

# innovative

ANNUAL REPORT 2009

Driving Change



## ◆ Cover Rationale

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





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# Financial Highlights

	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 <sup>1</sup> RM'000	2004 <sup>2</sup> RM'000
<b>RESULTS</b>						
Operating revenue	483,741	454,203	479,466	418,901	300,982	250,685
Net income	237,010	239,138	271,506	213,922	142,544	92,657
Profit before taxation	86,594	114,421	162,146	121,762	72,804	44,525
<b>BALANCE SHEET</b>						
Shareholders' equity	895,462	843,396	739,434	651,675	565,154	503,279
Total assets	11,205,509	9,369,580	8,404,436	8,092,265	7,623,666	6,213,078
Financing and advances	5,842,302	5,351,744	4,514,812	4,147,573	3,400,411	3,754,579
Total deposits	9,958,802	8,229,041	7,227,727	7,125,347	6,605,894	4,961,238
<b>RATIOS</b>						
Return on average equity (%)	9.96	14.46	23.31	20.01	13.62	8.85
Return on average assets (%)	0.84	1.29	1.97	1.55	1.05	0.72
Risk Weighted Capital Ratio (%)	13.78	13.54	17.89	17.78	18.73	14.20
Core Capital Ratio (%)	12.50	12.07	16.03	15.84	16.49	12.20

Note:

<sup>1</sup> Islamic Banking window up to 15 March 2005 and RHB Islamic Bank thereafter.

<sup>2</sup> Islamic Banking window.

# Financial Highlights

## OPERATING REVENUE RM MILLION



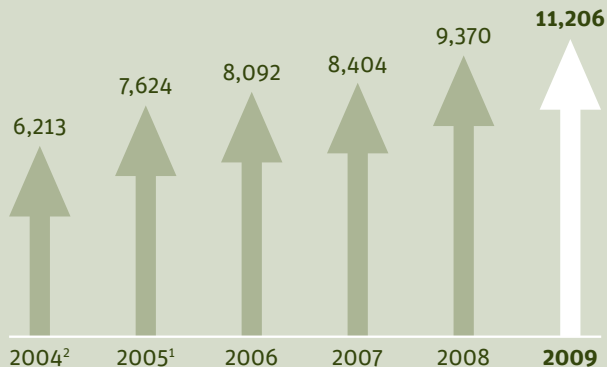
## PROFIT BEFORE TAXATION RM MILLION



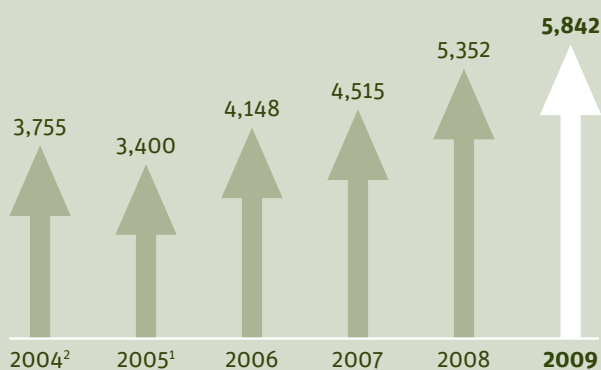
## SHAREHOLDERS' EQUITY RM MILLION



## TOTAL ASSETS RM MILLION



## FINANCING AND ADVANCES RM MILLION



## TOTAL DEPOSITS RM MILLION



# Corporate Information

## **BOARD OF DIRECTORS**

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

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

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

Dato Abdullah Mat Noh  
*Independent Non-Executive Director*

Charles Lew Foon Keong  
*Independent Non-Executive Director*

Haji Md Ja'far Abdul Carrim  
*Senior Independent Non-Executive Director*

## **SECRETARY**

Azman Shah Md Yaman

## **BOARD COMMITTEES**

### **RISK MANAGEMENT COMMITTEE**

Haji Md Ja'far Abdul Carrim  
*Chairman*

Dato Abdullah Mat Noh

Datuk Haji Faisal Siraj

Johari Abdul Muid

### **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 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 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 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 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/  
Managing Director, RHB Bank 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*

## REGISTERED OFFICE

Level 10, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (603) 9287 8888  
Fax : (603) 9280 6507

## BUSINESS ADDRESS

Level 11, Menara Yayasan Tun Razak  
200, Jalan Bukit Bintang  
55100 Kuala Lumpur  
Malaysia

Or

P.O. Box No. 10145  
50907 Kuala Lumpur  
Tel : (603) 2171 5000  
Fax : (603) 2171 5001  
Swift : RHBAMYKL  
Call Centre : (603) 9206 8118  
(Peninsular Malaysia - 24 hours)  
(082) 276 118  
(Sabah & Sarawak - 7 a.m. to 7 p.m.)

## AUDITORS

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

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

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

# Profile of the Board of Directors

## **DATUK HAJI FAISAL SIRAJ**

(64 years of age – Malaysian)

Independent Non-Executive Chairman

Datuk Haji Faisal Siraj (“Datuk Faisal”) started his career in 1968 with KPMG, London. On his transfer from KPMG, London to KPMG, Kuala Lumpur, he was posted to KPMG Kota Kinabalu until 1976. Datuk Faisal joined Malaysia Mining Corporation (“MMC”) Group in 1976. He was the Group Executive Director and a Member of the MMC Board from 1981 to 1994. In 1995, he joined DRB-HICOM Berhad (“DRB-HICOM”) as the Group Chief Financial Officer in the capacity of Senior Group Director, Financial Services and Treasury Division and was a member of the DRB-HICOM Board, before his retirement in 2005.

Datuk Faisal is a Fellow of the Institute of Chartered Accountants in England & Wales, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants.

Datuk Faisal’s other directorships in public companies include RHB Capital Berhad and RHB Insurance Berhad.

Datuk Faisal was appointed as a Director of RHB Islamic Bank on 3 December 2007 and thereafter was appointed as the Chairman of RHB Islamic Bank on 15 January 2008. He also serves as a Member of Risk Management Committee of RHB Islamic Bank, the Chairman of the Group Nominating Committee and a Member of Group Remuneration and Human Resource Committee.

## **JOHARI ABDUL MUID**

(52 years of age - Malaysian)

Non-Independent Non-Executive Director

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

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

Encik Johari was appointed as a Director of RHB Islamic Bank on 3 January 2008, representing RHB Bank Berhad, the holding company of RHB Islamic Bank. He also serves as a Member of the Risk Management Committee of RHB Islamic Bank, a Member of the Group Remuneration and Human Resource Committee, Group Nominating Committee, Group Risk Management Committee, Group Credit Committee (formerly known as Central Loans Committee) and Group Information Technology Steering Committee.

## **ARUL KANDA KANDASAMY**

(34 years of age - Malaysian)

Non-Independent Non-Executive Director

Arul Kanda Kandasamy (“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 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’s other directorships in public companies include RHB Capital Berhad and RHB Investment Bank Berhad.

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

## **DATO ABDULLAH MAT NOH**

(69 years of age – Malaysian)

Independent Non-Executive Director

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.



## Profile of the Board of Directors

Dato Abdullah's other directorships in public companies include RHB Investment Bank Berhad (Chairman) and RHB Bank Berhad.

Dato Abdullah was appointed as a Director of RHB Islamic Bank on 22 February 2005, representing RHB Bank Berhad, the holding company of RHB Islamic Bank. Dato Abdullah was re-designated as Independent Non-Executive Director 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 (formerly known as Central Loans Committee), a Member of Group Recovery Committee and a Member of the Risk Management Committee of RHB Islamic Bank.

### **CHARLES LEW FOON KEONG**

(52 years of age – Malaysian)

Independent Non-Executive Director

Charles 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 Hong Kong 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 Pte Ltd, 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 Investment Bank Berhad and Singapore Medical Group.

Mr Lew was appointed as a Director of RHB Islamic Bank Berhad on 14 October 2008.

### **HAJI MD JA'FAR ABDUL CARRIM**

(55 years of age – Malaysian)

Senior Independent Non-Executive Director

Haji Md Ja'far Abdul Carrim ("Haji Ja'far") has over 32 years of civil engineering experience. He holds a Bachelor of Science in Civil Engineering from Loughborough University, United Kingdom. He is also a Member of the Institution of Engineer, Malaysia and a Member of the Curriculum Development Board for Polytechnics at the Ministry of Higher Education, Malaysia. Haji Ja'far also serves as the Chairman for Human Resource Consultative Panel under Malaysian Productivity Corporation, Malaysia and is a Council Member for the Chair on Financial Planning for Old Age at University Malaya.

Haji Ja'far's other directorship in public company includes RHB Insurance Berhad.

Haji Ja'far was appointed as a Director of RHB Islamic Bank Berhad on 10 August 2009. He also serves as the Chairman of Risk Management Committee of RHB Islamic Bank, a Member of the Group Risk Management Committee and Group Audit Committee.

# RHB Banking Group Corporate Structure

As at 31 March 2010



## COMMERCIAL BANKING GROUP

### RHB Bank Berhad

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

# RHB Banking Group Corporate Structure

As at 31 March 2010

## INVESTMENT BANKING GROUP

### RHB Investment Bank Berhad

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

## OTHERS

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

#### Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant company

Associate company

Jointly Controlled Entity

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

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

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

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

# RHB Group Shariah Committee (“Shariah Committee”)

## **PROFESSOR DR. HAJI ABDUL SAMAT MUSA (“PROF. DR. HAJI ABDUL SAMAT”)**

Chairman of the GSC  
(Registered Shariah Individual under  
Securities Commission for Islamic Unit Trust Schemes)

Prof. Dr. Haji Abdul Samat was educated at Universiti Kebangsaan Malaysia (“UKM”) where he obtained a B.A in Islamic Studies (Second Class Upper) in 1976. He holds a Masters in Law from University of Malaya (1980) and a PhD in Law from Manchester, England.

Prof. Dr. Haji Abdul Samat started his career as a tutor in 1976. He was promoted to Lecturer in 1979 and was appointed as Professor in 2002. He is a committee member for various organisations within and outside UKM and Universiti Sains Islam Malaysia (“USIM”). He has written various journals and articles on Islamic Constitutions, Governance and Administration for forums, seminars and published his works in newspapers.

Prof. Dr. Haji Abdul Samat is a Dean of Shariah & Law Faculty and Acting Director of World Fatwa Management & Research Institute at USIM. He is also a member of the Securities Commission’s Shariah Advisory Council.

## **PROFESSOR DR. JONI TAMKIN BORHAN (“PROF. DR. JONI TAMKIN”)**

Member of the GSC  
(Registered Shariah Individual under  
Securities Commission for Islamic Unit Trust Schemes)

Prof. Dr. Joni Tamkin was educated at University of Malaya where he obtained a B.Sh (Shariah) in 1990. He also received a Masters Degree in Islamic Economics from University of Malaya in 1994 and a PhD in Islamic Banking from Edinburgh, Scotland in 1997. Prof. Dr. Joni Tamkin was a member of the National Shariah Advisory Council on Islamic Banking and Takaful (“NSAC”) (1999 - 2004), fellow at the Religious Department at Victoria University of Wellington, New Zealand (2002), Fellow at Leiden University, Holland (2004), Head of Department of Shariah and Economics (1998-1999, 2003, 2008-2009), Head of Department of Shariah and Management (2000-2001), Deputy Director/Dean (Postgraduates and Undergraduates), Academy of Islamic Studies, University of Malaya (2006-2007). He has published and written numerous books, articles and academic journals. He also sits as a speaker for various workshops and conferences in various fields mostly in Islamic Banking.

Prof. Dr. Joni Tamkin was appointed as Professor in 2006 and currently is a Shariah Advisor for MAA Takaful Sdn Bhd, Honorary fellow for BRISMES (British Society for Middle Eastern Studies, UK) and a professor at the Department of Shariah and Economics, Academy of Islamic Studies, University of Malaya.

## RHB Group Shariah Committee (“Shariah Committee”)

### **DR. ABDULAZEEM ABOZAID (“DR. ABDULAZEEM ABOZAID”)**

Member of the GSC  
(Registered Shariah Individual under Securities Commission for Islamic Unit Trust Schemes)

Dr. Abdulazeem Abozaid was educated at Damascus University, Syria where he obtained his B.A (1994); M.A (1998) and subsequently his PhD (2001) in Islamic Law. He also holds a B.A in Arabic Language and Literature from Al-Azhar University, Cairo (1999) and in English Literature from Damascus University (2004).

Dr. Abdulazeem Abozaid started his career as a lecturer in 1995 at Damascus University, Syria and is still attached with the University. He was appointed as an Assistant Professor at Kulliyah of Economics, International Islamic University Malaysia from July 2005 to August 2007.

Dr. Abdulazeem Abozaid is currently serving as a Shariah consultant and trainer at Emirates Islamic Bank, UAE, since November 2007. He is also a Shariah Scholar (Consultancy and Training) at Five Pillars Associate, Singapore and was appointed as a member of Shariah board at Mithaq (Islamic Insurance), United Arab Emirates since April 2008.

Dr. Abdulazeem Abozaid has contributed extensively to several publications and conferences in contemporary Islamic banking practice since 2004.

### **ASSISTANT PROFESSOR DR. AZNAN HASAN (“DR. AZNAN”)**

Member of the GSC  
(Registered Shariah Individual under Securities Commission for Islamic Unit Trust Schemes)

Dr. Aznan Hasan was educated at University of al-Azhar, Egypt where he obtained a Bachelor in Shariah (Hons.) in 1994. He holds a Master in Shariah (First Class) from Cairo University, Egypt and a Ph.D from University of Wales, Lampeter, United Kingdom.

Dr. Aznan Hasan is an Assistant Professor in Islamic law and the former Head of Islamic Law Department, Ahmad Ibrahim Kulliyah of Laws, International Islamic University Malaysia. He teaches subjects such as Islamic Legal Theory, Islamic Commercial Law and Islamic Banking and Finance at both undergraduate and postgraduate levels. He has served as a Shariah advisor to various financial institutions, legal firms and corporate bodies, at both local and international levels. He was a member of Shariah Advisory Council of Bank Negara Malaysia.

Dr. Aznan is a licensed Shariah Advisor for the issuance of Islamic securities and Islamic Unit Trust Schemes, Securities Commission of Malaysia. He is a Shariah Advisor for Bursa Malaysia, Dar al-Istithmar, London and the Chairman of Shariah Committee, ACR Retakaful Bahrain and ACR Retakaful Malaysia. He is also a Shariah Consultant, Asebankers Malaysia Berhad and an external Shariah Fellow at Islamic Banking and Finance Institute of Malaysia (IBFIM). He is also a Bursa Malaysia’s FBM Index Advisory Committee Member and a member of Shariah Council of International Shariah Research Academy for Islamic Finance (ISRA).

# Corporate Governance Statement

In the face of evolving corporate governance practices and a stricter regulatory environment, the Board of Directors (“Board”) of RHB Islamic Bank Berhad (“RHB Islamic Bank” or “the 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 Islamic Bank adopts best market practices in establishing accountability and transparency within RHB Islamic Bank as well as to preserve integrity of the Board and the Management. The corporate governance structure of RHB Islamic Bank is principally based on the Malaysian Code on Corporate Governance (“the Code”), the Guidelines on Corporate Governance for Licensed Islamic Banks (“Revised BNM/GP1-i”) issued by Bank Negara Malaysia (“BNM”) and international best practices.

As a testament to the high standards of corporate governance employed, RHB Islamic Bank is proud to announce that its ultimate 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 RHB Islamic Bank’s system of governance, the Board not only pays attention to ethical conduct, value enrichment and the implementation of best practices, but also makes a significant effort to understand and manage stakeholders’ expectations. Such understanding is essential to ensuring RHB Islamic Bank is held in good stead, as it fulfils the evolving needs of stakeholders and supports the Group’s efforts to compete globally.

## BOARD OF DIRECTORS

### Duties and Responsibilities of the Board

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

- to provide strategic leadership to the Bank and Group;
- to review, approve and monitor the implementation of RHB Islamic Bank’s strategic business plans and policies;
- to ensure RHB Islamic 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 RHB Islamic 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 RHB Islamic Bank for the long-term business continuity.

The day-to-day management of RHB Islamic Bank is currently undertaken by the Group Managing Director (“MD”) of RHB Capital who is assisted by the Chief Operating Officer of RHB Islamic Bank in the interim, in view of the resignation of the previous MD on 9 February 2010. The Group MD is responsible for ensuring the successful implementation of policies and directions as may be formulated by the Board. The distinct and separate duties and responsibilities of the Group MD and Non-Executive Directors (“NEDs”) ensure the balance of power and authority in relation to the establishment of a fully effective Board.

