

Growing with the nation



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Financial Highlights

RHB BANK GROUP

	12 months Ended 31 Dec 2006	12 months Ended 31 Dec 2005	18 months Ended 31 Dec 2004	12 months Ended 30 June 2003	12 months Ended 30 June 2002
INCOME (RM MILLION)					
Operating Profit	1,548.97	1,203.10	1,446.95	1,027.71	1,010.72
Profit Before INCPS div, tax & zakat	845.56	624.06	730.36	424.61	260.83
BALANCE SHEET (RM MILLION)					
Total Assets	95,124	84,756	77,087	64,550	52,314
Gross Loans and Advances	55,366	50,312	46,292	44,806	38,747
Total Deposits	65,662	59,302	55,622	49,910	40,112
Paid-up Capital	1,950	1,950	1,950	1,950	1,950
INCPS and Shareholders' Equity	6,065	5,705	5,477	5,160	4,927

Financial Highlights (continued)

RHB BANK GROUP					
	12 months Ended 31 Dec 2006	12 months Ended 31 Dec 2005	18 months Ended 31 Dec 2004	12 months Ended 30 June 2003	12 months Ended 30 June 2002
Gross Dividend Rate (%)	8.60	11.50	10.13	1.22	3.80
Net Dividend (Paid) (RM Million)	120.26	161.46	142.22	17.13	53.35
Final gross dividend of 9.4% less tax amounting to RM133.81 million in respect of current financial year 2006 will be proposed for shareholders' approval at the forthcoming Annual General meeting.					
Net Preference Dividends (Paid) (RM'Million)	98.50	98.50	127.80	78.80	78.80
FINANCIAL RATIOS					
Net Tangible Assets Backing per 50 Sen Ordinary Share (sen)	94.68	85.46	79.60	70.44	87.45
Return on Average Shareholders' Equity (%)	16.54	12.44	10.19*	9.41	5.29
Earnings per 50 Sen Ordinary Share (Sen)	12.90	9.70	11.00	6.50	2.50

* Prorated to 12 months.

Financial Highlights (continued)

Operating profit (RM million)

'06	1,548.97
'05	1,203.10
'04	1,446.95
'03	1,027.71
'02	1,010.72

Profit before tax (RM million)

'06	845.56
'05	624.06
'04	730.36
'03	424.61
'02	260.83

Gross loans and advances (RM million)

'06	55,366
'05	50,312
'04	46,292
'03	44,806
'02	38,747

Total deposits (RM million)

'06	65,662
'05	59,302
'04	55,622
'03	49,910
'02	40,112

INCPS and Shareholders' Equity (RM million)

'06	6,065
'05	5,705
'04	5,477
'03	5,160
'02	4,927

Total assets (RM million)

'06	95,124
'05	84,756
'04	77,087
'03	64,550
'02	52,314

** The company changed its financial year end from 30 June to 31 December with effect from the financial period ended 31 December 2004 and accordingly, the results for that financial period are for eighteen months.

Corporate Information

as at 31 March 2007

BOARD OF DIRECTORS

YBhg Datuk Azlan Zainol

Chairman
Non-Independent Non-Executive
Director

YBhg Dato Abdullah Mat Noh

Deputy Chairman
Non-Independent Non-Executive
Director

Tuan Haji Khairuddin Ahmad

Non-Independent Non-Executive
Director

YBhg Dato' Vaseehar Hassan Abdul Razack

Non-Independent Non-Executive
Director

YBhg Dato' Mohd Salleh Hj Harun

Independent Non-Executive
Director

YBhg Dato' Othman Jusoh

Independent Non-Executive
Director

Encik Johari Abdul Muid

Non-Independent Non-Executive
Director

Encik Ismael Fariz Ali

Non-Independent Non-Executive
Director

YBhg Dato' Mohamed Khadar Merican

Independent Non-Executive
Director

Mr Ong Seng Pheow

Independent Non-Executive
Director

SECRETARIES

Encik Azman Shah Md
Yaman

Puan Norazzah Sulaiman

BOARD COMMITTEES AUDIT COMMITTEE

Mr Ong Seng Pheow
Chairman

YBhg Dato' Mohd Salleh
Hj Harun

Tuan Haji Khairuddin Ahmad

EXECUTIVE COMMITTEE

YBhg Datuk Azlan Zainol
Chairman

YBhg Dato Abdullah
Mat Noh

YBhg Dato' Vaseehar
Hassan Abdul Razack

Encik Ismael Fariz Ali

YBhg Dato' Mohamed
Khadar Merican

LOANS COMMITTEE

YBhg Dato Abdullah
Mat Noh
Chairman

Encik Ismael Fariz Ali

Encik Johari Abdul Muid

YBhg Dato' Mohamed
Khadar Merican

YBhg Dato' Othman Jusoh

Corporate Information

as at 31 March 2007 (continued)

