2,386
Brokerage fees	9,429	-	-	-
Fund management fees	3,665	-	3	1,519
	13,094	2,560	3	7,571
Expenditure				
Insurance premium	-	-	-	1,059
Interest expense on deposits and placements	-	-	-	348
Interest expense on subordinated obligations	-	-	-	265
Rental of premises	-	-	-	8,739
Personnel expenses	-	-	-	566
Establishment expenses	-	-	-	152
Marketing expenses	-	-	-	834
Administration and general expenses	-	-	-	91
Revaluation of interest rate swap	-	-	-	4,925
	-	-	-	16,979
Amount due from				
Cash and short term funds	-	-	-	83,832
Clients' and brokers' balances	23,339	-	-	-
Derivative financial assets	-	-	-	4,932
Other assets	785	500	-	1,601
	24,124	500	-	90,365
Amount due to				
Deposits and placements of financial institutions	-	-	-	22,770
Clients' and brokers' balances	-	-	-	3
Derivative financial liabilities	-	-	-	3,499
Subordinated obligations	-	-	-	5,000
Other liabilities	-	1,233	-	1,871
	-	1,233	-	33,143

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

34 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Ultimate holding body RM'000	Immediate holding Company RM'000	Key management personnel RM'000	Other related companies RM'000
Group				
2008				
Income				
Interest on deposits	-	-	-	4,629
Fee income		1,000	-	604
Brokerage fees	8,050	-	-	-
Fund management fees	3,177	-	-	3,587
Revaluation of interest rate swap	-	-	-	10,218
	11,227	1,000	-	19,038
Expenditure				
Insurance premium	-	-	-	978
Interest expense on deposits and placements	-	-	-	5,143
Interest expense on subordinated obligations	-	-	-	266
Rental of premises	-	-	-	9,017
Personnel expenses	-	-	-	566
Establishment expenses	-	-	-	160
Marketing expenses	-	-	-	1,191
Administration and general expenses	-	-	-	142
	-	-	-	17,463
Amount due from				
Cash and short term funds	-	-	-	437,534
Clients' and brokers' balances	688	-	-	-
Derivative financial assets	-	-	-	12,454
Interest rate swap coupon receivable	-	-	-	66
Other assets	-	-	-	4,482
	688	-	-	454,536
Amount due to				
Deposits and placements of financial institutions	-	-	-	24,187
Clients' and brokers' balances	3	-	77	-
Subordinated obligations	-	-	-	5,000
Other liabilities	-	769	-	433
	3	769	77	29,620

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

34 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Ultimate holding body RM'000	Immediate holding Company RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Bank					
2009					
Income					
Interest on deposits	-	-	-	-	3,173
Fee income	-	2,560	-	-	60
Brokerage Fee	9,429	-	-	-	-
	9,429	2,560	-	-	3,233
Expenditure					
Insurance premium	-	-	-	-	963
Interest expense on deposits and placements	-	-	-	-	348
Rental of premises	-	-	-	-	7,576
Interest expense on subordinated obligations	-	-	-	-	265
Personnel expenses	-	-	-	-	474
Establishment expenses	-	-	-	-	152
Administration and general expenses	-	-	5,345	-	90
Revaluation of interest rate swap	-	-	-	-	4,925
	-	-	5,345	-	14,793
Amount due from					
Cash and short term funds	-	-	-	-	46,812
Clients' and brokers' balances	23,339	-	-	-	-
Derivative financial assets	-	-	-	-	4,932
Other assets	-	500	1,353	-	39
	23,339	500	1,353	-	51,783
Amount due to					
Clients' and brokers' balances	-	-	-	-	3
Subordinated obligations	-	-	-	-	5,000
Derivative financial liabilities	-	-	-	-	3,499
Other liabilities	-	527	4	-	1,704
	-	527	4	-	10,206

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

34 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Ultimate holding body RM'000	Immediate holding Company RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Bank					
2008					
Income					
Interest on deposits	-	-	-	-	3,851
Fee income	-	1,000	-	-	104
Revaluation of interest rate swap	-	-	-	-	10,218
Brokerage Fee	8,050	-	-	-	-
	8,050	1,000	-	-	14,173
Expenditure					
Insurance premium	-	-	-	-	862
Interest expense on deposits and placements	-	-	-	-	5,143
Rental of premises	-	-	-	-	7,632
Interest expense on subordinated obligations	-	-	-	-	266
Personnel expenses	-	-	-	-	476
Establishment expense	-	-	-	-	160
Administration and general expenses	-	-	8,055	-	140
	-	-	8,055	-	14,679
Amount due from					
Other assets	-	-	1,061	-	274
	-	-	1,061	-	274
Amount due to					
Clients' and brokers' balances	3	-	-	77	-
Subordinated obligations	-	-	-	-	5,000
Other liabilities	-	62	1,213	-	340
	3	62	1,213	77	5,340

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

34 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

The remuneration of key management personnel are as follows

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short-term employee benefits				
- Salary and other remuneration	5,889	5,156	3,181	2,614
- Benefits-in-kind (based on an estimated money value)	143	158	68	72
	6,032	5,314	3,249	2,686

The above remuneration includes directors' remuneration as disclosed in Note 28.

(d) Credit exposures arising from transactions with connected parties

There is no credit exposure with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

35 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

	Group and Bank	
	2009 Principal amount RM'000	2008 Principal amount RM'000
Direct credit substitutions	-	162,267
Transaction-related contingent items	-	140,913
Other asset sold with recourse	-	18,792
Forward asset purchases	-	22,752
Obligations under an on-going underwriting agreements	147,660	116,660
Interest rate related contracts:		
- less than one year	1,020,000	1,000,000
- one to less than five years	1,735,000	2,420,000
- five years and above	195,000	280,000
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	41	200,684
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-	221,251
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or effectively provides for automatic cancellation due to deterioration in a borrower's creditworthiness	90,561	-
	3,188,262	4,583,319

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

35 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies

Pursuant to the vesting order as stated in Note 13, all legal proceedings which have not been completed and in which or where RHB Excel Sdn Bhd ('RHB Excel') is a party, will be continued by the Bank as if the Bank is party instead of RHB Excel.