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

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

# Statement on Corporate Governance

## Board Composition and Balance

The structure and composition of the Board comply with the Code as well as the Revised BNM/GP1-i. The Board currently comprises an Independent Non-Executive Chairman, three (3) Independent Non-Executive Directors (“INEDs”) and two (2) Non-Independent Non-Executive Directors (“NINEDs”). 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 RHB Islamic Bank. Furthermore, being on the Board of a 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 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 Managing Director be clearly demarcated. The Chairman is responsible to lead the effective performance of the Board.

The Chairman presides over Board and General Meetings of RHB Islamic 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 RHB Islamic 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 RHB Islamic 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 RHB Islamic Bank’s performance and issues arising, to enable the Board to make sound decisions, monitor effectively and provide sensible advice in achieving RHB Islamic 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 RHB Islamic 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 the operations as well as coordinate the development and implementation of business and corporate strategies. In addition thereto, he is also responsible for the following tasks:-

- developing and translating the broad corporate strategies into goals and priorities;
- ensuring that the financial results are accurate and not misleading as well as ensuring that the financial management practices of RHB Islamic Bank are at the highest level of integrity and transparency for the benefit of all stakeholders;
- ensuring that the business and affairs of RHB Islamic 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;
- providing leadership and representing RHB Islamic 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.

## Statement on Corporate Governance

The roles of the NEDs are wide and varied. They provide considerable depth of knowledge collectively gained from experiences in a variety of public, private companies and other enterprises. The Independent Directors provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined as well as take into account the interests of 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 Managing Director 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 [ ] to [ ] 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 RHB Islamic 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 a 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/ Islamic Risk Management Committee on matters that have been deliberated at these 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 RHB Islamic Bank’s Articles of Association.

The Board has direct access to information of RHB Islamic 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 RHB Islamic Bank’s expense, when deemed necessary for the proper discharge of their duties.



# Statement on Corporate Governance

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 (%)
Datuk Haji Faisal Siraj	13/13	100
Johari Abdul Muid	12/13	92
Arul Kanda a/l Kandasamy <sup>(1)*</sup>	7/7	100
Dato Abdullah Mat Noh	13/13	100
Charles Lew Foon Keong	10/13	77
Haji Md Ja'far Abdul Carrim <sup>(2)*</sup>	6/6	100
Jamelah Jamaluddin <sup>(3)</sup>	13/13	100

Notes:

1 Appointed as a Director on 20 July 2009.

2 Appointed as a Director on 10 August 2009.

3 Resigned as Managing Director on 9 February 2010.

\* Based on the number of Board meetings attended since appointment in 2009.

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

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

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

Article 68 of RHB Islamic 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 shareholders at the next Annual General Meeting held following their appointments.

## 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.

## Statement on Corporate Governance

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

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

**Note:**

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

The NEDs of RHB Islamic Bank also attend local and/or overseas training programs organised by credible training organisations under the Board High Performance Program (“BHPP”). This programme is intended to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills that would engender organisational excellence.

For 2009, one (1) Director attended the following programs at Harvard Business School, US under the BHPP:-

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

The Group had also adopted a guideline on the Standard Procedures on Directors' In-house Orientation and Continuing Education 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 RHB Islamic Bank for notation. The 2009 assessment produced very useful information to enhance the governance of the Board, among others.

# Statement on Corporate Governance

## 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 RHB Capital Berhad (RHB Capital) or at RHB Bank Berhad's level. The objective is to promote better efficiency and effectiveness in implementing holistic strategies for the benefit of the Group as a whole. The Group Board Committees currently residing at RHB Capital are as follows:-

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

Notwithstanding the Group Risk Management Committee at RHB Capital, BNM still requires a dedicated Risk Management Committee (RMC) at RHB Islamic Bank to deal specifically with the risks and intricacies associated with Islamic finance.

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

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

Apart from the above Group Board Committees, RHB Islamic Bank also utilised the functions of a centralised IT Steering Committee known as the Group IT Steering Committee residing at RHB Bank Berhad. 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 (Independent Non-Executive Director)	N/A <sup>^</sup>
Ismael Fariz Ali (Independent Non-Executive Director)	2/6 <sup>*</sup> (33%)

Notes:-

- \* Based on attendance prior to his resignation on 30 September 2009.
- ^ Appointed on 1 December 2009 after which no meeting was held.

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.

# Statement on Corporate Governance

## 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 RHB Islamic 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 page ( ) to page ( ) of this Annual Report.

## 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 financial year 2009.

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

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

Notes:-

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

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.

# Statement on Corporate Governance

## Group Risk Management Committee

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

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

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

	Attendance at Meetings
Haji Khairuddin Ahmad <sup>(1)</sup> (Independent Non-Executive Director/Chairman)	13/13 (100%)
Patrick Chin Yoke Chung (Independent Non-Executive Director)	11/13 ( 85%)
Datuk Tan Kim Leong (Independent Non-Executive Director)	12/13 (92%)
Johari Abdul Muid <sup>(2)</sup> (Non-Independent Non-Executive Director)	7/8* ( 88%)
Haji Md Ja'far Abdul Carrim <sup>(3)</sup> (Independent Non-Executive Director)	3/3* (100%)
Datin Sri Khamarzan Ahmed Meah <sup>(4)</sup> (Independent Non-Executive Director)	2/5# (40%)
Dato' Mohd Salleh Hj Harun <sup>(5)</sup> (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 since appointment as a Member of Group Risk Management Committee in 2009.

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

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.

## Islamic Risk Management Committee

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

The Committee met thirteen (13) times during 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 Md Ja'far Abdul Carrim <sup>(1)</sup> (Independent Non-Executive Director/Chairman)	3/3* (100%)
Dato Abdullah Mat Noh (Independent Non-Executive Director)	13/13 (100%)
Datuk Haji Faisal Siraj <sup>(2)</sup> (Independent Non-Executive Director)	11/11* (100%)
Johari Abdul Muid <sup>(3)</sup> (Non-Independent Non-Executive Director)	1/1* (100%)
Dato' Mohd Salleh Haji Harun <sup>(4)</sup> (Independent Non-Executive Director/Chairman)	11/11# (100%)

Notes:-

(1) Appointed as Member on 14 October 2009 and Chairman on 1 December 2009.

(2) Appointed as Member on 22 February 2009.

(3) Appointed as Member on 1 December 2009.

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

\* Based on the number of meetings attended since appointment as a Member of Islamic Risk Management Committee in 2009.

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

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

- to ensure the management of risk exposures in the bank are aligned to the principles of Islamic Banking – absence of interest based transactions (Riba'), avoidance of economic activities involving speculation (Gharar), introduction of Islamic taxation (Zakat) & discouragement of production of goods and services which contradicts the value pattern of Islam (Haram);

## Statement on Corporate Governance

- to ensure core risk policies are consistent with the RHB Group by setting tolerance level within prudent limits, facilitate the implementation of BNM's The New Capital Adequacy Framework for Islamic Banks, Basel II Accord and Islamic Financial Services Board (IFSB) Standards;
- to oversee execution of risk policies and related decisions of the Board of Directors (BOD), as is appropriate;
- to provide oversight for major risk categories which are unique to Islamic finance such as
  - Displaced Commercial Risk;
  - Withdrawal Risk;
  - Rate of Return Risk;
  - Fiduciary Risk and Reputational Risk.
- to ensure that prior to the launching of product, that risks unique to Islamic finance are identified and risk mitigation measures are in place.
- 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.

### 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 financial year 2009.

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

	<b>Attendance at Meetings</b>
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 Loan Recovery) for amounts above the defined thresholds of the Central Credit Committee;

### Group Recovery Committee

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

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

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

	<b>Attendance at Meetings</b>
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 <sup>(1)</sup> (Independent Non-Executive Director)	2/2* (100%)
Ismael Fariz Ali <sup>(2)</sup> (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 the number of meetings attended since appointment as a Member of Group Recovery Committee in 2009.

# Based on the number of meetings attended 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 the equivalent unit from each of the entity within the RHB Banking Group) for amounts above the defined thresholds of the Central Credit Committee;

# Statement on Corporate Governance

- 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 minimize credit loss and maximize the recovery of such accounts; and
- to endorse and recommend all write-offs to the respective Boards for approval;
- to endorse all policy loans/financing and loans/financing required by Bank Negara Malaysia to be referred to the respective Boards for approval in relation to NPL/NPA.

## Group Shariah Committee

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

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

	<b>Attendance at Meetings</b>
Professor Dr. Haji Abdul Samat Musa (Chairman)	7/8 (88%)
Professor Dr. Joni Tamkin Borhan (Member)	7/8 (88%)
Dr. Abdulazeem Abozaid (Member)	8/8 (100%)
Assistant Professor Dr. Aznan Hasan <sup>(1)</sup> (Member)	6/6* (100%)

Notes:-

(1) Appointed as Member on 1 April 2009.

\* Based on the number of meetings attended since appointment as a Member of Group Shariah Committee in 2009.

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 RHB Islamic Bank to effectively attract and retain Directors with the relevant experience and expertise required for stewardship of RHB Islamic Bank. For the NEDs, the level of remuneration reflects the level of responsibilities undertaken by the particular NED concerned in RHB Islamic Bank. 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 RHB Islamic Bank.

### ii) Allowances

NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committee meetings. In addition, NEDs who sit on Board Committees are entitled to receive 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 others salary, bonus and benefits-in-kind, is solely derived from RHB Islamic Bank.

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

# Statement on Corporate Governance

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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 the shareholders and the public on a regular basis through various channels.

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

The Group continues to place an emphasis on Corporate Responsibility 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 tele-conferencing.

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

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

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

A Directors' Responsibility Statement for the Annual Audited Financial Statements of RHB Islamic Bank is set out on page [ ] of this Annual Report.

### Internal Control

An overview of RHB Islamic Bank's systems of internal control is contained in the Statement on Internal Control set out on pages [ ] and [ ] 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 [ ] to [ ] of this Annual Report.

## COMPLIANCE WITH THE CODE

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

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



# Statement on Internal Control

## INTRODUCTION

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

Although RHB Islamic Bank Berhad (the "Islamic 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 responsibility in respect of the Islamic 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 Islamic 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 Islamic 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.

The Board has since inception of the Islamic Bank established its own Risk Management Committee, which meets regularly with the objective of assisting the Board in carrying out its responsibilities in relation to managing the Islamic Bank's range of inter-related risks in an integrated manner.

In discharging its overall duties and responsibilities, the Risk Management Committee is supported by the risk management function set up within the Islamic Bank, which monitors and evaluates the effectiveness of the Islamic Bank's risk management system on an ongoing basis.

## Statement on Internal Control

In promoting synergies within the Group, the Islamic Bank's risk management function also reports to the Group Risk Management Committee.

In terms of Shariah risk governance, a Group Shariah Committee, which resides at the Islamic Bank, has been set-up and established to handle matters relating to Shariah principles and rulings.

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

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

### ◆ Internal Audit

The Group Internal Audit performs regular reviews of the Islamic 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 the Group Internal Audit are reported to the Group AC while follow-up and review of 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 the 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 Islamic Bank's internal control system. The minutes of meetings of the Group AC are subsequently tabled to the Board for notation.

With regard to Shariah audit, the Group Internal Audit has established its own Shariah Audit Program, with the assistance of the Shariah Committee, for basic guidance to the Group Internal Auditors in terms of auditing Shariah matters.

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.

In addition, a compliance management function has been established at the Islamic Bank to assist the Group compliance function in monitoring the credit, market, and operational compliance activities of the Islamic Bank.

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

### ◆ Shariah Compliant

In line with the Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions issued by Bank Negara Malaysia, a Group Shariah Committee has been established, which resides at the Islamic Bank and its principal objective is to ensure Islamic-based business and operations comply with the Shariah principles at all times.

The Group Shariah Committee has endorsed the Shariah Framework for the Group, which encompasses the concept of Shariah, Islamic banking business, governance and reporting structure, roles and responsibilities, Shariah compliance strategy, and Shariah approval procedures.

# Statement on Internal Control

In addition, the Shariah Reporting Structure and the Shariah Governance Structure have accordingly been approved by the Board of RHB Capital Berhad.

## ◆ 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 procedural manuals for key processes are documented and regularly updated for application across the Islamic Bank.

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 the Management and reported to the Board.

## ◆ Performance Review

Regular and comprehensive information are shared by the Management for monitoring of 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 resources 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

## 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 a 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 a 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.

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

- Reviewed the unaudited quarterly and half-yearly financial results and the annual audited financial statements of RHB Islamic Bank Berhad prior to its approval by the Board. It also considered the accounting standards applicable in the preparation of the financial statements;
- Reviewed the related party transactions entered into by RHB Islamic Bank Berhad and its related parties;
- Reviewed with the external auditors, their audit plan, audit strategy and scope of work for the year, as well as the results of their annual audit;
- Met twice with the external auditors for discussion without the presence of the Management;
- Reviewed the non-audit services rendered by the external auditors and the related fees;

# Group Audit Committee Report

- Evaluated the performance of the external auditors and made recommendations to the Board on their appointment and audit fees;
- Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the identified auditable areas;
- 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 the 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 the function 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 would closely monitor the implementation progress of their audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by the Management. All audit reports on the results of work undertaken together with the recommended action plans and their implementation status were presented to the Management and the 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.

## 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.

## Group Audit Committee Report

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.
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.

### 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.
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.
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.

## Group Audit Committee Report

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.

## Group Audit Committee Report

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.

### 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 representation 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 judgment 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.



## Group Audit Committee Report

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 the 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.

# Responsibility Statement by the Board of Directors

In the course of preparing the annual financial statements 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 Bank present a true and fair view of the state of affairs 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 judgments and estimates that are reasonable and fair in preparing the financial statements of the Bank.

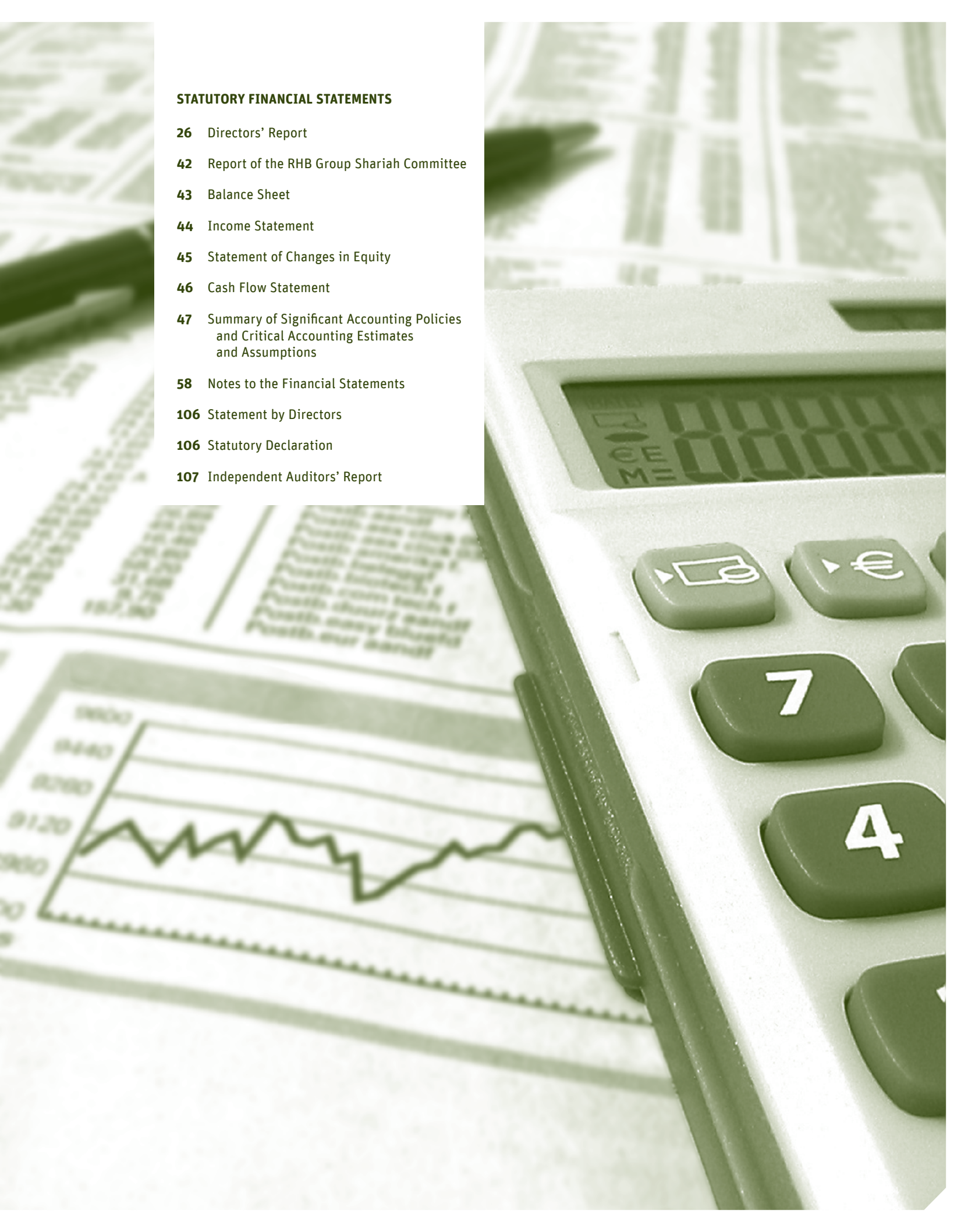
The financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the 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 106 of the audited financial statements.