REMUNERATION AND HUMAN RESOURCE COMMITTEE

YBhg Dato' Othman Jusoh
Chairman

Encik Ismael Fariz Ali

Mr Ong Seng Pheow

RISK MANAGEMENT COMMITTEE

YBhg Dato' Mohd Salleh
Hj Harun
Chairman

Tuan Haji Khairuddin Ahmad

Mr Ong Seng Pheow

NOMINATING COMMITTEE

YBhg Dato' Othman Jusoh
Chairman

YBhg Dato' Mohd Salleh
Hj Harun

YBhg Dato Abdullah
Mat Noh

Tuan Haji Khairuddin Ahmad

Mr Ong Seng Pheow

MANAGEMENT

Mr Michael J Barrett
Chief Executive Officer

Mr Thomas TC Chen
Chief Operating Officer

BUSINESS DIVISION HEADS

Mr Michael Lim Kheng
Boon
Treasury

YBhg Datuk Haji Abd Halim
Haji Abd Hamid
RHB Delta

Encik Emran Ismail
Corporate Banking

Mr Philip Lu Nam Ann
Commercial Banking/ SMLs

Mr Michael Lor Chee Leng
Consumer Banking

DIVISION HEADS

YBhg Dato' Ahmad Dato'
Hj Ibrahim
Strategic Planning

YM Tengku Mohamad
Rizam Aziz
Technology Banking

Mr Rupert Koh Hock Joo
Finance

Encik Drahrman Jaladin
Human Resource

Ms Wong Yih Yin
Group Internal Audit

Mr Rajaretnam Soloman
Daniel
Credit Management

Encik Abdul Razak
Mohd Ismail
Information Technology

Cik Rozita Abd Hafiz
Operations & Services

Mr Ee Yew Chai
Loan Recovery

Mr Justin Soong Jia Seng
Risk Management
* As at 1 April 2007

Mr V. Maslamani
Compliance

Encik Azman Shah
Md Yaman
Secretariat

Corporate Information

as at 31 March 2007 (continued)

MANAGEMENT OF SUBSIDIARIES

RHB ISLAMIC BANK
BERHAD

Encik Zulkefly Abdullah
Chief Operating Officer

RHB BANK (L) LTD
Ms Toh Ay Leng
General Manager

RHB CAPITAL NOMINEES
(TEMPATAN) SDN BHD and
RHB CAPITAL NOMINEES
(ASING) SDN BHD
Cik Zurina Mohd Nordin
Senior Manager

OVERSEAS LOCATIONS

SINGAPORE

Mr Lim Hun Joo
Country Head, Singapore

BRUNEI, BANDAR SERI
BEGAWAN

Encik Apandi Klompot
Branch Manager, Brunei

THAILAND, BANGKOK

Mr Leh Thiam Guan
Country Head, Bangkok

JAPANESE BUSINESS GROUP ADVISER

Mr Akira Miyama
Executive Director for Japanese
Business

REGISTERED OFFICE

Level 10, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603-92878888
Fax : 603-92806507

BUSINESS ADDRESS

Head Office
Towers Two & Three
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Or

P.O. Box No. 10145
50907 Kuala Lumpur
Tel : 603-92878888
Fax : 603-92879000
(General)

Telex : MA32813 RHBANK
MA31032 RHBANK
MA30437 RHBANK

Swift : RHBBMYKL

Call Centre :

603-92068118

Direct Service Internet :
603-92068228

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
11th Floor
Wisma Sime Darby
Jalan Raja Laut
50350 Kuala Lumpur

Profile of the Board of Directors

YBHG DATUK AZLAN ZAINOL

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

YBhg Datuk Azlan Zainol (YBhg Datuk Azlan) is currently the Chief Executive Officer of the Employees Provident Fund, Malaysia (EPF). He has more than 26 years of experience in the banking and finance sector, having been appointed as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.

YBhg Datuk Azlan is a Fellow of the Institute of Chartered Accountants of England & Wales, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants. He also serves as a member of the Malaysia International Islamic Financial Centre (MIFC) Executive Committee and a member of the Putrajaya Committee on GLC High Performance (PCG).