RHB Excel is the second defendant to a suit for damages and for the return of shares pledged by the plaintiff as third party collateral for margin finance facilities initially provided by its related company which were subsequently transferred to RHB Excel together with the third party collateral. The plaintiff claimed that the transfer was made without the plaintiff's consent and has obtained an interim injunction to restrain the disposal of the collateral and has claimed for unspecified damages. RHB Excel has filed a defence and counterclaim against the said suit.

On 19 May 2005, the Kuala Lumpur High Court dismissed the plaintiff's claims against RHB Excel. The plaintiff filed a Notice of Appeal against the dismissal on 30 May 2005. With the dismissal, the injunction previously obtained against RHB Excel to deal with the collateral lapses. On 14 June 2005, the plaintiff filed an application for a stay of execution.

RHB Excel won in its counterclaim against the plaintiff with costs on 24 June 2005. On 4 August 2005, the plaintiff's stay application was allowed with costs. As such, RHB Excel is prohibited from disposing the shares until the hearing and disposal of appeal to the Court of Appeal.

Given that RHB Excel had won the counterclaim and the appeal from the plaintiff has yet to be heard, the management is of the view that no provision is necessary at this juncture.

On 12 January 2010, the appeal was officially withdrawn by the Court of Appeal.

36 LEASE COMMITMENTS

The Group and the Bank have 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		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Future minimum lease payments				
Not later than one year	8,356	10,891	6,725	9,444
Over one year to five years	580	2,695	433	2,566
More than five years	-	952	-	952
	8,936	14,538	7,158	12,962

37 CAPITAL COMMITMENTS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Capital expenditure for property, plant and equipment:				
- authorised and contracted for	961	3,508	961	3,508
- authorised and not contracted for	474	-	474	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

38 CAPITAL ADEQUACY

With effect from 1 January 2008, the capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

The capital adequacy ratios of the Bank are as follows:

	2009 RM'000	2008 RM'000
Tier I Capital		
Paid-up share capital	263,646	263,646
Statutory reserve	278,549	278,549
Retained profits	220,169	169,098
	762,364	711,293
Deferred tax liabilities/(assets)	1,095	(1,210)
Goodwill	(159,280)	(159,280)
Total Tier I Capital	604,179	550,803
Tier II Capital		
General allowance for bad and doubtful debts	1,137	8,442
Subordinated obligations	245,000	245,000
Total Tier II capital	246,137	253,442
Less: Investments in subsidiaries	(58,270)	(58,270)
Investment in a joint venture	(27,399)	(27,399)
Other deductions	(422)	-
Total capital base	764,225	718,576
Before deducting proposed dividends		
Core capital ratio	35.58%	19.25%
Risk-weighted capital adequacy ratio	45.01%	25.12%
After deducting proposed dividends		
Core capital ratio	24.64%	17.14%
Risk-weighted capital adequacy ratio	31.95%	23.00%

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

38 CAPITAL ADEQUACY (CONTINUED)

Pursuant to BNM's circular, "Recognition of Deferred Tax Assets ('DTA') and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(expense) is excluded from the computation of Tier 1 capital and deferred tax assets are excluded from the calculation of risk weighted assets.

Total risk weighted assets and capital requirements of the Bank as at 31 December 2009:

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
(a) Credit Risk				
On-balance sheet exposures				
Sovereigns/central banks	1,939,097	1,939,097	-	-
Banks, development financial institutions	1,147,694	1,147,694	229,539	18,363
Corporates	1,244,319	1,244,319	573,244	45,860
Regulatory retail	5,857	5,857	4,393	352
Residential mortgages	1,210	1,210	466	37
Other assets	212,686	212,686	27,902	2,232
Securitisation exposure	163,625	163,625	32,725	2,618
Defaulted exposures	140,830	140,830	211,153	16,892
Total on-balance sheet exposures	4,855,318	4,855,318	1,079,422	86,354
Off balance sheet exposures other than credit derivatives	160,957	160,957	39,423	3,154
Total off-balance sheet exposures	160,957	160,957	39,423	3,154
Total on and off-balance sheet exposures	5,016,275	5,016,275	1,118,845	89,508
(b) Market Risk				
	Long Position	Short Position		
Interest rate risk	3,741,493	2,950,000	-	103,697
Foreign currency risk	234	-	-	234
Options risk	-	-	-	44,750
(c) Operational risk			430,394	34,432
Total risk weighted assets and capital requirements			1,697,920	135,834

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

38 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements of the Bank as at 31 December 2008:

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
(a) Credit Risk				
On-balance sheet exposures				
Sovereigns/central banks	1,316,558	1,316,558	-	-
Banks, development financial institutions	576,944	576,944	115,389	9,231
Corporates	1,656,531	1,656,531	851,841	68,147
Regulatory retail	6,258	6,258	4,694	376
Residential mortgages	1,241	1,241	488	39
Other assets	220,621	220,621	73,746	5,899
Defaulted exposures	134,751	134,751	161,384	12,911
Total on-balance sheet exposures	3,912,904	3,912,904	1,207,542	96,603
Off balance sheet exposures other than credit derivatives	606,453	606,453	277,587	22,207
Total off-balance sheet exposures	606,453	606,453	277,587	22,207
Total on and off-balance sheet exposures	4,519,357	4,519,357	1,485,129	118,810
(b) Market Risk				
	Long Position	Short Position		
Interest rate risk	3,662,937	717,264	-	953,319
Foreign currency risk	1,322	-	-	1,322
Options risk	-	-	-	20,095
(c) Operational risk			400,971	32,078
Total risk weighted assets and capital requirements			2,860,836	228,868

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

38 CAPITAL ADEQUACY (CONTINUED)

Disclosure on Credit Risk: Disclosure on Risk Weights of the Bank as at 31 December 2009:

Risk Weighted	Sovereigns and Central Banks RM'000	PSEs RM'000	Banks, MDBs and FDI's RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Specialised Financing/ Investment RM'000	Securitisation RM'000	Equity RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	1,939,097	-	-	-	11,000	-	-	-	170,295	-	-	-	2,120,392	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	1,231,995	-	787,272	-	-	-	20,918	-	163,625	-	2,203,810	440,762
35%	-	-	-	-	-	-	947	-	-	-	-	-	947	331
50%	-	-	-	-	189,713	56	284	-	-	-	-	-	190,053	95,027
75%	-	-	-	-	-	5,857	-	-	-	-	-	-	5,857	4,393
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	304,707	-	-	-	24,278	-	-	-	328,985	328,985
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	165,265	-	-	966	-	-	-	-	166,231	249,347
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,939,097	-	1,231,995	-	1,457,957	5,913	1,231	966	215,491	-	163,625	-	5,016,275	1,118,845

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

38 CAPITAL ADEQUACY (CONTINUED)

Disclosure on Credit Risk: Disclosure on Risk Weights of the Bank as at 31 December 2008:

Risk Weighted	Sovereigns and Central Banks RM'000	PSEs RM'000	Banks, MDBs' and FDI's RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Specialised Financing/ Investment RM'000	Securitisation RM'000	Equity RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	1,316,558	-	-	-	36,658	-	-	-	138,359	-	-	-	1,491,575	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	734,726	-	1,091,486	-	-	-	23,670	-	-	-	1,849,882	369,976
35%	-	-	-	-	-	-	1,097	-	-	-	-	-	1,097	384
50%	-	-	-	-	204,674	57	360	-	-	-	-	-	205,091	102,546
75%	-	-	-	-	-	10,588	-	-	-	-	-	-	10,588	7,941
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	802,897	-	294	-	71,617	-	-	-	874,808	874,808
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	86,244	-	-	72	-	-	-	-	86,316	129,474
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,316,558	-	734,726	-	2,221,959	10,645	1,751	72	233,646	-	-	-	4,519,357	1,485,129

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

38 CAPITAL ADEQUACY (CONTINUED)

Off balance sheet and counterparty risk of the Bank as at 31 December 2009:

	Group and Bank As at 31.12.2009		
	Principal amount RM'000	Credit equivalent amount [^] RM'000	Risk weighted amount RM'000
Obligations under an on-going underwriting agreements	147,660	73,830	21,995
Interest rate related contracts:			
- Less than one year	1,020,000	1,785	357
- one to less than five years	1,735,000	69,635	13,927
- five years and above	195,000	15,686	3,137
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	41	21	7
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or effectively provides for automatic cancellation due to deterioration in a borrower's creditworthiness*	90,561	-	-
Total	3,188,262	160,957	39,423

[^] The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

* As a temporary measure to support lending activities of the banking industry:

- a) all banking institutions (Basel I and Basel II) are allowed to apply a 0% credit conversion factor ('CCF'), instead of 50% on the undrawn portion of credit facilities with an original maturity of more than one year, conditional upon the institution undertaking a credit review of the facility at least annually and having the right to withdraw the facility following an unsatisfactory assessment; and
- b) Basel II banking institutions can also apply a 0% CCF (instead of 20%) on the undrawn portions of credit facilities with an original maturity of less than a year.

These measures are applicable until 31 December 2010.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

38 CAPITAL ADEQUACY (CONTINUED)

Off balance sheet and counterparty risk of the Bank as at 31 December 2008:

	Group and Bank As at 31.12.2008		
	Principal amount RM'000	Credit equivalent amount^ RM'000	Risk weighted amount RM'000
Direct credit substitutions	162,267	162,267	68,277
Transaction-related contingent items	140,913	70,457	8,585
Other asset sold with recourse	18,792	18,792	3,758
Forward asset purchases	22,752	22,752	4,550
Obligations under an on-going underwriting agreements	116,660	58,330	23,195
Foreign exchange-related contracts:			
- less than one year	-	-	-
Interest rate related contracts:			
- Less than one year	1,000,000	1,725	345
- one to less than five years	2,420,000	100,643	20,129
- five years and above	280,000	26,895	5,379
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	200,684	100,342	100,200
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	221,251	44,250	43,169
Total	4,583,319	606,453	277,587

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

39 FINANCIAL INSTRUMENTS

A Financial risk management objectives and policies

Overview and Organisation

Risk is inherent in banking business and sound risk management is the cornerstone of prudent and successful banking.

In compliance with best practices under the Malaysian Code of Corporate Governance, the Board of Directors ('Board' or 'BOD') through the Group Risk Management function ('GRM function') and Group Risk Management Committee ('GRMC'), is responsible for identifying principal risks and ensuring that there is an ongoing process to continuously manage the Bank's risks actively.

The GRMC provides oversight and management of all risks in an integrated way. The GRM function is independent and reports directly to this Committee. The GRM function assists the GRMC and Board in formulating risk related policies, advises the Board on the risk impact of business strategies, and reviews compliance by the management to the risk policy framework that is approved by the Board.

The GRMC comprises non-executive directors with at least five (5) members. Members of the GRMC are directors who are exclusively non-executive in all of their directorships in the RHB Capital Berhad group.

Overriding Objectives of the GRMC:

- (i) To provide oversight and governance of risks of the Bank, and the overall 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 is in place and functioning;
- (iii) To deliberate and make recommendations to the BODs of each relevant entity within the Group in respect of risk management matters of the respective entities.

Primary responsibility for managing risks, however, rests with business managers. They are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits. Additionally, the management of risks associated with financial instruments is continuously carried out in the organisation. The Board has set up policies and procedures to manage the risks that may arise in connection with the use of financial instruments.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

39 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

Major Areas of Risk

As a banking institution covering corporate banking and advisory services, treasury products and services, and securities and futures related businesses, the Bank 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 Bank being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due 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 breaches of applicable laws and regulatory requirements.

Market risk

Within the Investment Bank, market risk arising from the Group's trading activities may result from either client-related business or proprietary positions.

The 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 Bank's portfolio on a regular basis.

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.

As no single risk statistic can reflect all aspects of market risk, a variety of techniques, both statistical and non-statistical are used to measure and control the market risks it assumes in its various activities. The value-at-risk ('VAR') statistical method is used to measure the amount of potential loss from adverse market movement in an ordinary market environment. Back-testing of VAR against actual financial results, based on daily market risk-related revenue is conducted periodically.