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# Directors' Report

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

## PRINCIPAL ACTIVITIES

The Bank is principally engaged in the Islamic banking business and is committed to offer customers a comprehensive range of products and services in accordance with its Articles of Association and Shariah principles.

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

## FINANCIAL RESULTS

	RM'000
Profit before taxation	86,594
Taxation	(23,125)
Net profit for the financial year	63,469

## DIVIDENDS

No dividend has been paid or declared by the Bank since the end of previous financial year.

The Directors do not propose any final dividend in respect of the current financial year at the forthcoming Annual General Meeting.

## RESERVES AND PROVISIONS

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

## NON-PERFORMING FINANCING AND ADVANCES

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

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

## CURRENT ASSETS

Before the financial statements of the Bank were made out, the directors took reasonable steps to ensure that any current assets, other than financing and advances, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of 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 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 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 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 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 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 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 Bank, which would render any amount stated in the financial statements misleading.

## ITEMS OF AN UNUSUAL NATURE

The results of the operations of 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 Bank for the financial year in which this report is made.

## DIRECTORS OF THE BANK

The directors of the Bank who have held office during the year since the date of the last report are:

Datuk Haji Faisal Siraj	Independent Non-Executive Director and Chairman
Johari Abdul Muid	Non-Independent Non-Executive Director
Arul Kanda a/l Kandasamy	Non-Independent Non-Executive Director <i>(appointed on 20 July 2009)</i>
Dato Abdullah Mat Noh	Independent Non-Executive Director
Charles Lew Foon Keong	Independent Non-Executive Director
Haji Md Ja'far Abdul Carrim	Senior Independent Non-Executive Director <i>(appointed on 10 August 2009)</i>
Jamelah Jamaluddin	Non-Independent Executive Director / Managing Director <i>(resigned on 9 February 2010)</i>
Ismael Fariz Ali	Independent Non-Executive Director <i>(resigned on 30 September 2009)</i>
Dato' Mohd Salleh Haji Harun	Independent Non-Executive Director <i>(resigned on 18 November 2009)</i>

# Directors' Report

## DIRECTORS OF THE BANK (CONTINUED)

In accordance with Article 68 of the Bank's Articles of Association, Datuk Haji Faisal Siraj and Johari Abdul Muid retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 73 of the Bank's Articles of Association, Arul Kanda a/l Kandasamy and Haji Md Ja'far Abdul Carrim who were appointed during the financial year, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than directors' remuneration and benefits-in-kind as disclosed in Note 24 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 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.

## DIRECTORS' INTERESTS IN SECURITIES

According to the register of directors' shareholding, none of the 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.

## CORPORATE GOVERNANCE STATEMENT

### Introduction

The Board of Directors ('Board') of RHB Islamic Bank Berhad ('RHB Islamic Bank' or 'the 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.

### (A) BOARD OF DIRECTORS

#### Composition of the Board

The Board currently has six (6) members, comprising an Independent Non-Executive Chairman, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors, details of which are as follows:-

Name of Director	Designation
Datuk Haji Faisal Siraj	Independent Non-Executive Chairman
Johari Abdul Muid	Non-Independent Non-Executive Director
Arul Kanda a/l Kandasamy	Non-Independent Non-Executive Director
Dato Abdullah Mat Noh	Independent Non-Executive Director
Charles Lew Foon Keong	Independent Non-Executive Director
Haji Md Ja'far Abdul Carrim	Senior Independent Non-Executive Director

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (A) BOARD OF DIRECTORS (CONTINUED)

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

Dato' Mohd Salleh Haji Harun resigned as an Independent Non-Executive Director on 18 November 2009 while En Ismael Fariz Ali resigned as an Independent Non-Executive Director on 30 September 2009.

Haji Md Ja'far Abdul Carrim was appointed as an Independent Non-Executive Director on 10 August 2009.

Pn Jamelah Jamaluddin resigned as the Managing Director on 9 February 2010.

#### Duties And Responsibilities Of The Board

The Board's core responsibilities include among others, the review and approval of the Bank'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 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 Group in November 2007, the MD of the Bank is also overseeing the day-to-day management of Islamic Banking Strategic Business Unit ('SBU') of the Group in her capacity as the Head.

#### 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 Chairmen/representatives of the Group Audit Committee and Group Risk Management Committee/Islamic Risk Management Committee on matters that have been deliberated at these 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 Bank's Articles of Association.

The Board has direct access to information of the 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 Bank's expense, when deemed necessary for the proper discharge of the duties.

# Directors' Report

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (A) BOARD OF DIRECTORS (CONTINUED)

#### Board Meetings (Continued)

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 (%)
Datuk Haji Faisal Siraj	13/13	100
Johari Abdul Muid	12/13	92
Arul Kanda a/l Kandasamy <sup>(1)*</sup>	7/7	100
Dato Abdullah Mat Noh	13/13	100
Charles Lew Foon Keong	10/13	77
Haji Md Ja'far Abdul Carrim <sup>(2)*</sup>	6/6	100
Jamelah Jamaluddin	13/13	100

Notes: -

<sup>(1)</sup> Appointed on 20 July 2009

<sup>(2)</sup> Appointed on 10 August 2009

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

Pursuant to the Revised BNM/GP1-i, 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**

On 1 July 2008, the Group Audit Committee ("Group AC") was formally established at RHB Bank to undertake the roles and responsibilities of the ACs within the RHB Banking Group. Accordingly, the AC of RHB Islamic 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 period from 1 January 2009 to 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:

<b>Name of Member</b>	<b>Total Meetings Attended</b>	<b>Percentage of Attendance (%)</b>
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 <sup>(1)*</sup>	6/6	100
Previous Member:-		
Dato' Mohd Salleh Haji Harun <sup>(2)#</sup>	24/26	92

**Notes:-**

<sup>(1)</sup> Appointed on 29 September 2009

<sup>(2)</sup> 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, 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 Nominating Committee ('NC') since 17 March 2005. On 1 January 2008, the Group Nominating Committee ('Group NC') was formally established at RHB Capital to undertake the roles and responsibilities of the NCs within the RHB Banking Group. Accordingly, the NC of RHB Islamic 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 <sup>(1)*</sup>	-	-
Previous Member:- Ismael Fariz Ali <sup>(2)#</sup>	2/6	33

#### Notes:-

<sup>(1)</sup> Appointed on 1 December 2009

<sup>(2)</sup> 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 Bank has 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 Remuneration and Human Resource Committee ('RHRC') since 17 March 2005. 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 Islamic Bank has been 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 <sup>(1)*</sup>	-	-
Previous Member:- Ismael Fariz Ali <sup>(2)#</sup>	2/6	33

#### Notes:-

<sup>(1)</sup> Appointed on 1 December 2009

<sup>(2)</sup> 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 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)

#### Risk Management Committee

The Board has established the Risk Management Committee since 17 March 2005. Currently, the Committee comprises three (3) 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 details of attendance of each member at the Risk Management Committee meetings held during the year as at 31 December 2009 are as follows:

Name of Member	Total Meetings Attended	Percentage of Attendance (%)
Haji Md Ja'far Abdul Carrim (Chairman) <sup>(1)*</sup>	3/3	100
Dato Abdullah Mat Noh	13/13	100
Datuk Haji Faisal Siraj <sup>(2)*</sup>	11/11	100
Johari Abdul Muid <sup>(3)*</sup>	1/1	100
Previous Member:-		
Dato' Mohd Salleh Haji Harun (Chairman) <sup>(4)#</sup>	11/11	100

Notes: -

<sup>(1)</sup> Appointed as member on 14 October 2009 and Chairman on 1 December 2009

<sup>(2)</sup> Appointed on 22 February 2009

<sup>(3)</sup> Appointed on 1 December 2009

<sup>(4)</sup> Resigned as the Chairman and Member on 18 November 2009

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

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

The Risk Management Committee is responsible to provide oversight over the management of risks unique to Islamic finance.

BNM has approved the consolidation of the existing Risk Management Committees within RHB Capital Group, which includes RHB Islamic Bank Berhad. However, BNM still requires a dedicated Risk Management Committee at the Bank to deal specifically with the risks and intricacies associated with Islamic finance. The Group Risk Management Committee was established on 1 November 2007.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (A) BOARD OF DIRECTORS (CONTINUED)

#### Group Risk Management Committee

The Group Risk Management Committee ('RMC') for RHB Capital Group was established at RHB Capital effective 1 November 2007. 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) <sup>(1)</sup>	13/13	100
Patrick Chin Yoke Chung	11/13	85
Datuk Tan Kim Leong	12/13	92
Johari Abdul Muid <sup>(2)*</sup>	7/8	88
Haji Md Ja'far Abdul Carrim <sup>(3)*</sup>	3/3	100
Previous Members:-		
Dato' Mohd Salleh Haji Harun (Chairman) <sup>(4)#</sup>	11/11	100
Datin Sri Khamarzan Ahmed Meah <sup>(5)#</sup>	2/5	40

#### Notes:-

<sup>(1)</sup> Appointed as the Chairman on 1 December 2009

<sup>(2)</sup> Appointed on 1 June 2009

<sup>(3)</sup> Appointed on 29 September 2009

<sup>(4)</sup> Resigned as the Chairman and Member on 18 November 2009

<sup>(5)</sup> 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, RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.

#### Group Credit Committee (formerly known as Central Loans Committee)

RHB Bank has established the Loans Committee ('LC') since 4 July 2001. The LC has been renamed as Central Loans Committee ('CLC') 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.

BNM had, vide its letter dated 16 April 2008, approved for RHB Islamic Bank Berhad to leverage on the centralised functions of credit evaluation and approval at the Group level. Accordingly, with effect from May 2008, RHB Islamic Bank Berhad has subscribed to the CLC.

# Directors' Report

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (A) BOARD OF DIRECTORS (CONTINUED)

#### Group Credit Committee (formerly known as Central Loans Committee) (Continued)

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

RHB Bank 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 <sup>(1)*</sup>	2/2	100
Previous Member: Ismael Fariz Ali <sup>(2)#</sup>	2/8	25

#### Notes:-

<sup>(1)</sup> Appointed on 1 December 2009

<sup>(2)</sup> 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

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

### **(A) BOARD OF DIRECTORS (CONTINUED)**

#### **Group Credit Committee (formerly known as Central Loans Committee) (Continued)**

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

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 organisation;
- (iv) Alignment of risk management to business strategies; and
- (v) Optimisation of risk adjusted economic and financial returns

The Board of Directors 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.

The Banking 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. 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 31 to the Financial Statements.

# Directors' Report

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

### **(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 Berhad. 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 are reviewed and approved by the Board. The performance of business group 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.

### **DISCLOSURE OF SHARIAH COMMITTEE**

The RHB Capital Group Shariah Committee (the Group Shariah Committee), comprise of four (4) qualified local and foreign Shariah scholars; an assortment of knowledge, experience and approach from these mixed Shariah scholars are needed to position the Bank's operations and products to be globally accepted.



## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### DISCLOSURE OF SHARIAH COMMITTEE (CONTINUED)

During the financial year ended 31 December 2009 a total of eight (8) meetings were held and details of attendance of each member at the Group Shariah Committee meetings held during the year as at 31 December 2009 are as follows:

Composition of the Group Shariah Committee	Attendance at the Committee meetings
<b>Current members</b>	
1. Professor Dr. Haji Abdul Samat Musa (Chairman)	7 out of 8 meetings
2. Professor Dr. Joni Tamkin Borhan (Member)	7 out of 8 meetings
3. Dr. Abdulazeem Abozaid (Member)	8 out of 8 meetings
4. Assistant Professor Dr. Aznan Hasan (Member) <i>Newly appointed on 1st April 2009</i>	6 out of 6 meetings*

\* Based on number of meetings attended since his appointment as a member of Shariah Committee in 2009

The main duties and responsibilities of the Group Shariah Committee as supplemented by the Bank's Shariah Unit staff are:

- i) Advising the Bank on all Shariah matters in order to ensure that the business operations of the Bank comply with Shariah Principles, BNM/GPS 1 'Guideline on the Governance of Shariah Committee for Financial Institutions' and other BNM circulars and guidelines.
- ii) Endorse the Shariah Meeting Minutes and resolutions to make sure that all of the resolutions are stated in clear and specific manners based on correct Shariah foundations.
- iii) Endorse the relevant manuals, which specify the manner in which a submission or request for advice be made to the Group Shariah Committee, the conduct of the Group Shariah Committee meeting and the manner of compliance with any decision thereof.
- iv) Endorsements and validations of the following relevant documentation:
  - a) the terms and conditions contained in the proposal form, contract, agreement or other legal documentation used in executing the transactions;
  - b) the product manual, marketing advertisements, sales illustrations and brochures used to describe the product; and
  - c) providing assistance to related parties of the Bank such as its legal counsel, auditor or consultant on Shariah matters to ensure compliance with Shariah principles.
- v) Preparations of written Shariah opinions particularly in the following circumstances:
  - a) Where the Bank submits applications to Bank Negara Malaysia ('BNM') or the Shariah Advisory Council ('SAC') for new product approval in accordance with guidelines on product approval issued by BNM and SAC.
  - b) Explanation on the Shariah issues involved and the recommendations for a decision, which must be supported by relevant Shariah jurisprudential literature from the established sources to assist the SAC on any matters referred by the Bank and to ensure that all Group Shariah Committee decisions are properly implemented by the Bank.
- vi) Provide educational talks for both in-house Shariah training and external lecture session to the Bank's staff and the public (when arranged by the Bank) in order to equip them with related Shariah knowledge.

# Directors' Report

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### PERFORMANCE REVIEW FOR 2009

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

Staying true to its stated strategy despite these challenges, the Bank continued to build strength and further enhanced the competitiveness of its franchise in 2009.

Notwithstanding the challenging external operating environment in 2009, the Bank's Balance Sheet expanded by 19.5% year-on-year and continued its profitability with a profit before tax of RM86.6 million.

### 2010 BUSINESS PLAN AND OUTLOOK

On the back of a strengthening domestic economy, improving regional economies and increasingly more positive sentiments in investors and consumers, we expect an improved operating environment in 2010 in comparison to the previous year. It is expected that given the continuing liberalisation of the sector and the continued strengthening of domestic financial institutions, competition will continue to be intense.

With the improving operating environment, the RHB Banking Group will aim at expanding its market share through its Strategic Business Groups in both the Retail and Wholesale segments. The Group's Islamic Banking and International businesses in 2010 is expected to form an even larger part of the Group's overall financial performance.

The Bank's Retail and Commercial businesses will grow through leveraging off its existing distribution network and extensive product suite. This will be supplemented by the continued enhancement of the Group's branch network and alternate channels to ensure that our customers will find it increasingly convenient to bank with RHB Islamic Bank. In addition, the wholesale and public sector businesses will be expanded through building on existing relationships and its growing network of customers. The further strengthening of the Bank's and the Group's operational platform will ensure that the growth of its business will be sufficiently supported by an efficient and effective delivery platform with an increasing focus on developing talents and leaders of the future. In addition, there will be continued commitment to observe good corporate governance, prudent risk and credit management practices.

We expect that given the improving operating environment and enhanced competitiveness, the Bank will be able to compete successfully in an increasingly competitive and liberalised environment and maintain a satisfactory performance in 2010.