YBhg Datuk Azlan's other directorships in public companies include Malaysian Resources Corporation Berhad (Chairman), Rashid Hussain Berhad, RHB Capital Berhad, RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad), Jardine Cycle & Carriage Limited, MCL Land Limited, ASIA Limited and Commonwealth Africa Investments Limited.

YBhg Datuk Azlan was appointed as a Director and formalised as Chairman of RHB Bank on 27 July 2005 and 29 July 2005, respectively, representing RHB Capital Berhad, the holding company of RHB Bank. He also serves as the Chairman of the Executive Committee.

Profile of the Board of Directors (continued)

YBHG DATO ABDULLAH MAT NOH

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

YBhg Dato Abdullah Mat Noh (YBhg Dato Abdullah) was formerly the President/Chief Executive Officer of Bank Utama (Malaysia) Berhad (Bank Utama). 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. YBhg Dato Abdullah is a Member of the Chartered Institute of Bankers and Chartered Institute of Secretaries.

YBhg Dato Abdullah's other directorships in public companies include RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad) (Chairman), RHB Islamic Bank Berhad and RHB Bank (L) Ltd (Chairman).

YBhg Dato Abdullah was appointed as the Deputy Chairman of RHB Bank on 7 May 2003, representing RHB Capital Berhad, the holding company of RHB Bank. YBhg Dato Abdullah also serves as the Chairman of the Loans Committee, as well as a Member of the Executive Committee and Nominating Committee.

Profile of the Board of Directors (continued)

TUAN HAJI KHAIRUDDIN AHMAD

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

Tuan Haji Khairuddin Ahmad (Tuan Haji Khairuddin) began his career in the banking industry and was previously with Citibank N.A., Southern Bank Berhad, Bank of Commerce Berhad and Arab Malaysian Finance Berhad. He attended the Advance Management Course at Columbia Business School in New York, USA.

Tuan Haji Khairuddin's other directorships in public companies include RHB Unit Trust Management Berhad and RHB Insurance Berhad.

Tuan Haji Khairuddin was appointed as a Director of RHB Bank on 6 September 2001, representing Danamodal Nasional Berhad. He also serves as a Member of the Risk Management Committee, Audit Committee and Nominating Committee.

Profile of the Board of Directors (continued)

YBHG DATO' VASEEHAR HASSAN ABDUL RAZACK

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

YBhg Dato' Vaseehar Hassan Abdul Razack (YBhg Dato' Vaseehar Hassan) who has a Bachelors Degree in Accounting, Masters in Business Administration as well as Specialised Masters in Consulting and Coaching is currently pursuing a Doctoral Research at the Vrije Universiteit, Amsterdam. He has more than 26 years of experience in the financial sector.

In addition to being the Chief Executive and Director of the Malaysian subsidiary of Dallah AlBaraka Group of Saudi Arabia, YBhg Dato' Vaseehar Hassan is also a Director of Rashid Hussain Berhad, RHB Capital Berhad, RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad), RHB Insurance Berhad, RHB Islamic Bank Berhad (Chairman), Utama Banking Group Berhad, CMS Trust Management Berhad and Ingress Corporation Berhad. He is also a member of the International Advisory Panel of the World Islamic Economic Forum.

YBhg Dato' Vaseehar Hassan was appointed as a Director of RHB Bank on 7 May 2003, representing RHB Capital Berhad, the holding company of RHB Bank. He also serves as a Member of the Executive Committee.

Profile of the Board of Directors (continued)

YBHG DATO' MOHD SALLEH HJ HARUN

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

YBhg Dato' Mohd Salleh Hj Harun (YBhg Dato' Mohd Salleh) has 32 years of experience in banking and financial sector, having held various senior positions in Aseambankers Malaysia Berhad and Malayan Banking Berhad. He was the Executive Director of Malayan Banking Berhad from 1994 to 2000 prior to joining Bank Negara Malaysia, whereat he served as Deputy Governor from 2000 to 2004. He is a Fellow of the Institute of Bankers and also a Member of the Malaysian Institute of Certified Public Accountants.

YBhg Dato' Mohd Salleh's other directorships in public companies include RHB Capital Berhad, RHB Insurance Berhad (Chairman), RHB Islamic Bank Berhad, Titan Chemical Corp Berhad and Scicom MSC Berhad.