While VAR measures the Bank's potential losses in normal market movements, extreme market movements are simulated under stress testing scenarios. Stress testing examines the impact that abnormally large swings in market factors, and years of prolonged inactivity, might have on portfolios. The Bank performs stress tests on its portfolios using multiple scenarios that are continually reviewed and updated to reflect changes in economic events.

In addition, non-statistical risk measures such as net open position, sensitivity analysis and simulation models are also used to measure and provide additional information on market risk exposures and the direction in which the risk factors are moving.

39 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

Currency Risk

Approved position limits are applied for each currency and there is also an overall total limit. Trading loss limits are imposed on each trading desk and on each individual dealer. The levels of these exposures (including off-balance sheet items), by currency and overall total for both intra-day and overnight positions, are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by the Asset and Liability Committee ('ALCO').

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.

Credit Risk

The Bank abides strictly by the Board's approved credit policy which supports the development of a strong credit culture with the objectives of maintaining a well diversified, evaluated and current portfolio. Market best practices are incorporated into this policy.

The Bank ensures that measures and processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being independently evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Group Credit Committee sanction credits beyond well established prudential threshold. The 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 and determine whether the Bank is adequately compensated. Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.

Counter-party, industry and product exposure limits/directions are set and risk reward relationships are mapped with the aim of maintaining a diverse credit profile and track changing risk concentrations in response to market changes and external events.

The Bank is moving towards the advanced Basel II approaches by implementing key program components which include:

- (i) enhancing the economic returns of the Bank using established and proven credit risk framework and methodologies,
- (ii) implementing and using empirical credit grading models for business loans, and
- (ii) 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 the Bank in meeting the Pillar II requirements of the Basel II Accord Internal Ratings Based Approach.

In stockbroking activities, credit risk is mitigated through the establishment of appropriate approving authority structure for the extension of trading/credit limits. Within clearly defined guidelines approved by the Board and in line with 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

39 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

Liquidity Risk

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

Limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities are set to ensure adequate cover for withdrawals at unexpected levels of demand. Defined liquidity management ratios are maintained and monitored on an active basis.

The Bank's liquidity framework is constantly reviewed to ensure constant compliance with BNM's Liquidity Framework.

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

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 Bank uses an operational risk management system. This system has integrated applications for supporting the entire operational risk management process for loss event data collection and management, loss event analysis, assessment and monitoring of the quality of the internal control 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 Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework.

The Bank has an ongoing and actively managed Business Continuity Planning ('BCP') programme for its major critical business operations and activities. The BCP programme is subject to regular testing to ensure efficacy, reliability and functionality.

The Bank continually refines and strengthens existing policies, procedures and internal controls measures; and continually conduct internal reviews, compliance monitoring, and comprehensive audits to prevent or minimize unexpected losses.

Stockbroking

Market risk

Market risk relates to the risk of an adverse fluctuation in equity prices.

39 FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (Continued)

Stockbroking (Continued)

Market risk (Continued)

Market risk arising from trading activities can result from either client-related business or proprietary positions. Market risk is managed as follows:-

- Assignment of appropriate trading limits.
- Daily monitoring of large exposure risk to single equity to manage the concentration risk.
- Requirement of collateral or upfront payment for purchase of volatile stocks with “designated” status and “PN4” condition stocks under trading restriction prior to the execution of the transaction. Exposures to such counters are being monitored closely.
- In compliance with the Business Rules of Bursa Securities, clients must settle all positions on the 3rd market day following the transaction date (i.e. T+3), otherwise the positions will be force sold by the Bank on the following market day. Hence, the market risk is contained within 4 market days following the transaction date.
- The Business Rules of Bursa Securities on Capital Adequacy Requirements (CAR) restrict stockbroking companies’ exposure in relation to position risk, large exposure risk and underwriting risk.

Credit Risk

Credit and counterparty risk refer to the potential losses attributable to an unexpected default or deterioration in client’s creditworthiness.

In trading activities, credit risk arises from the possibility that the counterparty is not able or willing to fulfil its obligation on a transaction on or before settlement date.

The Credit Control Division in the Bank ensures that credit risk is mitigated by:-

- Structured and systematic credit checking and processing based on approved policies, procedures and guidelines.
- Proper trading limit structure for dealer’s representatives and clients are in place in line with the credit policies.
- Daily review and monitoring of exposure and adequacy of collateral.
- Requirement of upfront payment for purchase positions prior to the execution of any exposure which is beyond acceptable risk tolerance level.
- Internal policy on suspension of clients from trading once their accounts are overdue. Clients’ losses are reviewed regularly and recovery action initiated when appropriate.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

39 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk

The table below summarises the Group's and the Bank's exposure to interest rate risk. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates.

	Group 31.12.2009							Effective average interest rate %	
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000		Total RM'000
Assets									
Cash and short-term funds	1,413,708	-	-	-	-	35,478	-	1,449,186	1.98
Deposits and placements with banks and other financial institutions	-	360,000	120	-	-	-	-	360,120	2.17
Securities held-for-trading	-	-	-	-	-	-	677,852	677,852	3.09
Securities available-for-sale	-	-	67,802	1,047,037	1,248,448	86,419	-	2,449,706	4.92
Securities held-to-maturity	-	-	3,676	132,757	145,955	(76,147)*	-	206,241	4.31
Loans and advances									
- performing	57,821	-	-	509	2,652	(915)	-	60,067	8.96
- non-performing	-	-	-	-	-	91*	-	91	-
Clients' and brokers' balances	72,737	-	-	-	-	176,930	-	249,667	3.99
Other assets	2,010	-	108	138	289	62,335	-	64,880	1.73
Derivative assets	-	-	-	-	-	-	25,870	25,870	-
Tax recoverable	-	-	-	-	-	1,102	-	1,102	-
Deferred tax assets	-	-	-	-	-	5,974	-	5,974	-
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	27,291	-	27,291	-
Investment in a joint venture	-	-	-	-	-	25,976	-	25,976	-
Property, plant and equipment	-	-	-	-	-	12,763	-	12,763	-
Goodwill	-	-	-	-	-	172,844	-	172,844	-
Total assets	1,546,276	360,000	71,706	1,180,441	1,397,344	530,141	703,722	5,789,630	

Consist of equity instruments less impairment loss.