### **IMMEDIATE HOLDING COMPANY, PENULTIMATE HOLDING COMPANY AND ULTIMATE HOLDING BODY**

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

### **AUDITORS**

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

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

**DATUK HAJI FAISAL SIRAJ**  
CHAIRMAN

Kuala Lumpur  
1 March 2010

**HAJI MD JA'FAR ABDUL CARRIM**  
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

# Report of the RHB Group Shariah Committee

## **In the name of Allah, The Most Gracious, The Most Merciful**

We, Professor Dr. Haji Abdul Samat Musa, Professor Dr. Joni Tamkin Borhan, Dr. Abdulazeem Abozaid and Asst. Prof. Dr. Aznan Hasan being four of members of Group Shariah Committee of RHB Islamic Bank Berhad, do hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the year ended 31 December 2009.

We have also conducted our review to form an opinion as to whether the Bank has complied with Shariah rules and the principles and also with the specific rulings and guidelines issued by us.

The Bank's management is responsible for ensuring that the financial institution conducts its business in accordance with Islamic Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report to you.

We have performed our review so as to obtain all the information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with Islamic Shariah rules and principles.

In our opinion:

- a) main sources of income of the Bank during the year ended 31 December 2009 that we have reviewed are in compliance with the Shariah (Islamic Law) rules and principles;
- b) all investments that have been disclosed to us by the Bank conform to the basis that had been approved by us in accordance with Shariah rules and principles;
- c) the contracts and legal documents of the products used by the Bank that we reviewed are in compliance with the Shariah rules and principles;
- d) the products proposals including concept used by the Bank which have been reviewed and advised by us are in compliance with the Shariah rules and principles; and
- e) The Bank is not required to pay Zakat. This should be paid by shareholders on their shareholding.

We beg Allah the Almighty to grant us success and lead us on the right path.

Wassalamu Alaikum Wa Rahmatullahi Wa Barakatuh

**Prof. Dr. Haji Abdul Samat Musa**  
Chairman of the Committee

**Prof. Dr. Joni Tamkin Borhan**  
Member of the Committee

**Dr. Abdulazeem Abozaid**  
Member of the Committee

**Asst. Prof. Dr. Aznan Hasan**  
Member of the Committee

Kuala Lumpur  
1 March 2010

# Balance Sheet

As at 31 December 2009

	Note	2009 RM'000	2008 RM'000
<b>ASSETS</b>			
Cash and short-term funds	2	2,562,465	1,342,901
Deposits and placements with banks and other financial institutions	3	305,000	-
Securities held-for-trading	4	30,931	404,464
Securities available-for-sale	5	1,195,204	730,582
Securities held-to-maturity	6	1,042,352	1,147,357
Financing and advances	7	5,842,302	5,351,744
Other assets	8	74,619	114,907
Deferred tax assets	9	17,046	19,960
Tax recoverable		15,666	9,273
Statutory deposits with Bank Negara Malaysia	10	69,240	199,440
Property, plant and equipment	11	23,083	19,434
Intangible assets	12	27,601	29,518
<b>TOTAL ASSETS</b>		<b>11,205,509</b>	<b>9,369,580</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
Deposits from customers	13	8,127,782	7,347,306
Deposits and placements of banks and other financial institutions	14	1,831,020	881,735
Bills and acceptances payable		25,228	34,786
Other liabilities	15	326,017	262,357
<b>TOTAL LIABILITIES</b>		<b>10,310,047</b>	<b>8,526,184</b>
Ordinary share capital	16	523,424	523,424
Reserves	17	372,038	319,972
<b>TOTAL EQUITY</b>		<b>895,462</b>	<b>843,396</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>11,205,509</b>	<b>9,369,580</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	28	2,740,629	1,863,813
<b>CAPITAL ADEQUACY</b>	33		
Core capital ratio		12.50%	12.07%
Risk-weighted capital ratio		13.78%	13.54%

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

# Income Statement

For the Financial Year Ended 31 December 2009

	Note	2009 RM'000	2008 RM'000
Income derived from investment of depositors' funds	18	434,323	403,394
Income derived from investment of shareholder's funds	19	49,418	50,809
Allowance for losses on financing and advances	20	(83,028)	(34,470)
Profit equalisation reserve	15	1,410	2,163
Total distributable income		402,123	421,896
Income attributable to depositors	21	(165,113)	(182,758)
		237,010	239,138
Personnel expenses	22	(54,281)	(46,006)
Other overheads and expenditures	23	(96,135)	(78,711)
Profit before taxation		86,594	114,421
Taxation	25	(23,125)	(28,535)
Net profit for the financial year		63,469	85,886
Basic earnings per share (sen)	26	12.13	16.41

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

# Statement of Changes in Equity

For the Financial Year Ended 31 December 2009

Note	Share Capital RM'000	← Non-distributable →		Distributable	Total RM'000
		Statutory Reserve RM'000	AFS Reserve RM'000	Retained Profits RM'000	
<b>Balance as at 1 January 2009</b>	523,424	166,005	18,530	135,437	843,396
Unrealised net loss on revaluation of securities available-for-sale ('AFS')	-	-	(6,747)	-	(6,747)
Net transfer to income statement on disposal of AFS securities	-	-	(8,859)	-	(8,859)
Deferred tax	9	-	4,203	-	4,203
Income recognised directly in equity	-	-	(11,403)	-	(11,403)
Net profit for the financial year	-	-	-	63,469	63,469
Total recognised income and expenses for the financial year	-	-	(11,403)	63,469	52,066
Transfer to statutory reserve	-	31,734	-	(31,734)	-
<b>Balance as at 31 December 2009</b>	523,424	197,739	7,127	167,172	895,462
Balance as at 1 January 2008	523,424	123,062	454	92,494	739,434
Unrealised net gain on revaluation of securities available-for-sale ('AFS')	-	-	25,041	-	25,041
Net transfer to income statement on disposal of AFS securities	-	-	(630)	-	(630)
Deferred tax	9	-	(6,335)	-	(6,335)
Income recognised directly in equity	-	-	18,076	-	18,076
Net profit for the financial year	-	-	-	85,886	85,886
Total recognised income for the financial year	-	-	18,076	85,886	103,962
Transfer to statutory reserve	-	42,943	-	(42,943)	-
Balance as at 31 December 2008	523,424	166,005	18,530	135,437	843,396

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

# Cash Flow Statement

For the Financial Year Ended 31 December 2009

	Note	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		86,594	114,421
Adjustments for:			
Depreciation of property, plant and equipment		4,241	1,869
Amortisation of intangible assets		1,917	-
Income from:			
- Investment on securities available-for-sale		(41,186)	(14,065)
- Investment on securities held-to-maturity		(39,652)	(21,494)
Net gain on sale of securities available-for-sale		(9,522)	(3,182)
Accretion of discount less amortisation of premium		(9,262)	(20,141)
Unrealised gain/(loss) from securities held for trading		194	(6,170)
Allowance for losses on financing and advances		87,696	40,166
Write back for profit equalisation reserve		(1,410)	(2,163)
Operating profit before working capital changes		79,610	89,241
(Increase)/Decrease in operating assets:			
Deposits and placements with financial institutions		(305,000)	300,000
Financing and advances		(578,254)	(877,098)
Securities held for trading		373,339	(35,402)
Other assets		46,982	(47,801)
Statutory deposit with Bank Negara Malaysia		130,200	(11,511)
		(253,123)	(582,571)
Increase/(Decrease) in operating liabilities:			
Deposits from customers		780,475	497,620
Deposits and placements of banks and other financial institutions		949,285	503,694
Bills and acceptances payable		(9,558)	24,684
Other liabilities		65,070	(162,653)
Cash generated from operating activities		1,532,149	280,774
Taxation paid		(22,401)	(39,051)
Net cash generated from operating activities		1,509,748	241,723
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(7,890)	(8,932)
Purchase of intangible assets		-	(12,255)
Income received from disposal of:			
- Investment on securities available-for-sale		35,909	9,159
- Investment on securities held-to-maturity		38,237	15,045
Net proceeds from:			
- Purchase of securities available-for-sale		(473,004)	(557,534)
- Maturity/(Purchase) of securities held-to-maturity		116,564	(278,766)
Net cash used in investing activities		(290,184)	(833,283)
<b>ANALYSIS OF CASH AND CASH EQUIVALENT</b>			
Net increase/(decrease) in cash and cash equivalents		1,219,564	(591,560)
Cash and cash equivalent at the beginning of the financial year		1,342,901	1,934,461
Cash and cash equivalent at the end of the financial year	2	2,562,465	1,342,901

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 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 Standard 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 assumption 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 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 for the Bank for the financial year ended 31 December 2009.

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

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

- FRS 8 Operating Segments (effective for accounting periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114<sub>2004</sub> Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segments to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated. The adoption of FRS 8 will require additional disclosure requirements in the Bank's financial statements.
- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of IC 10 does not have any significant financial impact on the results of the Bank.

# 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 interpretation to existing standards that are not yet effective and have not been early adopted are as follows: (continued)

- Amendments to FRS 101 Presentation of Financial Statement (effective for accounting periods beginning on or after 1 January 2010) separates owner and non-owner changes in equity and introduces the statement of comprehensive income. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheet at the end of current period and comparative period. The adoption of FRS 101 will require additional disclosure requirements for the Bank's financial statements.
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of and 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 Bank.
- IC Interpretation 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2010). IC Interpretation 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the revenue in respect of the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The adoption of IC Interpretation 13 does not have any significant financial impact on the results of the 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. 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 Bank will apply this standard and BNM GP3 when effective. Nevertheless, the accounting policies of the Bank incorporate requirements of the Guidelines on Financial Reporting for Licensed Islamic Banks ('BNM/GP8-i') 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.

# 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 interpretation to existing standards that are not yet effective and have not been early adopted are as follows: (Continued)

- 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 profit income and expense as a net amount within finance costs on the face of the income statement.

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

- Improvement to existing MASB's standards (effective for accounting periods beginning on or after 1 January 2010) are as follows:
  - FRS 5 Non-current Assets Held for Sale and Discontinued Operations. Improvement effective from 1 January 2010 clarifies that FRS 5 disclosures apply to non-current assets or and discontinued operations. Improvement effective from 1 July 2010 clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.
  - FRS 107 Statement of Cash Flows (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
  - FRS 110 Events after the Balance Sheet Date (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
  - FRS 116 Property, Plant and Equipment (effective from 1 January 2010) requires entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.
  - FRS 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 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 Bank.

# 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 Securities

The Bank classifies its securities portfolio into the following categories: held-for-trading securities ('HFT'), available-for-sale securities ('AFS') and held-to-maturity securities ('HTM'). Classification of the securities is determined at initial recognition.

#### (i) Securities Held-For-Trading

Securities are classified as HFT if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it 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. Held for trading securities are stated 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.

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

Pursuant to amendments to BNM Revised Guidelines on Financial Reporting for Licensed Islamic banks (BNM/GP8-i), the Bank is now permitted by BNM for the period from 1 July 2008 to 31 December 2009 to reclassify non-derivative HFT securities into HTM securities or AFS securities.

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

#### (ii) Securities Held-To-Maturity

HTM securities are securities with fixed or determinable payments and fixed maturity that the Bank has positive intention and ability to hold to maturity. HTM securities are measured at fair value at initial recognition and subsequently carried at amortised cost using the effective profit 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 18 on impairment of securities.

Profit calculated using the effective profit method is recognised in the income statement.

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

#### (iii) Securities Available-For-Sale

AFS securities are securities that are not classified as HFT securities or HTM securities. 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 18 on impairment of securities.

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

### 2 Securities (Continued)

#### (iii) Securities Available-For Sale (Continued)

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

Profit income calculated using the effective profit method is recognised in the income statement. Dividends on available-for-sale 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 Bank establishes fair values using valuation techniques. These includes 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 financing and advances converted into debt or equity instrument/impaired securities, 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 18 on impairment of securities.

### 3 Financing and advances

Financing and advances are recognised when cash is disbursed to customers. They are initially recorded at fair value, which is the cash given to originate the financing 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 profit. They are derecognised when either customers repay their obligations, or the financing and advances are written off, or substantially all the risks and rewards of ownership are transferred. See accounting policy Note 15 on allowance for losses on financing and advances.

### 4 Other Receivables

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.

### 5 Property, Plant and Equipment and Depreciation

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

Renovations in progress and computer software in progress are not depreciated. Depreciation of other property, plant and equipment is calculated to write down their cost to residual values on a straight line basis over the expected useful lives of the assets concerned. The Bank uses the following annual rates in calculating depreciation:

Renovations	7.5% to 10%
Office equipment, furniture and fixtures	7.5% to 20%
Computer equipment and software	20% to 33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	20%

# 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)

### 5 Property, Plant and Equipment and Depreciation (Continued)

Computer software which is not an integral part of the computer hardware is treated as an intangible asset (please refer to Note 6 for accounting policy on intangible asset).

The assets residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. Gains or losses on disposal are determined by comparing proceeds with carrying amount and are included in the income statement.

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 asset is written down immediately to its recoverable amount. See accounting policy Note 17 on impairment of non-financial assets.

### 6 Intangible Asset

Computer software is stated at costs less amortisation and accumulated impairment loss.

The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Bank, and where it is probable that future economic benefits exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred. Only computer software which is not an integral part of the related computer hardware is treated as an intangible asset.

Capitalised computer software are amortised over five years on a straight line basis while computer software in progress are not amortised.

### 7 Bills and Acceptances Payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

### 8 Lease – Where the Bank is Lessee

#### Operating Lease

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

The up-front payments made for leasehold land represent prepaid lease rentals and are amortised on straight-line basis over the lease term.

Where an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when termination takes place.

### 9 Leases – Where The Bank Is Lessor

#### (i) Operating lease

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

# 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)

### 9 Leases – Where The Bank Is Lessor (Continued)

#### (ii) Finance lease

When assets are leased out under a finance lease, the present value of the lease payment is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the 'sum-of-digits' method so as to reflect a constant periodic rate of return on the balance outstanding.

### 10 Other Provisions

Provisions other than for non-performing financing and advances are recognised when the Bank has a present legal or constructive obligations, 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.

### 11 Profit Equalisation Reserve ('PER')

PER refers to the amount appropriated out of the total gross income to mitigate the undesirable fluctuation of income and to maintain a certain level of return to depositors. The amount is provided based on BNM's circular on 'The Framework of The Rate of Return'. PER is shared by both the depositors and the Bank and hence can be appropriated from and written back to the total gross income in deriving the distributable income. PER is reflected under 'Other liabilities' on the balance sheet.

### 12 Contingent Liabilities and Contingent Assets

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

### 13 Cash and Cash Equivalents

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

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

### 14 Income Recognition

(i) Finance income is recognised on an accruals basis. Income earned on cashline, home and term financing, and hire purchase is recognised over the period of the financing as stipulated in the financing agreement.

Where a financing becomes non-performing, profit accrued and recognised as income prior to the date the financing are classified as non-performing, are reversed out of income statement and set off against the accrued income receivable account in the balance sheet. Subsequently, the profit earned on non-performing financing are recognised on a cash basis.

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

For the Financial Year Ended 31 December 2009

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

### 14 Income Recognition (Continued)

- (ii) Financing arrangement, management and participation fees and underwriting commissions are recognised as income based on contractual arrangements and when all conditions precedent are fulfilled.
- (iii) Guarantee fees are recognised as income upon issuance of the guarantees.
- (iv) Fees from advisory and corporate finance activities are recognised net of service taxes and discounts upon completions of each stage of the assignment.

### 15 Allowance for Losses on Financing and Advances

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

A general allowance based on a percentage of the financing portfolio is also made to cover possible losses which are not specifically identified. 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 financing or portion of financing 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 financing and advances follows the period of default for non-performing financing of three (3) months. In line with the classification of non-performing financing, the Bank's basis for specific allowance is also from default period of three (3) months.

The Bank's allowance for non-performing financing and advances 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 Debts' ('Revised BNM/GP3'). BNM has granted indulgence to the Bank from complying with the requirement on the impairment of financing and advances 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 financing impairment requirement previously in the BNM/GP8-i.

### 16 Employee Benefits

- (i) Short-term employee benefits

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

- (ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to the national pension scheme, Employees' Provident Fund ('EPF'). 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 Bank has no further legal or constructive obligations.



# 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)

### 16 Employee Benefits (Continued)

#### (iii) 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.

### 17 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 purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flow (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the income statement.

### 18 Impairment of Securities

The Bank assesses at each balance sheet date whether there is objective evidence that a security is impaired. A security is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after 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.

#### (i) Securities carried at amortised cost

If there is objective evidence that an impairment loss on HTM securities 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 profit 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 HTM security has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit 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.

#### (ii) Securities carried at fair value

In the case of equity securities classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that securities 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 financial instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

# 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)

### 19 Income Taxes

Current tax expense is determined according to the tax laws of Malaysia and includes all taxes based upon the taxable profits for the financial year.

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 transaction affects neither accounting nor taxable profit or loss.