YBhg Dato' Mohd Salleh was appointed as a Director of RHB Bank on 20 August 2004. He also serves as the Chairman of the Risk Management Committee as well as a member of Audit Committee and Nominating Committee.

Profile of the Board of Directors (continued)

YBHG DATO' OTHMAN JUSOH

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

YBhg Dato' Othman Jusoh (YBhg Dato' Othman) has held various senior positions in the Ministry of Finance until his retirement in June 2004. He has also served as the Group Chief Executive of Malaysian Kuwaiti Investment Co. Sdn Bhd from 1995 to 1998 and as the Executive Director of Asian Development Bank from August 2000 to July 2003. He was also the Chief Executive Officer of Perbadanan Tabung Pendidikan Tinggi Nasional from August 2004 to August 2006. He is currently the Chairman of TH Technologies Sdn Bhd since 1 June 2005. He holds a Bachelor of Economics (Honours) in Analytical Economics from the University of Malaya and a Masters in Business Administration from the University of Oregon, USA.

YBhg Dato' Othman's other directorships in public companies include RHB Islamic Bank Berhad, Bank Pembangunan Malaysia Berhad and BI Credit & Leasing Berhad.

YBhg Dato' Othman was appointed as a Director of RHB Bank on 23 August 2004, representing Khazanah Nasional Berhad (Khazanah). YBhg Dato' Othman has ceased to be the representative of Khazanah since 30 June 2006 and accordingly he was re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 21 July 2006. He also serves as the Chairman of the Remuneration and Human Resource Committee and Nominating Committee as well as a Member of Loans Committee.

Profile of the Board of Directors (continued)

ENCIK JOHARI ABDUL MUID

(49 years of age - Malaysian) Non-Independent Non-Executive Director

Encik Johari Abdul Muid (Encik Johari) has more than 22 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 (EPF) in August 2004, he was the Chief Investment Officer of ValueCap Sdn Bhd which he joined in February 2003. He is currently the Chief Investment Officer (Equity) of EPF. 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, RHB Capital Berhad and RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad).

Encik Johari was appointed as a Director of RHB Bank on 1 April 2005, representing RHB Capital Berhad, the holding company of RHB Bank. He also serves as a member of the Loans Committee.

Profile of the Board of Directors (continued)

ENCIK ISMAEL FARIZ ALI

(44 years of age - Malaysian) Non-Independent Non-Executive Director

Encik Ismael Fariz Ali (Encik Fariz) is currently the Managing Director of FirstFloor Capital Sdn Bhd, a technology venture capital firm registered with the Securities Commission. Since 2000, Encik Fariz has been involved in the management of several venture and private equity funds ranging from angel and early-stage technology funds to mezzanine stage funds. Prior to joining FirstFloor Capital Sdn Bhd, Encik Fariz was attached to Arab-Malaysian Merchant Bank (AMMB). He has 6 years experience in venture capital and 16 years experience in merchant banking ranging from corporate finance, privatization, mergers and acquisitions, investment advisory and valuations, project finance, restructuring, corporatisations and overseas investments. His last held position in AMMB was General Manager, Project Advisory.

Encik Fariz's other directorships in public companies include Celcom (M) Berhad, Technology Resources Industries Berhad and Pharmaniaga Berhad.

Encik Fariz was appointed as a Director of RHB Bank on 10 August 2005, representing Khazanah Nasional Berhad. He also serves as a member of the Executive Committee, Loans Committee and Remuneration and Human Resource Committee.

Profile of the Board of Directors (continued)

YBHG DATO' MOHAMED KHADAR MERICAN

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

YBhg Dato' Mohamed Khadar Merican (YBhg Dato' Khadar) has had over 20 years of experience in financial and general management. He served as an auditor and a consultant in an international accounting firm, before joining a financial services group in 1986. YBhg Dato' Khadar has held various senior managerial positions in Pemas International Holdings Berhad, a company listed on the Main Board of Bursa Malaysia Securities Berhad between 1988 and April 2003, including those of President and Chief Operating Officer. He currently manages his own financial consultancy practice.

YBhg Dato' Khadar is a Member of the Institute of Chartered Accountants in England and Wales and is also a Member of the Malaysian Institute of Accountants. He was a past President of Malaysian Association of Hotel Owners.

His other directorships in public companies include Rashid Hussain Berhad, RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad), RHB Insurance Berhad, RHB Unit Trust Management Berhad and Astro All Asia Networks Plc.

YBhg Dato' Khadar was appointed as a Director of RHB Bank on 9 January 2006. He also serves as a member of the Executive Committee and Loans Committee.