* This represents outstanding non-performing loans after deducting specific allowance and general allowance.

39 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	Group 31.12.2009							Effective average interest rate %	
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000		Total RM'000
Liabilities									
Deposits from customers	2,329,846	488,009	401,893	-	-	-	-	3,219,748	2.22
Deposits and placements of banks and other financial institutions	1,013,525	57,914	11,000	3,131	-	-	-	1,085,570	2.14
Clients' and brokers' balances	-	-	-	-	-	401,857	-	401,857	-
Other liabilities	7,965	-	-	-	-	50,324	-	58,289	1.90
Derivative liabilities	-	-	-	-	-	-	34,764	34,764	-
Taxation	-	-	-	-	-	1,916	-	1,916	-
Subordinated obligations	-	-	-	245,000	-	-	-	245,000	5.34
Total liabilities	3,351,336	545,923	412,893	248,131	-	454,097	34,764	5,047,144	
Total equity	-	-	-	-	-	742,486	-	742,486	
Total liabilities and equity	3,351,336	545,923	412,893	248,131	-	1,196,583	34,764	5,789,630	
On-balance sheet interest sensitivity gap	(1,805,060)	(185,923)	(34,1187)	932,310	1,397,344	-	-	-	
Off-balance sheet interest sensitivity gap	(5,000)	305,000	(280,000)	25,000	(45,000)	-	-	-	
Net interest rate gap	(1,810,060)	119,077	(621,187)	957,310	1,352,344	-	-	-	

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39 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	Group 31.12.2008							Effective average interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000	
Assets								
Cash and short-term funds	1,326,350	-	-	-	-	28,095	-	1,354,445
Deposits and placements with banks and other financial institutions	-	-	120	-	-	-	-	120
Securities held-for-trading	-	-	-	-	-	-	2,655,100	2,655,100
Securities available-for-sale	-	9,941	71,179	336,524	1,093,291	11,942	-	1,522,877
Securities held-to-maturity	-	-	126,808	153,259	19,781	(77,195)*	-	222,653
Loans and advances								
- performing	291,299	159,622	-	1,155	2,948	-	-	455,024
- non-performing	-	-	-	-	-	13,220*	-	13,220
Clients' and brokers' balances	87,944	-	-	-	-	87,359	-	175,303
Other assets	1,895	-	34	147	336	65,163	-	67,575
Derivative assets	-	-	-	-	-	-	50,538	50,538
Tax recoverable	-	-	-	-	-	24,625	-	24,625
Deferred tax assets	-	-	-	-	-	54	-	54
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	58,236	-	58,236
Investment in a joint venture	-	-	-	-	-	26,349	-	26,349
Property, plant and equipment	-	-	-	-	-	11,197	-	11,197
Goodwill	-	-	-	-	-	172,844	-	172,844
Total assets	1,707,488	169,563	198,141	491,085	1,116,356	421,889	2,705,638	6,810,160

Consist of equity instruments less impairment loss.

* This represents outstanding non-performing loans after deducting specific allowance and general allowance.

39 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	Group 31.12.2008							Effective average interest rate %	
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000		Total RM'000
Liabilities									
Deposits from customers	2,295,884	531,655	278,948	-	-	-	-	3,106,487	3.40
Deposits and placements of banks and other financial institutions	1,752,873	285,798	277,156	3,131	-	-	-	2,318,958	3.44
Clients' and brokers' balances	-	-	-	-	-	289,053	-	289,053	-
Other liabilities	-	-	-	-	-	68,698	-	68,698	-
Derivative liabilities	-	-	-	-	-	-	62,291	62,291	-
Taxation	-	-	-	-	-	14	-	14	-
Deferred tax liabilities	-	-	-	-	-	1,559	-	1,559	-
Subordinated obligations	-	-	-	245,000	-	-	-	245,000	5.34
Total liabilities	4,048,757	817,453	556,104	248,131	-	359,324	62,291	6,092,060	
Total equity	-	-	-	-	-	718,100	-	718,100	
Total liabilities and equity	4,048,757	817,453	556,104	248,131	-	1,077,424	62,291	6,810,160	
On-balance sheet interest sensitivity gap	(2,341,269)	(647,890)	(357,963)	242,954	1,116,356	-	-	-	-
Off-balance sheet interest sensitivity gap	155,000	255,000	(20,000)	(260,000)	(130,000)	-	-	-	-
Net interest rate gap	(2,186,269)	(392,890)	(377,963)	(17,046)	986,356	-	-	-	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

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For the Financial Year Ended 31 December 2009

39 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	Bank 31.12.2009							Effective average interest rate %	
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000		Total RM'000
Assets	1,385,851	-	-	-	-	23,916	-	1,409,767	2.00
Cash and short-term funds	-	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	360,000	-	120	-	-	-	-	360,120	2.17
Securities held-for-trading	-	-	-	-	-	-	675,493	675,493	3.09
Securities available-for-sale	-	-	67,802	1,047,037	1,248,448	85,198	-	2,448,485	4.92
Securities held-to-maturity	-	-	3,676	132,757	145,955	(76,147)*	-	206,241	4.31
Loans and advances	-	-	-	-	-	-	-	-	-
- performing	57,821	-	-	509	2,652	(915)	-	60,067	8.96
- non-performing	-	-	-	-	-	91*	-	91	-
Clients' and brokers' balances	72,737	-	-	-	-	176,930	-	249,667	3.99
Other assets	2,010	-	-	-	-	53,399	-	55,409	1.06
Derivative assets	-	-	-	-	-	-	25,870	25,870	-
Tax recoverable	-	-	-	-	-	168	-	168	-
Deferred tax assets	-	-	-	-	-	5,466	-	5,466	-
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	27,291	-	27,291	-
Investment in a joint venture	-	-	-	-	-	58,270	-	58,270	-
Property, plant and equipment	-	-	-	-	-	27,399	-	27,399	-
Goodwill	-	-	-	-	-	10,857	-	10,857	-
	-	-	-	-	-	159,280	-	159,280	-
Total assets	1,518,419	360,000	71,598	1,180,303	1,397,055	551,203	701,363	5,779,941	

Consist of equity instruments less impairment loss.