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

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

Deferred tax is determined using tax rate and tax laws 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.

### 20 Zakat

The obligation and responsibility of payment of Zakat lies with the ultimate individual shareholders and the depositors of the Bank. As such, no accrual of Zakat expenses is recognised in the financial statements of the Bank.

### 21 Currency Conversion and Translation

#### (a) Functional and presentation 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.

Changes in the fair value of monetary securities denominated in foreign currency classified as AFS are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as AFS are included in AFS reserve in equity.

# 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 Dividends Payable

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

### 23 Segment Reporting

Segment reporting is presented for enhanced assessment of the Bank's risks and returns. A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and return that are different from those components.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

## (B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

### (a) Allowance for losses on financing and advances

The Bank makes allowance for losses based on assessment of recoverability. Whilst management's judgement is guided by the relevant BNM guidelines, judgement is made about the future and other key factors in respect of the recoverability of financing and advances. Among the factors considered are the Bank's aggregate exposure to the customer, 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 creditors' claims.

### (b) Impairment of securities

Assessment of impairment of securities is made in accordance with the guidance in the revised BNM/GP8-i 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.

### (c) Fair value of financial instruments

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

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 1 GENERAL INFORMATION

RHB Islamic Bank Berhad ('the Bank'), is a licensed Islamic Bank under the Islamic Banking Act 1983, a limited liability company domiciled in Malaysia, and is principally engaged in Islamic banking business and is committed to offer customers a comprehensive range of product and services in accordance with its Articles of Association and Shariah principals.

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

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

## 2 CASH AND SHORT-TERM FUNDS

	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	122,147	(7,470)
Money at call and deposit placements maturing within one month	2,440,318	1,350,371
	2,562,465	1,342,901

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

	2009 RM'000	2008 RM'000
Licensed banks	200,000	-
Licensed Islamic banks	105,000	-
	305,000	-

## 4 SECURITIES HELD-FOR-TRADING

	2009 RM'000	2008 RM'000
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	-	85,736
<u>Unquoted Securities</u>		
<u>In Malaysia</u>		
Private debt securities	30,931	318,728
	30,931	404,464

During the financial year, the Bank has reclassified certain securities HFT to securities AFS category. The reclassifications have been accounted for based on the amendment to revised BNM/GP8-i Guidelines dated 17 October 2008, 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 values of the reclassified securities held-for-trading as of the respective dates of reclassification are as follows:

	2009 RM'000	2008 RM'000
<b>At fair value</b>		
Amount reclassified from securities:		
-HFT to securities AFS	20,409	-

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

	2009 RM'000	2008 RM'000
<b>At fair value</b>		
Amount reclassified from securities:		
-HFT to securities AFS	458	-

As at the date of reclassification, the effective profit rates on the reclassified securities HFT, based on the new cost for the Bank, ranged from 4.73% to 5.51% per annum (2008:NIL) The expected recoverable cash flows for the Bank is approximately RM20,206,000.

## 5 SECURITIES AVAILABLE-FOR-SALE

	2009 RM'000	2008 RM'000
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian Government Investment Issues	728,957	326,673
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	465,672	403,334
	1,194,629	730,007
<b>At cost</b>		
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Shares in IBFIM	575	575
	1,195,204	730,582

The carrying value of securities AFS, which was transferred from securities HFT, as at 31 December 2009 is RM20.4 million (2008:NIL).

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 6 SECURITIES HELD-TO-MATURITY

	2009 RM'000	2008 RM'000
<b>At amortised cost</b>		
<u>Money market instruments:</u>		
Cagamas Mudharabah bonds	175,201	215,122
Khazanah bonds	34,935	281,839
Malaysian Government Investment Issues	566,570	406,053
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	265,646	244,343
	1,042,352	1,147,357

## 7 FINANCING AND ADVANCES

	2009 RM'000	2008 RM'000
(i) By type		
Cashline	87,557	36,530
Term financing		
- housing financing	1,872,246	1,704,406
- syndicated term financing	793,288	555,504
- hire purchase receivables	1,215,426	807,349
- other term financing	1,297,163	1,349,326
Claims on customers under acceptance credit	503,119	677,058
Trust receipts	32,787	36,480
Staff financing	12,990	12,922
Revolving financing	451,209	502,942
	6,265,785	5,682,517
Unearned income	(179,697)	(140,208)
	6,086,088	5,542,309
Gross financing and advances		
Allowance for bad and doubtful financing:		
- general	(88,984)	(97,984)
- specific	(154,802)	(92,581)
	5,842,302	5,351,744

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 7 FINANCING AND ADVANCES (CONTINUED)

	2009 RM'000	2008 RM'000
(ii) Financing and advance analysed by type of customers are as follows:		
Domestic non-bank financial institutions		
- Others	10,486	20,555
Domestic business enterprises		
- Small medium enterprises	664,475	674,412
- Others	2,326,103	2,180,804
Government and statutory bodies	112,186	101,250
Individuals	2,669,895	2,231,902
Other domestic entities	676	10,220
Foreign entities	302,267	323,166
	6,086,088	5,542,309
(iii) Financing and advances analysed by contract are as follows:		
Bai' Bithaman Ajil ('BBA')	1,969,354	2,213,143
Ijarah	1,996,943	1,451,681
Murabahah	1,124,993	1,252,689
Istisna'	442,502	409,949
Others	552,296	214,847
	6,086,088	5,542,309
(iv) Financing and advances analysed by profit rate sensitivity are as follows:		
Fixed rate		
- Home financing	1,417,055	1,620,753
- Hire-purchase receivables	1,035,729	807,349
- Other fixed rate financing	1,610,801	1,513,692
Variable rate		
- BFR-plus	1,341,860	157,135
- Cost-plus	680,643	1,443,380
	6,086,088	5,542,309

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 7 FINANCING AND ADVANCES (CONTINUED)

	2009 RM'000	2008 RM'000
(v) Financing and advances analysed by purpose are as follows:		
Purchase of securities	18,430	80,057
Purchase of transport vehicles	968,500	672,267
Purchase of landed property:		
- Residential	1,848,340	1,703,170
- Non-residential	183,280	147,146
Purchase of property, plant and equipment other than land and building	477,020	441,098
Personal use	13,778	20,322
Purchase of consumer durables	110	159
Construction	402,450	289,809
Working capital	1,731,270	2,040,232
Other purposes	442,910	148,049
	6,086,088	5,542,309
(vi) Movement in allowance for non-performing financing and advances are as follows:		
Balance as at the beginning of financial year	267,357	282,833
Classified as non-performing during the financial year	424,210	272,830
Reclassified as performing during the financial year	(239,410)	(215,781)
Amount recovered	(40,005)	(36,382)
Amount written off	(35,212)	(36,143)
Balance as at the end of financial year	376,940	267,357
Specific allowance	(154,802)	(92,581)
Net non-performing financing and advances	222,138	174,776
Ratio of net non-performing financing and advances to net financing and advances	3.8%	3.3%
(vii) Movement in allowance for bad and doubtful financing and advances are as follows:		
<b>General allowance</b>		
Balance as at the beginning of financial year	97,984	82,948
Net allowance (written back)/made during the financial year	(9,000)	15,036
Balance as at the end of financial year	88,984	97,984
As % of gross financing and advances less specific allowance	1.5%	1.8%
<b>Specific allowance</b>		
Balance as at the beginning of financial year	92,581	93,336
Allowance made during the financial year	123,452	36,720
Amount recovered	(26,756)	(11,590)
Amount written off	(34,475)	(25,885)
Balance as at the end of financial year	154,802	92,581



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 7 FINANCING AND ADVANCES (CONTINUED)

	2009 RM'000	2008 RM'000
(viii) Non-performing financing and advances analysed by purpose are as follows:		
Purchase of transport vehicles	6,360	1,043
Purchase of landed property:		
- Residential	189,780	178,194
- Non-residential	2,690	3,889
Personal use	2,210	5,959
Construction	1,140	1,896
Working capital	174,760	76,376
	376,940	267,357

## 8 OTHER ASSETS

	2009 RM'000	2008 RM'000
Income receivable	28,681	18,756
Deposits and prepayments	22,227	15,390
Sundry deposits debtors	1,352	6,363
Other debtors	22,359	74,398
	74,619	114,907

## 9 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts determined after appropriate offsetting, are shown on the balance sheet:

	2009 RM'000	2008 RM'000
Deferred tax assets	17,046	19,960
	17,046	19,960

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 9 DEFERRED TAXATION (CONTINUED)

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

	Intangible assets RM'000	Property, plant and equipment RM'000	Securities available- for-sale RM'000	General allowance on financing and advances RM'000	Others temporary differences RM'000	Total RM'000
<b>2009</b>						
Balance as at the beginning of the financial year	-	(221)	(6,511)	24,647	2,045	19,960
Transfer to income statement	(2,970)	(88)	-	(2,400)	(1,659)	(7,117)
Transfer from equity	-	-	4,203	-	-	4,203
Balance as at the end of the financial year	(2,970)	(309)	(2,308)	22,247	386	17,046
<b>2008</b>						
Balance as at the beginning of the financial year	-	(221)	(176)	20,737	2,616	22,956
Transfer (to)/from income statement	-	-	-	3,910	(571)	3,339
Transfer to equity	-	-	(6,335)	-	-	(6,335)
Balance as at the end of the financial year	-	(221)	(6,511)	24,647	2,045	19,960

## 10 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

	2009 RM'000	2008 RM'000
Statutory deposits with Bank Negara Malaysia	69,240	199,440

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2) (c) of the Central Bank of Malaysia Act, 2009, the amount which are determined at 1% of total eligible liabilities.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 11 PROPERTY, PLANT AND EQUIPMENT

	Renovations RM'000	Office equipment, furniture and fixtures RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
<b>2009</b>					
<b>Cost</b>					
Balance as at the beginning of the financial year	9,888	2,490	11,138	1,462	24,978
Additions	4,274	436	3,156	24	7,890
Reclassification	(2,264)	2,264	-	-	-
Balance as at the end of the financial year	11,898	5,190	14,294	1,486	32,868
<b>Accumulated depreciation</b>					
Balance as at the beginning of the financial year	441	868	3,662	573	5,544
Charge for the financial year	1,141	1,190	1,616	294	4,241
Balance as at the end of the financial year	1,582	2,058	5,278	867	9,785
<b>Net book value as at the end of the financial year</b>	<b>10,316</b>	<b>3,132</b>	<b>9,016</b>	<b>619</b>	<b>23,083</b>
<b>2008</b>					
<b>Cost</b>					
Balance as at the beginning of the financial year	5,526	1,081	8,434	1,010	16,051
Additions	5,414	357	2,709	452	8,932
Disposals/written off	-	-	(5)	-	(5)
Reclassification	(1,052)	1,052	-	-	-
Balance as at the end of the financial year	9,888	2,490	11,138	1,462	24,978
<b>Accumulated depreciation</b>					
Balance as at the beginning of the financial year	275	511	2,572	322	3,680
Charge for the financial year	166	357	1,095	251	1,869
Disposals/written off	-	-	(5)	-	(5)
Balance as at the end of the financial year	441	868	3,662	573	5,544
<b>Net book value as at the end of the financial year</b>	<b>9,447</b>	<b>1,622</b>	<b>7,476</b>	<b>889</b>	<b>19,434</b>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2009 RM'000	2008 RM'000
<b>Cost</b>		
Renovations	3,693	7,532
Computer equipment and software	5,152	4,835
	8,845	12,367

## 12 INTANGIBLE ASSETS

	2009 RM'000	2008 RM'000
<b>Computer software</b>		
<b>Cost</b>		
Balance as at the beginning of the financial year	29,518	17,263
Additions	-	12,255
Amortisation for the financial year	(1,917)	-
Balance as at the end of the financial year	27,601	29,518

The above intangible assets include the following assets under construction/in progress:

	2009 RM'000	2008 RM'000
<b>Cost</b>		
Computer software	6,518	29,518

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 13 DEPOSITS FROM CUSTOMERS

	2009 RM'000	2008 RM'000
<b>Non-Mudharabah Funds:</b>		
Demand deposits	1,607,302	1,535,447
Savings deposits	563,317	542,606
Negotiable Islamic Debt Certificates	4,754	59,850
	2,175,373	2,137,903
<b>Mudharabah Funds:</b>		
Demand deposits	374,513	332,007
General investment accounts	1,166,442	1,512,965
Special investment accounts	4,411,454	3,364,431
	8,127,782	7,347,306
The deposits are sourced from the following classes of customers:		
Government and statutory bodies	1,771,165	2,017,349
Business enterprises	5,026,432	3,758,692
Individuals	887,310	824,405
Others	442,875	746,860
	8,127,782	7,347,306

## 14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2009 RM'000	2008 RM'000
<b>Non-Mudharabah Fund:</b>		
Licensed Islamic banks	152,720	414,568
Licensed banks	342,400	345,250
Other financial institutions	-	121,917
	495,120	881,735
<b>Mudharabah Fund:</b>		
Licensed Islamic banks	490,000	-
Licensed banks	498,000	-
Licensed investment banks	247,900	-
Other financial institutions	100,000	-
	1,831,020	881,735

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 15 OTHER LIABILITIES

	2009 RM'000	2008 RM'000
Sundry creditors	17,303	11,286
Profit equalisation reserve (i)	4,326	5,736
Amount due to immediate holding company (ii)	243,495	172,393
Other accruals and payables	60,893	72,942
	326,017	262,357

(i) Profit equalisation reserve:

	2009 RM'000	2008 RM'000
Balance as at the beginning of the financial year	5,736	7,899
Net amount written back	(1,410)	(2,163)
Balance as at the end of the financial year	4,326	5,736

Profit equalisation reserve at the end of the financial year of which the shareholder's portion is RM238,362 (2008:RM373,414).

(ii) The amount due to immediate holding company is unsecured, interest free and has no fixed terms of repayment.

## 16 ORDINARY SHARE CAPITAL

	2009 RM'000	2008 RM'000
<b>Ordinary shares of RM1.00 each:</b>		
Authorised:		
Balance as at the beginning/end of financial year	1,000,000	1,000,000
Issued and fully paid:		
Balance as at the beginning/end of financial year	523,424	523,424

## 17 RESERVES

The statutory reserves represent non-distributable profits held by the Bank in compliance with Section 15 of the Islamic Banking Act 1983. This fund is not distributable as cash dividends.

The AFS revaluation reserve arises from a change in the fair value of securities classified as available-for-sale securities. The unrealised gains or losses are transferred to the income statement upon disposal, derecognition or impairment of such securities. The depositors' portion of unrealised gains on available-for-sale securities at the end of the financial year is RM6,733,874 (2008: RM17,324,045)

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 shareholder are exempted from tax. Companies with S108 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 17 RESERVES (CONTINUED)

The Bank has elected to use its Section 108 credit balance for the purpose of dividend distribution during the 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 and refunded during the 6-year period.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 to pay dividends out of its entire retained profits as at 31 December 2009.