Profile of the Board of Directors (continued)

MR ONG SENG PHEOW

(58 years of age - Malaysian) Independent Non-Executive Director

Mr Ong Seng Pheow (Mr Ong) has over 34 years of audit and accounting experience. He is a Member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants. He was a partner of Ernst & Young from 1984 to 2003. His last held position in Ernst & Young was the National Director of Assurance and Advisory Business Services. He has served on committees and working groups of MICPA.

Mr Ong's other directorships in public companies include Daiman Development Berhad, LCTH Corporation Berhad, George Kent Malaysia Berhad, Litespeed Education Technologies Berhad and HELP International Corporation Berhad.

Mr Ong was appointed as a Director of RHB Bank on 20 November 2006. He also serves as the Chairman of Audit Committee as well as a member of the Risk Management Committee, Remuneration and Human Resource Committee and Nominating Committee.

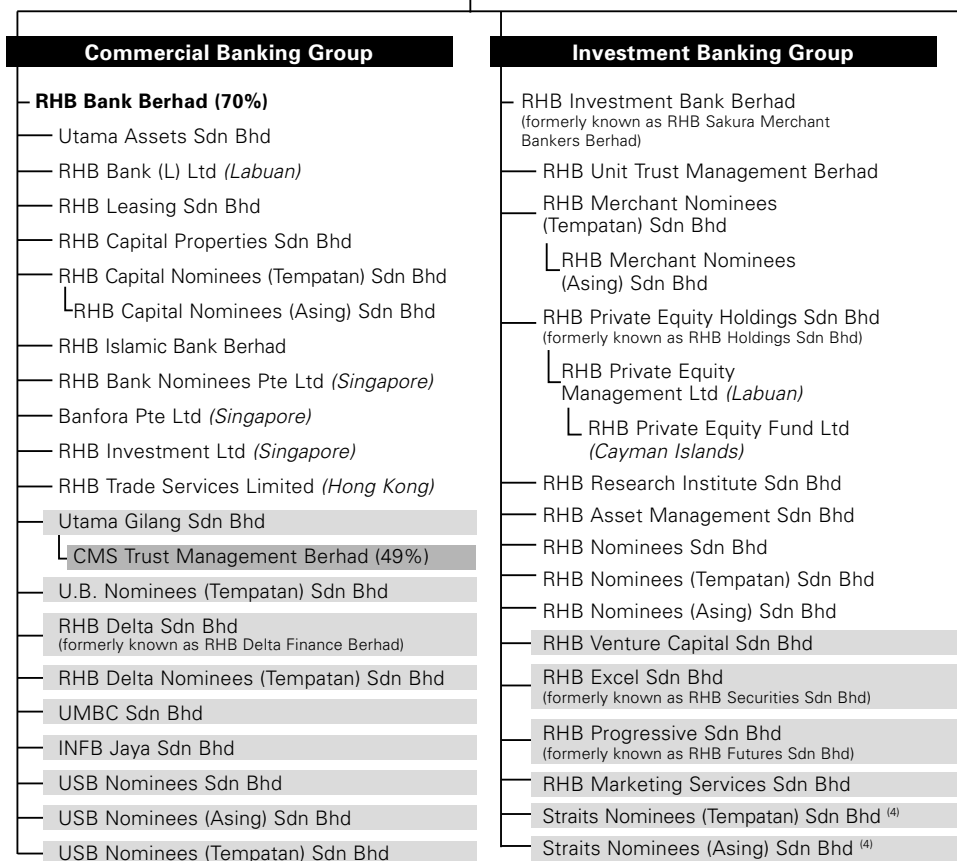
RHB Banking Group Corporate Structure

as at 31 March 2007



RASHID HUSSAIN BERHAD

RHB Capital Berhad (64.49%)



Others

- RHB Insurance Berhad (79.5%)
- RHB International Trust (L) Ltd (*Labuan*)
 - └ RHB Corporate Services Sdn Bhd
- RHB Equities Sdn Bhd ⁽¹⁾
 - └ KYB Sdn Bhd
- RHB Capital (Jersey) Limited (*Jersey, Channel Islands*)
 - └ Rashid Hussain Securities (Philippines) Inc (*Philippines*) ⁽²⁾
 - └ PT Rashid Hussain Securities (*Indonesia*) (85%) ⁽³⁾
- RHB Asia Pte Ltd (*Singapore*) ⁽⁵⁾
- Straits Asset Holdings Sdn Bhd
 - └ SSSB Services (Melaka) Sdn Bhd
 - └ SFSB Services (Melaka) Sdn Bhd
- RHB Hartanah Sdn Bhd
 - └ Positive Properties Sdn Bhd (50%)
- RHB Dynamic Technologies Sdn Bhd
- RHB Bena Sdn Bhd
- KYB Trust Management Sdn Bhd
- Kwong Yik Nominees (Asing) Sdn Bhd
- Kwong Yik Nominees (Tempatan) Sdn Bhd
- RHBF Sdn Bhd
 - └ KYF Sdn Bhd