* This represents outstanding non-performing loan after deducting specific allowance and general allowance.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

39 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	Bank 31.12.2009							Effective average interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000	
Liabilities								
Deposits from customers	2,329,846	488,009	401,893	-	-	-	-	3,219,748
Deposits and placements of banks and other financial institutions	1,013,525	57,914	11,000	3,131	-	-	-	1,085,570
Clients' and brokers' balances	-	-	-	-	-	401,857	-	401,857
Other liabilities	7,965	-	-	-	-	42,357	-	50,322
Derivative liabilities	-	-	-	-	-	-	34,764	34,764
Subordinated obligations	-	-	-	245,000	-	-	-	245,000
Total liabilities	3,351,336	545,923	412,893	248,131	-	444,214	34,764	5,037,261
Total equity	-	-	-	-	-	742,680	-	742,680
Total liabilities and equity	3,351,336	545,923	412,893	248,131	-	1,186,894	34,764	5,779,941
On-balance sheet interest sensitivity gap	(1,832,917)	(185,923)	(341,295)	932,172	1,397,055	-	-	-
Off-balance sheet interest sensitivity gap	(5,000)	305,000	(280,000)	25,000	(45,000)	-	-	-
Net interest rate gap	(1,837,917)	119,077	(621,295)	957,172	1,352,055	-	-	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

39 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	Bank 31.12.2008							Effective average interest rate %	
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000		Total RM'000
Assets									
Cash and short-term funds	1,299,345	-	-	-	-	18,066	-	1,317,411	3.27
Deposits and placements with banks and other financial institutions	-	-	120	-	-	-	-	120	3.70
Securities held-for-trading	-	-	-	-	-	-	2,651,634	2,651,634	4.46
Securities available-for-sale	-	9,941	71,179	336,524	1,093,291	9,510	-	1,520,445	5.49
Securities held-to-maturity	-	-	126,808	153,259	19,781	(77,195)*	-	222,653	6.30
Loans and advances									
- performing	291,299	159,622	-	1,155	2,948	-	-	455,024	6.82
- non-performing	-	-	-	-	-	13,220*	-	13,220	-
Clients' and brokers' balances	87,944	-	-	-	-	87,359	-	175,303	2.21
Other assets	1,895	-	-	-	-	56,716	-	58,611	2.21
Derivative assets	-	-	-	-	-	-	50,538	50,538	-
Tax recoverable	-	-	-	-	-	25,103	-	25,103	-
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	58,236	-
Investments in subsidiaries	-	-	-	-	-	58,270	-	58,270	-
Investment in a joint venture	-	-	-	-	-	27,399	-	27,399	-
Property, plant and equipment	-	-	-	-	-	9,090	-	9,090	-
Goodwill	-	-	-	-	-	159,280	-	159,280	-
Total assets	1,680,483	169,563	198,107	490,938	1,116,020	445,054	2,702,172	6,802,337	

Consist of equity instruments less impairment loss.

* This represents outstanding non-performing loans after deducting specific allowance and general allowance.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

39 FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (Continued)

	Bank							Effective average interest rate %
	31.12.2008							
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	2,295,884	531,655	278,948	-	-	-	-	3,106,487
Deposits and placements of banks and other financial institutions	1,752,873	285,798	277,156	3,131	-	-	-	2,318,958
Clients' and brokers' balances	-	-	-	-	-	289,053	-	289,053
Other liabilities	-	-	-	-	-	60,157	-	60,157
Derivative liabilities	-	-	-	-	-	-	62,291	62,291
Deferred tax liabilities	-	-	-	-	-	1,367	-	1,367
Subordinated obligations	-	-	-	245,000	-	-	-	245,000
Total liabilities	4,048,757	817,453	556,104	248,131	-	350,577	62,291	6,083,313
Total equity	-	-	-	-	-	719,024	-	719,024
Total liabilities and equity	4,048,757	817,453	556,104	248,131	-	1,069,601	62,291	6,802,337
On-balance sheet interest sensitivity gap	(2,368,274)	(647,890)	(357,997)	242,807	1,116,020	-	-	-
Off-balance sheet interest sensitivity gap	155,000	255,000	(20,000)	(260,000)	(130,000)	-	-	-
Net interest rate gap	(2,213,274)	(392,890)	(377,997)	(17,193)	986,020	-	-	-

Actual repricing dates may differ from contractual dates as contractual terms do not reflect the actual behavioural patterns of assets and liabilities. Assets and liabilities are assumed to be held until the earlier of contractual repricing or maturity dates. The Bank uses this contractual repricing information as a base, which is then altered to incorporate consumer behaviour, in managing its interest rate risk.

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39 FINANCIAL INSTRUMENTS (CONTINUED)

C Credit risk

The following table sets out the credit risk concentrations of the Group by asset class:

	Group 31.12.2009							
	Cash and short term funds & placements with financial institutions RM'000	Securities held-for- trading RM'000	Securities available- for-sale* RM'000	Securities held-to- maturity RM'000	Loans and advances# RM'000	Clients' and brokers' balances and other financial assets@ RM'000	On-balance sheet total RM'000	Commitments and contingencies^ RM'000
Agricultural	-	-	-	-	-	-	-	-
Mining and quarrying	-	-	-	-	-	-	-	-
Manufacturing	-	113,772	213,436	61,191	-	2,804	391,203	83,564
Electricity, gas and water	-	-	151,885	-	-	224	152,109	-
Construction	-	-	73,961	-	-	-	73,961	9,660
Real estate	-	-	28,734	-	-	-	28,734	-
General commerce	-	59,753	58,122	-	-	1,281	119,156	30,460
Wholesale & retail trade and restaurants & hotels	-	-	-	-	-	-	-	-
Transport, storage and communication	-	-	343,724	99,180	-	1,140	444,044	-
Finance, insurance and business services	1,085,596	452,193	790,874	-	-	43,147	2,371,810	2,950,000
Government and government agencies	723,700	49,775	784,584	44,647	-	10,623	1,613,329	-
Purchase of landed property	-	-	-	-	-	-	-	-
Purchase of securities	-	-	-	-	57,913	249,888	307,801	-
Purchase of transport vehicles	-	-	-	-	-	-	-	-
Consumption credit	-	-	-	-	-	-	-	-
Others	-	-	-	-	3,161	-	31,481	114,578
Total	1,809,296	675,493	2,445,320	205,018	61,074	337,427	5,533,628	3,188,262

* Excludes equity instruments amounting to RM4,386,000.