## 18 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

Income derived from investment of depositors' funds are as follows:

	2009 RM'000	2008 RM'000
Income derived from investment of:		
(i) General investment deposits	65,440	87,090
(ii) Other deposits	368,883	316,304
	434,323	403,394
(i) Income derived from investment of general investment deposits		
<b>Finance income and hibah:</b>		
Financing and advances	43,305	58,684
Securities held-for-trading	1,049	4,036
Securities available-for-sale	5,772	2,839
Securities held-to-maturity	5,659	4,338
Money at call and deposit with financial institutions	6,286	10,979
	62,071	80,876
Amortisation of premium less accretion of discount	1,381	4,065
Total finance income and hibah	63,452	84,941
Other operating income (note a to c)	1,988	2,149
	65,440	87,090
a) Fee income :		
Commission	668	1,038
Guarantee fees	129	116
	797	1,154
b) Net gain/(loss) from sale of :		
- Securities held-for-trading	(434)	(892)
- Securities available-for-sale	1,598	642
	1,164	(250)
c) Net unrealised gain on revaluation of securities held-for-trading	27	1,245
	1,988	2,149

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 18 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

	2009 RM'000	2008 RM'000
(ii) Income derived from investment of other deposits:		
<b>Finance income and hibah:</b>		
Financing and advances	244,943	213,137
Securities held-for-trading	5,120	14,656
Securities available-for-sale	33,146	10,310
Securities held-to-maturity	31,800	15,756
Money at call and deposit with financial institutions	36,432	39,877
	351,441	293,736
Amortisation of premium less accretion of discount	7,366	14,764
Total finance income and hibah	358,807	308,500
Other operating income (note a to c)	10,076	7,804
	368,883	316,304
a) Fee income:		
Commission	3,777	3,768
Guarantee fees	761	422
	4,538	4,190
b) Net gain/(loss) from sale of:		
- Securities held-for-trading	(1,988)	(3,241)
- Securities available-for-sale	7,370	2,332
	5,382	(909)
c) Net unrealised gain on revaluation of securities held-for-trading	156	4,523
	10,076	7,804



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 19 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2009 RM'000	2008 RM'000
<b>Finance income and hibah:</b>		
Financing and advances	16,828	18,943
Securities held-for-trading	377	1,303
Securities available-for-sale	2,268	916
Securities held-to-maturity	2,193	1,400
Money at call and deposit with financial institutions	2,473	3,544
	24,139	26,106
Amortisation of premium less accretion of discount	515	1,312
Total finance income and hibah	24,654	27,418
Other operating income (note a to c)	24,764	23,391
	49,418	50,809
a) Fee income:		
Commission	2,293	2,002
Service charges and fees	20,488	20,511
Guarantee and underwriting fees	312	201
Placement fees	1,253	-
Foreign exchange gains	-	355
	24,346	23,069
b) Net (loss)/gain from sale of:		
- Securities held-for-trading	(147)	(287)
- Securities available-for-sale	554	207
	407	(80)
c) Net unrealised gain on revaluation of securities held-for-trading	11	402
	24,764	23,391

## 20 ALLOWANCES FOR LOSSES ON FINANCING AND ADVANCES

	2009 RM'000	2008 RM'000
Allowance for losses on financing and advances		
Specific allowance:		
- Made during the financial year	123,452	36,720
- Written back during the financial year	(26,756)	(11,590)
General allowance:		
- (Written back)/made during the financial year	(9,000)	15,036
Bad financing recovered	(4,668)	(5,696)
	83,028	34,470

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 20 ALLOWANCES FOR LOSSES ON FINANCING AND ADVANCES (CONTINUED)

The Bank has evaluated its portfolio of non-performing debts that had been in default and remained uncollected for more than 7 years and also those non-performing debts in default for more than 5 years but less than 7 years. For the debts in default for more than 7 years, no value is assigned as the realisable value of collateral. For the debts in default for more than 5 years but less than 7 years, 50% of the realisable value of asset held has been assigned as collateral value. The effect of this exercise amounted to RM8,223,000 (2008: RM2,092,000).

## 21 INCOME ATTRIBUTABLE TO DEPOSITORS

	2009 RM'000	2008 RM'000
Deposits from customers:		
- Mudharabah funds	124,055	140,674
- Non-mudharabah funds	11,829	18,718
Deposits and placements of banks and other financial institutions:		
- Mudharabah funds	13,036	7,614
- Non-mudharabah funds	16,193	15,752
	165,113	182,758

## 22 PERSONNEL EXPENSES

	2009 RM'000	2008 RM'000
Salaries, allowances and bonuses	42,805	36,661
Contributions to Employees' Provident Fund	6,878	5,698
Other staff related cost	4,598	3,647
	54,281	46,006

## 23 OTHER OVERHEADS AND EXPENDITURES

	2009 RM'000	2008 RM'000
<b>Establishment cost</b>		
- Depreciation	4,241	1,869
- Amortisation of intangible assets	1,917	-
- Rental of premises	4,070	3,238
- Rental equipment	285	214
- Insurance	5,434	544
- Water and electricity	625	393
- Repair and maintenance	335	766
- Information technology expenses	5,474	2,366
- Security and escort expenses	596	1,811
- Others	175	130
	23,152	11,331

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 23 OTHER OVERHEADS AND EXPENDITURES (CONTINUED)

	2009 RM'000	2008 RM'000
<b>Marketing expenses</b>		
- Advertisement and publicity	5,977	3,613
- Travelling expenses	1,314	1,497
- Motor vehicle expenses	1,147	897
- Others	5,825	3,043
	14,263	9,050
<b>Administration and general expenses</b>		
- Cost sharing fees	50,349	51,013
- Auditors' remuneration (i)	143	169
- Other professional fees	1,807	1,200
- Printing, stationery and postages	2,130	3,247
- Telecommunication expenses	2,395	1,008
- Others	1,896	1,693
	58,720	58,330
	96,135	78,711

Included in the administration and general expenses of the Bank are other director's remuneration totalling RM752,000 (2008:RM706,000) as disclosed in Note 24.

	2009 RM'000	2008 RM'000
(i) Auditors' remuneration		
Statutory audit	88	88
Fee for other services		
- Limited reviews	-	35
- Other services	55	46
	143	169

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 24 REMUNERATION OF MANAGING DIRECTOR ('MD'), NON-EXECUTIVE DIRECTORS AND SHARIAH COMMITTEE MEMBERS

	2009 RM'000	2008 RM'000
Non-Executive Directors		
- Fees	427	403
- Others	325	303
	752	706
Current Managing Director ('MD') and Chief Executive Officer ('CEO')		
- Salary and other remuneration	1,524	1,275
- Contribution to EPF	244	204
- Benefits-in-kind	34	36
Shariah Committee members' fees	250	259
	2,804	2,480

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

### Executive Director/MD

Puan Jamelah Jamaluddin

(Resigned on 9 February 2010)

### Non-Executive Directors

Datuk Haji Faisal Siraj (Chairman)

Dato Abdullah Mat Noh

Johari Abdul Muid

Charles Lew Foon Keong

Arul Kanda a/l Kandasamy

(Appointed as Director on 20 July 2009)

Haji Md Ja'far Abdul Carrim

(Appointed as Director on 10 August 2009)

Dato' Mohd Salleh Haji Harun

(Resigned as Director on 18 November 2009)

Ismael Fariz Ali

(Resigned as Director on 30 September 2009)

Ervin Bee Knox

(Resigned as Director on 2 February 2009)

Dato' Othman Jusoh

(Expiry of term of service with effect from 22 February 2009)

The number of Directors of the Bank whose total remuneration during the financial year fell within the following bands is analysed below:

Executive RM	2009 Number of Directors	2008 Number of Directors
0-500,000	-	-
500,000-1,820,000	1	1

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 24 REMUNERATION OF MANAGING DIRECTOR ('MD'), NON-EXECUTIVE DIRECTORS AND SHARIAH COMMITTEE MEMBERS (CONTINUED)

Non-Executive RM	2009 Number of Directors	2008 Number of Directors
0-50,000	4	3
50,000-100,000	2	6
100,000-150,000	4	-

## 25 TAXATION

	2009 RM'000	2008 RM'000
Malaysian income tax:		
- Current tax	16,008	31,874
Deferred taxation (Note 9)	7,117	(3,339)
	23,125	28,535
<b>Current tax</b>		
Current year	14,841	31,874
Under provision in respect of prior years	1,167	-
	16,008	31,874
<b>Deferred tax</b>		
Origination and reversal of temporary differences	7,117	(3,339)
	23,125	28,535

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

	2009 %	2008 %
Malaysian tax rate of 25% (2008:26%)	25.0	26.0
<b>Tax effects in respect of:</b>		
Expenses not deductible for tax purposes	0.4	0.1
Under provision in respect of prior years	1.3	-
Income not subject to tax	-	(1.2)
Effective tax rate	26.7	24.9

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 26 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	2009	2008
Basic:		
Net profit for the financial year (RM'000)	63,469	85,886
Weighted average number of ordinary shares in issue ('000)	523,424	523,424
Basic earnings per share (sen)	12.13	16.41

## 27 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

### (a) Related parties and relationships

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

Related parties	Relationship
EPF	Ultimate holding body
RHB Capital Berhad	Penultimate holding company
RHB Bank 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 an associate of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries and an associate of the penultimate holding company
Subsidiaries of RHB Bank Berhad as disclosed in its financial statements	Subsidiaries of the immediate holding company
Key management personnel	The key management personnel of the Group and the Bank consists of: <ul style="list-style-type: none"> <li>- All Directors of the Bank, RHB Bank Berhad and RHB Capital Berhad</li> <li>- RHB Capital Berhad Central Management Committee members</li> <li>- Key management personnel of EPF who are in charge of the RHB Capital Group</li> </ul>
Related parties of key management personnel (deemed as related to the 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

## 27 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

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

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

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

	Holding company RM'000	Key Management Personnel RM'000	Other related companies RM'000
<b>2009</b>			
<b>Income</b>			
Income on deposits and placement	3,609	-	-
Commission	-	-	279
	3,609	-	279
<b>Expenditure</b>			
Profit expense on deposits and placements	11,052	26	-
Legal and professional fees	-	-	471
Other expenses	-	-	34
Dividends on deposits (Hibah)	-	1	-
Reimbursement of operating expenses to holding company	50,322	-	-
	61,374	27	505
<b>Amount Due From</b>			
Deposits and placements of banks and other financial institutions	292,188	-	-
Other assets	12,133	-	-
	304,321	-	-
<b>Amount Due To</b>			
Savings deposits	-	68	-
Current account and investment deposits	-	2,637	1,813
Deposits and placements of banks and other financial institutions	546,715	-	-
Other liabilities	119,495	-	328
	666,210	2,705	2,141

### (c) Credit exposures arising from transactions with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties ('Revised BNM/GP6') are as follows:

	2009 RM'000
Outstanding credit exposures with connected parties	548,265
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	4.82%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 27 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

### (c) Credit exposures arising from transactions with connected parties (Continued)

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective from 1 January 2008.

	Holding company RM'000	Key Management Personnel RM'000	Other related companies RM'000
<b>2008</b>			
<b>Income</b>			
Commission	2,014	-	302
	2,014	-	302
<b>Expenditure</b>			
Profit expense on deposits and placements	8,679	-	-
Dividends on deposits (Hibah)	-	12	-
Reimbursement of operating expenses to holding company	51,009	-	-
	59,688	12	-
<b>Amount Due From</b>			
Cash and short-term funds	63,214	-	-
Other assets	12,133	-	-
	75,347	-	-
<b>Amount due to</b>			
Savings deposits	-	513	-
Current account and investment deposits	-	1,047	1,584
Deposits and placements of banks and other financial institutions	349,031	-	-
Other liabilities	172,393	-	124
	521,424	1,560	1,708

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties ('Revised BNM/GP6') are as follows:

	2008 RM'000
Outstanding credit exposures with connected parties	75,898
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.97%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-



## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 28 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to customers. No material losses are anticipated as a result of this transaction, which needs to be adjusted.

	<b>Principal Amount RM'000</b>	<b>2009 Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Amount RM'000</b>
Transaction-related contingent items	184,507	92,254	47,412
Short-term self-liquidating trade-related contingencies	96,206	19,241	19,241
Obligations under underwriting agreements	29,000	14,500	14,500
Irrevocable commitments to extend credit:			
- maturity more than one year	384,933	192,466	188,595
- maturity less than one year	2,045,983	409,197	411,982
<b>Total</b>	<b>2,740,629</b>	<b>727,658</b>	<b>681,730</b>

	<b>Principal Amount RM'000</b>	<b>2008 Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Amount RM'000</b>
Transaction-related contingent items	149,200	74,600	64,399
Short-term self-liquidating trade-related contingencies	112,515	22,503	22,503
Obligations under underwriting agreements	70,000	35,000	35,000
Irrevocable commitments to extend credit:			
- maturity more than one year	324,187	162,094	156,572
- maturity less than one year	1,207,911	241,582	241,582
<b>Total</b>	<b>1,863,813</b>	<b>535,779</b>	<b>520,056</b>

The credit equivalent and Risk Weighted Assets ('RWA') for the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II) respectively.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 29 OPERATING LEASE COMMITMENTS

The Bank has lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases, is as follows:

	2009 RM'000	2008 RM'000
Within one year	1,172	339
Between one and five years	5,584	5,886
	6,756	6,225

## 30 CAPITAL COMMITMENTS

	2009 RM'000	2008 RM'000
Capital expenditure for property, plant and equipment:		
Authorised and contracted for	11,876	3,067
Authorised but not contracted for	11,996	18,940
	23,872	22,007

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### OVERVIEW

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') through the Group Risk Management function ('GRM function') and Group Risk Management Committee ('Group RMC'), is responsible for identifying principal risk and ensuring that there is an ongoing process to continuously manage the Bank's risks actively.

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

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### OVERVIEW (CONTINUED)

Overriding Objectives of the Group RMC:

- (i) To provide oversight and governance of risks at the RHB Banking Group ('Group');
- (ii) To oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process of each entity in the Group is in place and functioning;
- (iii) To deliberate and make recommendations to the Board of each relevant entity within the Group in respect of risk management matters of the respective entities.

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.

### Major Areas of Risk

As a banking institution covering activities including retail, commercial and corporate banking and treasury products and services, the Bank is subject to business risks which are inherent in the financial services industry. Generally, these business risks can be broadly divided into the following:

- (i) Market risk - the risk of potential loss resulting from adverse movements in the level of market prices, profit 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.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

In order to mitigate the aforementioned business risks the Bank faces, it has put in place the following:

### (a) Market risk

- A framework of approved risk policies, measurement methodologies and limits, as approved by the Board, controls financial market activities as well as identifies potential risk areas early to mitigate any adverse effects from market volatility
- The GRM function plays an independent role in the monitoring and assessing of risk exposures arising from these, and reports independently to the Group RMC.
- Risk measurement techniques and stress testing regimes are applied to RHB Islamic Bank's portfolio on a regular basis.
- For Currency Risk:
  - Approved overall position limits are applied for Forex ('FX') spot trading portfolio. Trading loss limits are imposed on each trading desk. The levels of these exposures (including off-balance sheet items), by overall total for both intra-day and overnight positions, are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by the Asset and Liability Committee ('ALCO').
  - Foreign investments, which are funded by purchases with resultant open foreign exchange positions, are monitored and appropriate hedging strategies are undertaken in line with market trends.
- For Profit Rate Risk:
  - The ALCO monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to profit rate movements.
  - The ALCO also sets limits on the level of mismatch of profit rate re-pricing that may be undertaken, which is monitored monthly. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### PROFIT RATE RISK

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

2009	Non-trading book							Trading book RM'000	Total RM'000	Effective profit 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-profit sensitive RM'000				
<b>Assets</b>										
Cash and short term funds	2,440,318	-	-	-	-	122,147	-	2,562,465	1.85	
Deposits and placement with financial institutions	-	305,000	-	-	-	-	-	305,000	2.12	
Securities held-for-trading	-	-	-	-	-	-	30,931	30,931	3.63	
Securities available-for-sale	-	-	-	970,577	224,052	575	-	1,195,204	3.96	
Securities held-to-maturity	34,975	49,951	79,992	578,880	298,554	-	-	1,042,352	4.42	
Financing and advances										
- performing	893,897	463,832	374,357	1,106,458	2,870,604	-	-	5,709,148	5.45	
- non-performing	-	-	-	-	-	133,154*	-	133,154*		
Other assets	-	-	-	-	-	74,619	-	74,619		
Deferred tax assets	-	-	-	-	-	17,046	-	17,046		
Tax recoverable	-	-	-	-	-	15,666	-	15,666		
Statutory deposits with BNM	-	-	-	-	-	69,240	-	69,240		
Property, plant and equipment	-	-	-	-	-	23,083	-	23,083		
Intangible asset	-	-	-	-	-	27,601	-	27,601		
<b>Total assets</b>	<b>3,369,190</b>	<b>818,783</b>	<b>454,349</b>	<b>2,655,915</b>	<b>3,393,210</b>	<b>483,131</b>	<b>30,931</b>	<b>11,205,509</b>		

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### PROFIT RATE RISK (CONTINUED)

2009 (Continued)	Non-trading book					Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000			
<b>Liabilities</b>								
Deposits from customers and placements of banks and other financial institutions	7,091,119	-	-	4,754	-	-	8,127,782	1.01
Bills and acceptances payable	1,355,140	475,880	-	-	-	-	1,831,020	1.79
Other liabilities	-	-	-	-	-	-	25,228	2.32
<b>Total liabilities</b>	8,446,259	475,880	-	4,754	-	-	10,310,047	
<b>Total shareholder's equity</b>	-	-	-	-	-	-	895,462	
	8,446,259	475,880	-	4,754	-	-	11,205,509	
<b>Total profit-sensitivity gap</b>	(5,077,069)	342,903	454,349	2,651,161	-	-	3,393,210	

## PROFIT RATE RISK (CONTINUED)

2008	Non-trading book							Effective profit 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-profit sensitive RM'000	Trading book RM'000		Total RM'000
Assets	1,350,371	-	-	-	-	(7,470)	-	1,342,901	3.28
Cash and short term funds	-	-	-	-	-	-	-	-	-
Deposits and placements with financial institutions	-	-	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	-	404,464	404,464	4.20
Securities available-for-sale	-	-	-	399,190	330,817	-	-	730,582	5.39
Securities held-to-maturity	-	5,018	368,487	419,141	354,711	575	-	1,147,357	4.31
Financing and advances	-	-	-	-	-	-	-	-	-
- performing	503,410	481,142	651,996	426,252	3,212,152	-	-	5,274,952	5.89
- non-performing	-	-	-	-	-	-	76,792*	76,792	-
Other assets	-	-	-	-	-	-	114,907	114,907	-
Deferred taxation assets	-	-	-	-	-	-	19,960	19,960	-
Tax recoverable	-	-	-	-	-	-	9,273	9,273	-
Statutory deposits with BNM	-	-	-	-	-	-	199,440	199,440	-
Property, plant and equipment	-	-	-	-	-	-	19,434	19,434	-
Intangible asset	-	-	-	-	-	-	29,518	29,518	-
Total assets	1,853,781	486,160	1,020,483	1,244,583	3,897,680	462,429	404,464	9,369,580	

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### PROFIT RATE RISK (CONTINUED)

	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000				
<b>2008 (Continued)</b>									
<b>Liabilities</b>									
Deposits from customers	3,530,826	1,144,522	1,749,847	13,818	-	908,293	-	7,347,306	2.51
Deposits and placements of banks and other financial institutions	221,916	-	314,569	-	345,250	-	-	881,735	3.35
Bills and acceptances payable	-	-	-	-	-	34,786	-	34,786	3.75
Other liabilities	-	-	-	-	-	262,357	-	262,357	
<b>Total liabilities</b>	<b>3,752,742</b>	<b>1,144,522</b>	<b>2,064,416</b>	<b>13,818</b>	<b>345,250</b>	<b>1,205,436</b>	<b>-</b>	<b>8,526,184</b>	
Total shareholder's equity	-	-	-	-	-	843,396	-	843,396	
<b>Total profit-sensitivity gap</b>	<b>(1,898,961)</b>	<b>(658,362)</b>	<b>(1,043,933)</b>	<b>1,230,765</b>	<b>345,250</b>	<b>2,048,832</b>	<b>-</b>	<b>9,369,580</b>	



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### CREDIT RISK

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out below:

2009	Short-term funds and deposits & placements with financial institutions RM'000	Securities held-for-trading RM'000	Securities available-for-sale RM'000	Securities held-to-maturity RM'000	Financing and advances <sup>#</sup> RM'000	Other financial assets <sup>*</sup> RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	-	325,875	-	325,875	122,740
Mining and quarrying	-	-	-	-	25,611	-	25,611	233
Manufacturing	-	-	-	-	749,204	-	749,204	560,015
Electricity, gas and water	-	-	88,403	49,289	152,782	-	290,474	18,859
Construction	-	-	-	-	401,095	-	401,095	494,083
Real estate	-	-	31,313	15,986	139,640	-	186,939	26,360
Purchase of landed property	-	-	4,994	-	2,146,780	-	2,146,780	122,139
General commerce	-	30,931	-	-	626,576	-	662,501	447,031
Transport, storage and communication	-	-	30,582	110,047	967,867	-	1,108,496	85,720
Finance, insurance and business service	500,286	-	-	255,182	17,622	-	773,090	282,230
Government and government agencies	2,363,976	-	1,039,337	611,848	-	69,240	4,084,401	-
Purchase of securities	-	-	-	-	18,429	-	18,429	-
Consumption credit	-	-	-	-	-	-	-	501
Others	-	-	-	-	359,805	-	359,805	580,718
	2,864,262	30,931	1,194,629	1,042,352	5,931,286	69,240	11,132,700	2,740,629

# Excludes general allowance amounting to RM88,984,000

\* Excludes deferred tax assets of RM17,046,000 tax recoverable of RM15,666,000, property, plant and equipment of RM23,083,000 and intangible assets of RM27,601,000.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### CREDIT RISK (CONTINUED)

2008	Short-term funds and deposits & placements with financial institutions RM'000	Securities held-for-trading RM'000	Securities available-for-sale RM'000	Securities held-to-maturity RM'000	Financing and advances# RM'000	Other financial assets* RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	-	280,870	-	280,870	123,801
Mining and quarrying	-	-	-	-	4,000	-	4,000	202
Manufacturing	-	-	-	-	691,832	-	691,832	579,180
Electricity, gas and water	-	83,225	-	49,971	172,147	-	305,343	15,864
Construction	-	-	-	-	288,524	-	288,524	383,505
Real estate	-	-	-	-	182,385	-	182,385	29,517
Purchase of landed property	-	-	52,685	16,236	1,986,767	-	2,055,688	103,643
General commerce	-	-	-	-	582,151	-	582,151	344,550
Transport, storage and communication	-	70,919	15,087	9,923	632,783	-	728,712	82,838
Finance, insurance and business service	79,929	123,379	62,099	338,596	22,094	-	626,097	31,263
Government and government agencies	1,261,411	126,941	600,136	732,631	-	199,440	2,920,519	-
Purchase of securities	-	-	-	-	80,058	-	80,058	-
Consumption credit	-	-	-	-	-	-	-	7,859
Others	-	-	-	-	526,117	-	526,117	161,591
	1,341,340	404,464	730,007	1,147,357	5,449,728	199,440	9,272,296	1,863,813

# Excludes general allowance amounting to RM97,984,000

\* Excludes deferred taxation assets of RM19,960,000, tax recoverable of RM9,274,000, property, plant and equipment of RM19,433,000 and intangible assets of RM29,518,000.

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b) 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 subject to periodic stress tests and the results are 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.

### (c) 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, that is fully satisfied for credit risk, and which gives no concern for unexpected losses, and which ensures a reliable and satisfactory risk weighted return. Market best practices are incorporated into this policy.
- The Bank ensures that stringent measures and processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being independently evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Group Credit Committee sanction credits beyond well established prudential threshold. The strict 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 programme components which includes (i) enhancing the economic returns of the Bank using established and proven credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit grading models for business loans, and (iii) designing and implementing modelling of expected and unexpected losses. In addition, an economic capital management framework incorporating advanced risk based pricing and funds transfer pricing has been developed, which also facilitates the Bank in meeting the Pillar II requirements of the Basel II Accord Internal Ratings Based Approach.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (d) 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 system, 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 at the Head Office, data centre, and branches locations. 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; conduct internal reviews, compliance monitoring, and comprehensive audits to prevent or minimize unexpected losses.

## 32 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the financial instruments, including financing 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, and estimates of futures cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could significantly affect these estimates and the resulting fair value estimates. Where these methodologies are not able to estimate the approximate fair values, such instruments are stated at carrying amount.

In addition, fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of FRS 132 which requires fair value information to be disclosed. These include property, plant and equipment and intangibles.

Therefore, for a significant portion of the Bank's financial instruments, including financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amount that the Bank could have realised in a sales transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the Bank's underlying value as a going concern.

Furthermore, it is the Bank's intention to hold most of its financial instruments to maturity and, therefore, it is not probable that the fair value estimates shown will be realised.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 32 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table summarises the carrying amounts and the estimated fair values of those financial assets not presented on the Bank's balance sheet at their fair value:

	Carrying value RM'000	Estimated fair value RM'000
<b>2009</b>		
<b>Financial assets</b>		
Securities held-to-maturity	1,042,352	1,058,204
Financing and advances	5,842,302	5,874,202*
<b>2008</b>		
<b>Financial assets</b>		
Securities held-to-maturity	1,147,357	1,173,387
Financing and advances	5,351,744	5,232,894*

\* Financing and advances are stated at cost and not fair value but are subject to impairment in accordance with the revised BNM/GP3. The Bank is of the view that there is no further impairment other than that already provided for.

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

### (i) Cash and short-term funds and deposits and placements with financial institutions

For cash and short-term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market profit rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

### (ii) Securities held-for-trading, available-for-sale and held-to-maturity

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 32 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### (iii) Financing and advances

For floating rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risk and maturities.

The fair values of impaired floating and fixed rates financing are represented by their carrying value, net of specific allowance being the expected recoverable amount.

### (iv) Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in “other assets and liabilities” are assumed to approximate their fair values as these items are not materially sensitive to the shift in market profit rates.

### (v) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

### (vi) Deposits and placements of banks and other financial institutions, bills and acceptances payables

The estimated fair values of deposits and placements of banks and other financial institutions, bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market profit rates with similar remaining period to maturities.

### (vii) Credit related commitments and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

## Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

### 33 CAPITAL ADEQUACY

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

	2009 RM'000	2008 RM'000
<b>Tier I Capital</b>		
Paid-up ordinary share capital	523,424	523,424
Retained profits	167,172	135,437
Statutory reserve	197,739	166,005
	888,335	824,866
Less :		
Deferred tax assets	(17,046)	(19,960)
Total Tier I capital	871,289	804,906
<b>Tier II Capital</b>		
General allowance for bad and doubtful financing	88,984	97,984
Total Tier II capital	88,984	97,984
<b>Less:</b>		
Other deduction*	(12)	-
Total capital base	960,261	902,890
Core capital ratio (inclusive of market risk)	12.50%	12.07%
Risk-weighted capital ratio (inclusive of market risk)	13.78%	13.54%

The Bank has applied paragraph 7.2 of the Concept Paper – Risk Weighted Capital Adequacy Framework (Basel II) and CAFIB – Disclosure Requirement (Pillar 3) dated 5 December 2008.

\* Pursuant to the Basel II Market Risk para 5.19 and 5.20 – Valuation Adjustments / Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments / reserves on its trading portfolio.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 33 CAPITAL ADEQUACY (CONTINUED)

	2009	
	Principal RM'000	Risk Weighted RM'000
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
(i) Credit Risk		
0%	3,948,139	-
10%	-	-
20%	1,417,166	283,433
50%	28,935	14,467
75%	2,658,060	1,993,545
100%	3,539,734	3,539,734
150%	380,391	570,587
	11,972,425	6,401,766
(ii) Market Risk Capital Adequacy Framework	38,755	9,114
(iii) Basic Indicator Operational Risk Capital Charge	-	558,743
	12,011,180	6,969,623

	2008	
	Principal RM'000	Risk Weighted RM'000
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
(i) Credit Risk		
0%	2,210,916	-
10%	-	-
20%	1,239,863	247,972
50%	14,445	7,223
75%	2,086,771	1,565,078
100%	3,718,512	3,718,512
150%	299,760	449,640
	9,570,267	5,988,425
(ii) Market Risk Capital Adequacy Framework	416,843	164,961
(iii) Basic Indicator Operational Risk Capital Charge	-	514,676
	9,987,110	6,668,062



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 33 CAPITAL ADEQUACY (CONTINUED)

### DISCLOSURE ON CAPITAL ADEQUACY UNDER THE STANDARDISED APPROACH

2009

Item	Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Capital Requirements RM'000
1.0	<b>Credit Risk</b>						
	<i>On-Balance Sheet Exposures</i>						
	Sovereigns/Central Banks	3,836,771	3,836,771	-	-	-	-
	Public Sector Entities	-	-	-	-	-	-
	Banks, Development Financial Institutions & MDBs	530,807	530,807	106,161	-	106,161	8,493
	Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-
	Corporates	3,747,597	3,747,597	2,993,840	-	2,993,840	240,947
	Regulatory Retail	2,628,766	2,628,766	1,965,321	-	1,965,321	157,226
	Residential Mortgages	-	-	-	-	-	-
	Higher Risk Assets	93,979	93,979	140,968	-	140,968	11,277
	Other Assets	-	-	-	-	-	-
	Specialised	-	-	-	-	-	-
	Financing/Investment	-	-	-	-	-	-
	Equity Exposure	-	-	-	-	-	-
	Securitisation Exposures	-	-	-	-	-	-
	Other Assets	129,410	129,410	129,410	-	129,410	10,353
	Defaulted Exposures	277,437	277,437	384,336	-	384,336	30,747
	<b>Total for On-Balance Sheet Exposures</b>	<b>11,244,767</b>	<b>11,244,767</b>	<b>5,720,036</b>	-	<b>5,720,036</b>	<b>459,043</b>
	<i>Off-Balance Sheet Exposures</i>						
	OTC Derivatives	-	-	-	-	-	-
	Credit Derivatives	-	-	-	-	-	-
	Off balance sheet exposures other than OTC derivatives or credit derivatives	727,658	727,658	681,730	-	681,730	53,098
	Defaulted Exposures	-	-	-	-	-	-
	Total for Off-Balance Sheet Exposures	727,658	727,658	681,730	-	681,730	53,098
	<b>Total On and Off-Balance Sheet Exposures</b>	<b>11,972,425</b>	<b>11,972,425</b>	<b>6,401,766</b>	-	<b>6,401,766</b>	<b>512,141</b>
2.0	Large Exposures Risk Requirement	-	-	-	-	-	-
3.0	<b>Market Risk</b>	Long Position	Short Position				
	Interest Rate Risk	30,931	-	30,931	1,290	1,290	103
	Foreign Currency Risk	7,824	-	7,824	7,824	7,824	626
	Equity Risk	-	-	-	-	-	-
	Commodity Risk	-	-	-	-	-	-
	Inventory Risk	-	-	-	-	-	-
	<b>Total Market Risk</b>	<b>38,755</b>	-	<b>38,755</b>	<b>9,114</b>	<b>9,114</b>	<b>729</b>
4.0	<b>Operational Risk</b>			<b>558,743</b>	-	<b>558,743</b>	<b>44,700</b>
5.0	<b>Total RWA and Capital Requirements</b>			<b>6,969,623</b>	-	<b>6,969,623</b>	<b>557,570</b>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 33 CAPITAL ADEQUACY (CONTINUED)

### DISCLOSURE ON CAPITAL ADEQUACY UNDER THE STANDARDISED APPROACH (CONTINUED)

2008

Item	Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Capital Requirements RM'000
1.0	<b>Credit Risk</b>						
	<i>On-Balance Sheet Exposures</i>						
	Sovereigns/Central Banks	2,210,916	2,210,916	-	-	-	-
	Public Sector Entities	-	-	-	-	-	-
	Banks, Development Financial Institutions & MDBs	95,517	95,517	19,103	-	19,103	1,528
	Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-
	Corporates	4,312,556	4,312,556	3,455,962	-	3,455,962	276,477
	Regulatory Retail	2,064,686	2,064,686	1,548,515	-	1,548,515	123,881
	Residential Mortgages	-	-	-	-	-	-
	Higher Risk Assets	-	-	-	-	-	-
	Other Assets	-	-	-	-	-	-
	Specialised	-	-	-	-	-	-
	Financing/Investment	-	-	-	-	-	-
	Equity Exposure	-	-	-	-	-	-
	Securitisation Exposures	-	-	-	-	-	-
	Other Assets	117,525	117,525	115,890	-	115,890	9,271
	Defaulted Exposures	233,288	233,288	328,899	-	328,899	26,312
	<b>Total for On-Balance Sheet Exposures</b>	<b>9,034,488</b>	<b>9,034,488</b>	<b>5,468,369</b>	<b>-</b>	<b>5,468,369</b>	<b>437,469</b>
	<i>Off-Balance Sheet Exposures</i>						
	OTC Derivatives	-	-	-	-	-	-
	Credit Derivatives	-	-	-	-	-	-
	Off balance sheet exposures other than OTC derivatives or credit derivatives	535,779	535,779	520,056	-	520,056	41,604
	Defaulted Exposures	-	-	-	-	-	-
	<b>Total for Off-Balance Sheet Exposures</b>	<b>535,779</b>	<b>535,779</b>	<b>520,056</b>	<b>-</b>	<b>520,056</b>	<b>41,604</b>
	<b>Total On and Off-Balance Sheet Exposures</b>	<b>9,570,267</b>	<b>9,570,267</b>	<b>5,988,425</b>	<b>-</b>	<b>5,988,425</b>	<b>479,073</b>
2.0	Large Exposures Risk Requirement	-	-	-	-	-	-
3.0	<b>Market Risk</b>	Long Position	Short Position				
	Interest Rate Risk	404,464	-	404,464	152,587	152,587	12,207
	Foreign Currency Risk	12,379	-	12,379	12,374	12,374	990
	Equity Risk	-	-	-	-	-	-
	Commodity Risk	-	-	-	-	-	-
	Inventory Risk	-	-	-	-	-	-
	<b>Total Market Risk</b>	<b>416,843</b>	<b>-</b>	<b>416,843</b>	<b>164,961</b>	<b>164,961</b>	<b>13,197</b>
4.0	<b>Operational Risk</b>			514,676	-	514,676	41,174
5.0	<b>Total RWA and Capital Requirements</b>			6,668,062	-	6,668,062	533,444