Excludes general allowance amounting to RM916,000.

@ Clients' and brokers' balances exclude general allowance of RM221,000 and other financial assets comprise other receivables.

^ Risk concentrations for commitments and contingencies are based on the credit equivalent amount, which is arrived, at using the credit conversion factors as per BNM guidelines.

Notes to the Financial Statements

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39 FINANCIAL INSTRUMENTS (CONTINUED)

C Credit risk (continued)

The following table sets out the credit risk concentrations of the Group by asset class:

	Group 31.12.2008							
	Cash and short term funds & placements with financial institutions RM'000	Securities held-for- trading RM'000	Securities available- for-sale* RM'000	Securities held-to- maturity RM'000	Loans and advances# RM'000	Clients' balances and other financial assets® RM'000	On-balance sheet total RM'000	Commitments and contingencies^ RM'000
Agricultural	-	-	-	14,788	-	-	14,788	-
Mining and quarrying	-	-	-	-	19,004	-	19,004	-
Manufacturing	-	357,007	87,005	63,261	17,005	4,401	528,679	82,860
Electricity, gas and water	-	125,130	107,431	-	-	1,365	233,926	227,880
Construction	-	81,373	51,108	-	40,240	904	173,625	33,469
Real estate	-	42,020	24,141	-	105,331	779	172,271	110,153
General commerce	-	54,819	57,139	-	-	427	112,385	110,960
Wholesale & retail trade and restaurants & hotels	-	-	-	-	8,952	-	8,952	-
Transport, storage and communication	-	288,740	373,971	98,852	3,508	2,638	767,709	71,164
Finance, insurance and business services	700,998	1,449,502	478,649	-	196,992	72,782	2,898,923	3,783,545
Government and government agencies	653,500	253,043	331,492	44,529	-	7,483	1,290,047	-
Purchase of landed property	-	-	-	-	2,948	-	2,948	-
Purchase of securities	-	-	-	-	61,149	175,449	236,598	-
Purchase of transport vehicles	-	-	-	-	1,150	-	1,150	-
Consumption credit	-	-	-	-	5	-	5	-
Others	-	-	-	-	20,256	27,226	47,482	163,288
Total	1,354,498	2,651,634	1,510,936	221,430	476,540	293,454	6,508,492	4,583,319

* Excludes equity instruments amounting to RM11,941,000.

Excludes general allowance amounting to RM8,296,000.

® Clients' and brokers' balances exclude general allowance of RM146,000 and other financial assets comprise other receivables.

^ Risk concentrations for commitments and contingencies are based on the credit equivalent amount, which is arrived, at using the credit conversion factors as per BNM guidelines.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

39 FINANCIAL INSTRUMENTS (CONTINUED)

C Credit risk (continued)

The following table sets out the credit risk concentrations of the Group by asset class:

	Bank 31.12.2009							
	Cash and short term funds & placements with financial institutions RM'000	Securities held-for- trading RM'000	Securities available- for-sale* RM'000	Securities held-to- maturity RM'000	Loans and advances [#] RM'000	Clients' and brokers' balances and other financial assets [@] RM'000	On-balance sheet total RM'000	Commitments and contingencies [^] RM'000
Agricultural	-	-	-	-	-	-	-	-
Mining and quarrying	-	-	-	-	-	-	-	-
Manufacturing	-	113,772	213,436	61,191	-	2,804	391,203	83,564
Electricity, gas and water	-	-	151,885	-	-	224	152,109	-
Construction	-	-	73,961	-	-	-	73,961	9,660
Real estate	-	-	28,734	-	-	-	28,734	-
General commerce	-	59,753	58,122	-	-	1,281	119,156	30,460
Wholesale & retail trade and restaurants & hotels	-	-	-	-	-	-	-	-
Transport, storage and communication	-	-	343,724	99,180	-	1,140	444,044	-
Finance, insurance and business services	1,046,179	452,193	790,874	-	-	42,885	2,332,131	2,950,000
Government and government agencies	723,700	49,775	784,584	44,647	-	10,623	1,613,329	-
Purchase of landed property	-	-	-	-	-	-	-	-
Purchase of securities	-	-	-	-	57,913	249,888	307,801	-
Purchase of transport vehicles	-	-	-	-	-	-	-	-
Consumption credit	-	-	-	-	-	-	-	-
Others	-	-	-	-	3,161	22,322	25,483	114,578
Total	1,769,879	675,493	2,445,320	205,018	61,074	331,167	5,487,951	3,188,262

* Excludes equity instruments amounting to RM3,165,000.

Excludes general allowance amounting to RM916,000.

@ Clients' and brokers' balances exclude general allowance of RM221,000 and other financial assets comprise other receivables.

^ Risk concentrations for commitments and contingencies are based on the credit equivalent amount, which is arrived, at using the credit conversion factors as per BNM guidelines.