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 33 CAPITAL ADEQUACY (CONTINUED)

### DISCLOSURE ON CREDIT RISK: DISCLOSURES ON RISK WEIGHTS

2009

Risk Weighted	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securiti- sation	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	3,836,771	-	-	-	108,567	2,801	-	-	-	-	-	-	3,948,139	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	530,807	-	886,359	-	-	-	-	-	-	-	1,417,166	283,433
35%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	25,991	2,943	-	-	-	-	-	-	28,934	14,467
75%	-	-	-	-	-	2,658,060	-	-	-	-	-	-	2,658,060	1,993,545
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	3,385,931	24,394	-	-	129,410	-	-	-	3,539,735	3,539,734
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	128,690	153,904	-	97,797	-	-	-	-	380,391	570,587
Total exposures	3,836,771	-	530,807	-	4,535,538	2,842,102	-	97,797	129,410	-	-	-	11,972,425	
Risk weighted assets by exposure	-	-	106,161	-	3,769,234	2,250,265	-	146,696	129,410	-	-	-		6,401,766
Average Risk Weight	0.0%	-	20.0%	-	83.1%	79.2%	-	150.0%	100.0%	-	-	-		53.5%
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 33 CAPITAL ADEQUACY (CONTINUED)

### DISCLOSURE ON CREDIT RISK: DISCLOSURES ON RISK WEIGHTS (CONTINUED)

2008

Risk Weighted	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securiti- sation	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	2,210,916	-	-	-	-	-	-	-	-	-	-	-	2,210,916	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	95,517	-	1,142,303	-	-	-	2,043	-	-	-	1,239,863	247,972
35%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	12,289	2,156	-	-	-	-	-	-	14,445	7,223
75%	-	-	-	-	-	2,086,771	-	-	-	-	-	-	2,086,771	1,565,078
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	3,595,832	7,198	-	-	115,482	-	-	-	3,718,512	3,718,512
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	111,805	182,516	-	5,439	-	-	-	-	299,760	449,640
Total exposures	2,210,916	-	95,517	-	4,862,229	2,278,641	-	5,439	117,525	-	-	-	9,570,267	
Risk weighted assets by exposure	-	-	19,103	-	3,998,145	1,847,127	-	8,159	115,891	-	-	-		5,988,425
Average Risk Weight	0.0%	-	20.0%	-	82.2%	81.1%	-	150.0%	98.6%	-	-	-		62.6%
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 33 CAPITAL ADEQUACY (CONTINUED)

### DISCLOSURE ON OFF-BALANCE SHEET AND COUNTERPARTY CREDIT RISK

2009

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct Credit Substitutes				
Transaction related contingent items	184,507		92,254	47,412
Short Term Self Liquidating trade related contingencies	96,206		19,241	19,241
Assets sold with recourse	-		-	-
Forward Assets purchases	-		-	-
Obligations under an on-going underwriting agreement	29,000		14,500	14,500
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise Out of repo-style transactions. (i.e. repurchase / reverse repurchase and securities lending / borrowing transactions.	-		-	-
<b>Foreign exchange related contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Interest/Profit rate related contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Equity related contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Gold and Other Precious Metal Contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Other Commodity Contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Credit Derivative Contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC Derivative transactions and credit derivative contracts Subject to valid bilateral netting agreements				

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 33 CAPITAL ADEQUACY (CONTINUED)

### DISCLOSURE ON OFF-BALANCE SHEET AND COUNTERPARTY CREDIT RISK (CONTINUED)

2009 (Continued)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	384,933		192,466	188,595
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,045,983		409,197	411,982
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-		-	-
Unutilised credit card lines	-		-	-
Off-balance sheet items for securitisation exposures	-		-	-
<b>Total</b>	<b>2,740,629</b>	<b>-</b>	<b>727,658</b>	<b>681,730</b>

2008

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct Credit Substitutes				
Transaction related contingent items	149,200		74,600	64,399
Short Term Self Liquidating trade related contingencies	112,515		22,503	22,503
Assets sold with recourse	-		-	-
Forward Assets purchases	-		-	-
Obligations under an on-going underwriting agreement	70,000		35,000	35,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise Out of repo-style transactions. (i.e. repurchase / reverse repurchase and securities lending / borrowing transactions.	-		-	-
<b>Foreign exchange related contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Interest/Profit rate related contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 33 CAPITAL ADEQUACY (CONTINUED)

### DISCLOSURE ON OFF-BALANCE SHEET AND COUNTERPARTY CREDIT RISK (CONTINUED)

2008 (Continued)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
<b>Equity related contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Gold and Other Precious Metal Contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Other Commodity Contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
<b>Credit Derivative Contracts</b>				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC Derivative transactions and credit derivative contracts Subject to valid bilateral netting agreements				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	324,187		162,094	156,572
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,207,911		241,582	241,582
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-		-	-
Unutilised credit card lines	-		-	-
Off-balance sheet items for securitisation exposures	-		-	-
<b>Total</b>	<b>1,863,813</b>	<b>-</b>	<b>535,779</b>	<b>520,056</b>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 34 SEGMENT INFORMATION

Segment information is presented in respect of the Bank's business segment.

All inter-segment transactions are conducted on an arm's length basis and on normal commercial terms not more favourable than those generally available to the public.

Primary reporting format – by business segment

The Bank's business segment can be organised into the following main segments reflecting the Bank's internal reporting structure:

### **Corporate and Investment Banking**

Corporate and Investment Banking caters to financing and managing relationship of corporate customers including public listed corporations and its related entities, multinational corporations, financial institutions, government and state owned entities as well as high net worth individual related to the above. The division also generates fee-based income from private debt securities issuances (PDS), financings restructuring and syndication as well as general and project advisory services.

### **Commercial Banking**

Commercial Banking caters to funding or lending needs of small and medium enterprises. The products and services offered to customers include term financing, revolving financing and hire purchase financing.

### **Consumer and Automobile Banking**

Consumer and Automobile Banking focuses on providing products and services to individual customers. The products and services offered to customers include term financing (house and shop house financing), Islamic automobile financing business with concentration on the financing of high demand and popular passenger motor vehicles, deposit portfolios (savings and current account), remittance services and investment products (term deposit/investment accounts).

### **Treasury**

Treasury operation is involved in money market operation and securities trading on behalf of the Bank and also for the Banks' customers. The division also provides solutions to serve investment needs of the Bank and the Bank's customers.

### **Transaction Banking**

Transaction Banking establishes, retains and grows relationship with Federal and State Governments including their respective agencies and business corporations in order to retain sources of deposits and earn fee-based income. The division also provides cash management, collection and payment services to customers.

### **International Currency Business Unit (ICBU)**

ICBU conducts Islamic Banking business activities, which includes deposits, financing and related activities, in international currency.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 34 SEGMENT INFORMATION (CONTINUED)

2009	Corporate and Investment Banking RM'000	Commercial Banking RM'000	Consumer and Automobile Banking RM'000	Treasury RM'000	Transaction Banking RM'000	ICBU RM'000	Others* RM'000	Elimination RM'000	Total RM'000
External revenue	126,735	35,522	159,767	149,776	5,500	(76,587)	-	-	400,713
Inter-segment revenue/expense #	(29,313)	(4,157)	(33,611)	27,892	38,529	660	-	-	-
Total revenue	97,422	31,365	126,156	177,668	44,029	(75,927)	-	-	400,713
Depositors' payout	(5,111)	(6,649)	(13,783)	(117,308)	(15,163)	(7,099)	-	-	(165,113)
Net income	92,311	24,716	112,373	60,360	28,866	(83,026)	-	-	235,600
Operating overheads	(25,680)	(18,862)	(61,918)	(19,776)	(22,521)	(1,659)	-	-	(150,416)
Segmental results	66,631	5,854	50,455	40,584	6,345	(84,685)	-	-	85,184
Segmental results									85,184
Profit equalisation reserve									1,410
Profit before taxation									86,594
Taxation									(23,125)
Net profit for the financial year									63,469
Segment assets	1,993,925	809,549	2,846,139	6,728,801	1,449,300	341,513	-	(2,996,430)	11,172,797
Deferred tax assets									17,046
Tax recoverable									15,666
Unallocated assets									-
Total assets									11,205,509
Segment liabilities	1,948,847	776,806	2,618,629	6,149,010	1,449,300	359,559	-	(2,996,430)	10,305,721
Profit equalisation reserves									4,326
									10,310,047
Other segment items:									
Capital expenditure	789	1,183	3,787	1,105	1,026	-	-	-	7,890
Depreciation	616	924	2,956	862	800	-	-	-	6,158
Financing loss provision net of bad financing recovered	(24,393)	11,693	12,385	-	-	83,343	-	-	83,028
Net accretion of discount	-	-	-	9,262	-	-	-	-	9,262

# Basis of pricing for inter-segment transfers:

Inter-segmental charges are computed on the profit bearing assets and liabilities of each business segment with rates applied based on the profit yield curve according to the term structure of maturity.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## 34 SEGMENT INFORMATION (CONTINUED)

2008	Corporate Banking RM'000	Commercial Banking RM'000	Consumer Banking RM'000	Treasury & Money Market RM'000	Transaction Banking RM'000	ICBU RM'000	Others* RM'000	Elimination RM'000	Total RM'000
External revenue	116,029	21,962	108,518	132,242	6,077	8,133	26,772	-	419,733
Inter-segment revenue/expense #	(48,700)	(3,640)	(10,310)	7,895	67,410	573	(13,228)	-	-
Total revenue	67,329	18,322	98,208	140,137	73,487	8,706	13,544	-	419,733
Depositors' payout	(6,680)	(5,488)	(17,306)	(112,943)	(29,744)	(8,947)	(1,650)	-	(182,758)
Net income	60,649	12,834	80,902	27,194	43,743	(241)	11,894	-	236,975
Operating overheads	(12,035)	(13,523)	(37,508)	(13,585)	(20,162)	(936)	(26,968)	-	(124,717)
Segmental results	48,614	(689)	43,394	13,609	23,581	(1,177)	(15,074)	-	112,258
Segmental results									112,258
Profit equalisation reserve									2,163
Profit before taxation									114,421
Taxation									(28,535)
Net profit for the financial year									85,886
Segment assets	2,050,773	600,818	1,816,973	4,684,172	1,659,452	395,161	859,403	(2,726,405)	9,340,347
Deferred tax assets									19,960
Tax recoverable									9,273
Unallocated assets									-
Total assets									9,369,580
Segment liabilities	1,863,641	531,089	1,571,670	4,396,079	1,659,452	363,357	861,565	(2,726,405)	8,520,448
Profit equalisation reserves									5,736
Segment liabilities									8,526,184
Other segment items:									
Capital expenditure	2,119	3,178	10,169	2,967	2,754	-	-	-	21,187
Depreciation	187	280	897	262	243	-	-	-	1,869
Financing loss provision net of bad financing recovered	4,364	9,127	6,213	-	-	-	14,766	-	34,470
Net accretion of discount	-	-	-	20,141	-	-	-	-	20,141

# Basis of pricing for inter-segment transfers:  
Inter-segmental charges are computed on the profit bearing assets and liabilities of each business segment with rates applied based on the profit yield curve according to the term structure of maturity.

\* Others comprise of Investment Banking and Automobile

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

## **35 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year. Such reclassifications did not affect previously reported net income or equity.

## **36 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, Datuk Haji Faisal Siraj and Haji Ja'far Abdul Carrim, being two of the directors of RHB Islamic Bank Berhad, state that, in the opinion of the directors, the financial statements set out on pages 43 to 105 are drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2009 and of the results and cash flows of the Bank for the financial year ended on that date 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.

On behalf of the Board in accordance with a resolution of the Board of Directors.

**DATUK HAJI FAISAL SIRAJ**  
CHAIRMAN

**HAJI MD JA'FAR ABDUL CARRIM**  
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuala Lumpur  
1 March 2010

# Statutory Declaration

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

I, Mohd Hazran bin Abd Hadi, the officer primarily responsible for the financial management of RHB Islamic Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 43 to 105 are, in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

**MOHD HAZRAN BIN ABD HADI**

Subscribed and solemnly declared by the abovenamed Mohd Hazran bin Abd Hadi at Kuala Lumpur in Wilayah Persekutuan on 1 March 2010.

Before me:

COMMISSIONER FOR OATHS  
Kuala Lumpur

# Independent Auditors' Report

To the member of RHB Islamic Bank Berhad

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Islamic Bank Berhad, which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 105.

### 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 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 Bank'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 Bank'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 and the Companies Act 1965 so as to give a true and fair view of the financial position of the Bank as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

# Independent Auditors' Report

To the member of RHB Islamic Bank Berhad

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions 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

### MOHAMMAD FAIZ BIN MOHAMMAD AZMI

(No. 2025/03/10 (J))

Chartered Accountant

Kuala Lumpur

1 March 2010

# RHB Islamic Bank Branches

- 1) Main Branch**  
No. 19A-1-1 & 19A-1-2  
1st Floor, UOA Centre  
No. 19, Jalan Pinang  
50450, Kuala Lumpur  
Tel +6 03-2161 1599  
Fax +6 03-2161 0599
- 2) Regional Office East Malaysia**  
Lot 474 & 475, First Floor  
Section 6, KTLD  
192-E & 192-F, Jalan Satok  
93400 Kuching, Sarawak  
Tel +6 082-238 400  
Fax +6 082-413 619
- 3) Jalan Raja Laut, Kuala Lumpur**  
Lot G-04, Ground Floor  
Bangunan KWSP  
No. 5, Jalan Raja Laut  
50350 Kuala Lumpur  
Tel +6 03-2693 6300  
Fax +6 03-2693 7300
- 4) Automobile Business Centre  
Taman Indah, Cheras**  
2nd Floor, No. 7 & 9  
Jalan SS 2/1, Off Jalan Balakong  
Taman Indah, Batu 11  
43200 Cheras  
Selangor Darul Ehsan  
Tel +6 03-9075 5959  
Fax +6 03-9075 3872
- 5) Bandar Baru Bangi Branch**  
No. 39-G-1, Jalan Medan  
Pusat Bandar 4,  
43650 Bandar Baru Bangi  
Selangor Darul Ehsan  
Tel +6 03-8926 5433  
Fax +6 03-8926 3343
- 6) Pusat Bandar Kelana Jaya**  
No. A-G-03, Jalan SS 6/5 A  
Dataran Glomac  
Pusat Bandar Kelana Jaya  
47301 Kelana Jaya  
Selangor Darul Ehsan  
Tel +6 03-7803 4614  
Fax +6 03-7880 7520
- 7) Taman Bayu Tinggi, Klang**  
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Taman Bayu Tinggi  
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Selangor Darul Ehsan  
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Fax +6 03-3325 9522
- 8) Auto City, Prai**  
No 1808-B, Jalan Perusahaan  
Auto City, Persimpangan Juru  
Lebuhraya Utara-Selatan  
13600 Prai, Pulau Pinang  
Tel +6 04-508 0500  
Fax +6 04-501 6700
- 9) Taman Flora Utama, Batu Pahat**  
Ground Floor, No. 1 & 2  
Jalan Flora Utama 1  
Taman Flora Utama  
83000 Batu Pahat  
Johor Darul Takzim  
Tel +6 07-433 6777  
Fax +6 07-433 4848
- 10) Taman Setia Tropika,  
Johor Bahru**  
No. 1, Jalan Setia Tropika 1/30  
Taman Setia Tropika  
81200 Johor Bahru  
Johor Darul Takzim  
Tel +6 07-238 0078  
Fax +6 07-238 0012
- 11) Kuala Terengganu Branch**  
No. 20, Pusat Niaga Paya Keladi  
20000 Kuala Terengganu  
Terengganu Darul Iman  
Tel +6 09-6305 577  
Fax +6 09-6305 533
- 12) Kubang Kerian Branch**  
Lot 1679  
Jalan Raja Perempuan Zainab 2  
Bandar Baru Kubang Kerian  
16150 Kota Bharu  
Kelantan Darul Naim  
Tel +6 09-764 0222  
Fax +6 09-764 0700
- 13) Jalan Satok, Kuching**  
Ground Floor, Lot 474 & 475  
Section 6, KTLD  
192-E & 192-F, Jalan Satok  
93400 Kuching  
Sarawak  
Tel +6 082-258 800  
Fax +6 082-243 900
- 14) Jalan Karamuning,  
Kota Kinabalu**  
Lot BG-01, Ground Floor  
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