Notes to the Financial Statements

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39 FINANCIAL INSTRUMENTS (CONTINUED)

C Credit risk (continued)

The following table sets out the credit risk concentrations of the Group by asset class:

	Bank 31.12.2008							
	Cash and short term funds & placements with financial institutions RM'000	Securities held-for- trading RM'000	Securities available- for-sale* RM'000	Securities held-to- maturity RM'000	Loans and advances# RM'000	Clients' balances and other financial assets® RM'000	On-balance sheet total RM'000	Commitments and contingencies^ RM'000
Agricultural	-	-	-	14,788	-	-	14,788	-
Mining and quarrying	-	-	-	-	19,004	-	19,004	-
Manufacturing	-	357,007	87,005	63,261	17,005	4,401	528,679	82,860
Electricity, gas and water	-	125,130	107,431	-	-	1,365	233,926	227,880
Construction	-	81,373	51,108	-	40,240	904	173,625	33,469
Real estate	-	42,020	24,141	-	105,331	779	172,271	110,153
General commerce	-	54,819	57,139	-	-	427	112,385	110,960
Wholesale & retail trade and restaurants & hotels	-	-	-	-	8,952	-	8,952	-
Transport, storage and communication	-	288,740	373,971	98,852	3,508	2,638	767,709	71,164
Finance, insurance and business services	663,974	1,449,502	478,649	-	196,992	69,632	2,858,749	3,783,545
Government and government agencies	653,500	253,043	331,492	44,529	-	7,483	1,290,047	-
Purchase of landed property	-	-	-	-	2,948	-	2,948	-
Purchase of securities	-	-	-	-	61,149	175,449	236,598	-
Purchase of transport vehicles	-	-	-	-	1,150	-	1,150	-
Consumption credit	-	-	-	-	5	-	5	-
Others	-	-	-	-	20,256	21,520	41,776	163,288
Total	1,317,474	2,651,634	1,510,936	221,430	476,540	284,598	6,462,612	4,583,319

* Excludes equity instruments amounting to RM9,509,000.

Excludes general allowance amounting to RM8,296,000.

® Clients' and brokers' balances exclude general allowance of RM146,000 and other financial assets comprise other receivables.

^ Risk concentrations for commitments and contingencies are based on the credit equivalent amount, which is arrived, at using the credit conversion factors as per BNM guidelines.

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40 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the financial instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the financial instruments, including loans and advances to customers, such market prices do not exist as there is currently no ready market wherein exchanges between willing parties occur.

Accordingly, various methodologies have been used to estimate what the approximate fair values of such instruments might be. These methodologies involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could significantly affect these estimates and the resulting fair value estimates. Where these methodologies are not able to estimate the approximate fair values, such instruments are stated at carrying amount.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of Financial Reporting Standards ('FRS') 132 which requires the fair value information to be disclosed. These include property, plant and equipment, investments in subsidiaries and joint venture.

A range of methodologies and assumptions has been used in deriving the fair values of the Group's and the Bank's financial instruments at balance sheet date. The total fair value of each financial instrument is not materially different from the total carrying value, except for the following financial assets and liabilities:

	Group and Bank 2009	
	Carrying amount RM'000	Fair Value RM'000
Financial assets		
Securities held-to-maturity	206,241	209,632
Financial liabilities		
Subordinated obligations	245,000	244,803

	Group and Bank 2008	
	Carrying amount RM'000	Fair Value RM'000
Financial assets		
Securities held-to-maturity	222,653	227,740
Financial liabilities		
Subordinated obligations	245,000	234,487

40 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values are based on the following methodologies and assumptions:

Deposits and placements with banks and other financial institutions

For deposits and placements with banks and other financial institutions with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For deposits and placements with maturities one year and above, fair value is estimated based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with banks and other financial institutions of similar credit risks and maturities.

Securities portfolio

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated cash flows are discounted using the prevailing market rates for a similar instrument as at balance sheet date.

Loans and advances

For floating rate loans, the carrying amount 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 risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying amounts, net of specific allowance, being the expected recoverable amount.

Deposits from customers

For deposits from customers with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For deposit with maturities of one year or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than one year approximate the carrying amounts. For deposits and placements with maturities one year or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar maturities.

Amounts due from/to subsidiaries, related companies and immediate holding company

The amounts due from/to subsidiaries, related companies and immediate holding company have no fixed terms of repayment and deemed repayable on demand. These balances are not materially sensitive to changes in market interest rates and the fair values approximate their carrying amounts as at balance sheet date.

Subordinated obligations

The fair value has been estimated by reference to market indicative yields for similar credit risk profile and remaining maturity as at balance sheet date.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

40 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk related contracts

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.

Foreign exchange rate, interest rate and equity contracts

The fair values of foreign exchange rate, interest rate and equity contracts are the estimated amounts the Group or the Bank would receive or pay to terminate the contracts as at balance sheet date.

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Hybrid Tier 1 Capital Securities ('HT1 Securities')

The Bank has on 16 October 2007 proposed to issue up to RM75.0 million nominal value of Hybrid Tier 1 Capital Securities. The Securities Commission had, vide its letter dated 30 September 2008, granted for an extension of time up to 10 October 2009 for the implementation of the Proposed Issuance of HT1 Securities.

On 20 October 2009, the Securities Commission had further granted an extension of time up to 10 October 2010 to implement the proposed issuance of HT1 Securities.

(b) Disposal of a subsidiary

RHB Venture Capital Sdn Bhd has been disposed to RHB Capital Berhad on 16 October 2009 for cash consideration of RM2.

(c) Transfer of loans portfolio to RHB Bank Berhad

On 31 December 2009, the Bank transferred its entire loans portfolio except for staff loan and share margin financing to RHB Bank, its related company, based on the net book value as at 31 December 2009 amounting to RM411,986,850. The transfer is in accordance to the vesting order obtained from the High Court.

42 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 23 February 2010.

Statement by Directors

Pursuant to Section 169(15) of the Companies act, 1965

We, Dato Abdullah Mat Noh and Chay Wai Leong, being two of the directors of RHB Investment Bank Berhad, state that, in the opinion of the directors, the financial statements set out on pages 050 to 134 are drawn up so as to give a true and fair view of the state of affair of the Group and of the Bank as of 31 December 2009 and of their financial results and cash flows for the year then ended 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 ABDULLAH MAT NOH

CHAIRMAN

CHAY WAI LEONG

MANAGING DIRECTOR

Kuala Lumpur

1 March 2010

Statutory Declaration

Pursuant to Section 169(16) of the Companies act, 1965

I, Yap Choi Foong, the officer primarily responsible for the financial management of RHB Investment Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 050 to 134 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true 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 on 1 March 2010 before me.

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the Member of RHB Investment Bank Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Investment Bank Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 050 to 134.

Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Independent Auditors Report

To the Member of RHB Investment Bank Berhad

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank'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.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

SOO HOO KHOON YEAN

(No. 2682/10/11 (J))

Chartered Accountant

Kuala Lumpur

1 March 2010

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