- RHB Property Management Sdn Bhd
- Vision City (Malaysia) Sdn Bhd (*formerly known as RHB-DAEWOO Sdn Bhd*)
 - └ Bandar Wawasan Management Sdn Bhd
- RHB Kawal Sdn Bhd
- RHB Management Company Sdn Bhd
- RHB Modal-Ekuiti Sdn Bhd
- RHB Health Care Sdn Bhd
- RHB Noble 1 (L) Ltd (*Labuan*)

Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Country of Incorporation is in Malaysia unless otherwise indicated in italics

☐ Dormant company

■ Associate company

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

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

⁽³⁾ The company has ceased operations on 31 July 2001 and commenced proceedings for members' voluntary dissolution.

⁽⁴⁾ The company has commenced members' voluntary winding-up on 30 March 2006.

⁽⁵⁾ The company has commenced members' voluntary winding-up on 29 November 2006.

Corporate Governance Statement

INTRODUCTION

The Board of Directors ('Board') of RHB Bank Berhad ('RHB Bank' or 'the Bank') is pleased to report on the application by the Bank and its subsidiary companies ('Group') of the principles contained in the Malaysian Code on Corporate Governance ('Code') and the extent of compliance with the best practices of the Code. Although the Bank is not a listed company, the Board has endeavoured to apply the principles and comply with the relevant best practices of corporate governance as set out in the Code. The Bank is also required to comply with Bank Negara Malaysia's (BNM) Guidelines On Corporate Governance For Licensed Institutions (Revised BNM/GP1).

BOARD OF DIRECTORS

Board's Responsibilities

The Board subscribes to the principles of good corporate governance and as such, will always ensure that the Bank and its Group achieve best practice in the conduct of the Bank's and the Group's business and operational activities. An indication of the Board's commitment is reflected in the conduct of regular Board meetings by the Bank and the incorporation of various processes and systems to achieve a risk awareness culture as well as the establishment of relevant Board Committees and Management Committees at the Bank and its operating subsidiaries.

Composition of the Board

The Board currently has ten (10) members, comprising a Non-Independent Non-Executive Chairman, a Non-Independent Non-Executive Deputy Chairman, four (4) Independent Non-Executive Directors and four (4) Non-Independent Non-Executive Directors, as follows:

Corporate Governance Statement (continued)

Name of Director	Designation
YBhg Datuk Azlan Zainol	Non-Independent Non-Executive Chairman
YBhg Dato Abdullah Mat Noh	Non-Independent Non-Executive Deputy Chairman
Tuan Haji Khairuddin Ahmad	Non-Independent Non-Executive Director
YBhg Dato' Vaseehar Hassan Abdul Razack	Non-Independent Non-Executive Director
YBhg Dato' Mohd Salleh Hj Harun	Independent Non-Executive Director
YBhg Dato' Othman Jusoh	Independent Non-Executive Director
Encik Johari Abdul Muid	Non-Independent Non-Executive Director
Encik Ismael Fariz Ali	Non-Independent Non-Executive Director
YBhg Dato' Mohamed Khadar Merican	Independent Non-Executive Director
Mr Ong Seng Pheow (appointed on 20 November 2006)	Independent Non-Executive Director

The Board composition is in compliance with the Revised BNM/GP1, which requires licensed institutions to ensure that at least one-third of their board members are independent directors.

Prof Balachandran A. Shanmugam ceased to be an Independent Non-Executive Director on 3 March 2007.

The Board had in 2005, conducted a pilot run of the Board Effectiveness Evaluation, to assess the effectiveness of the Board and Board Committees as a whole as well as the individual directors. The Board Effectiveness Evaluation for assessment year 2006 will be conducted accordingly.

The Directors bring together to the Board a wide range of business management skills, as well as banking and financial experience required for the management of one of the largest banks in the country. All Board members participate fully in the deliberation and decision making process on the key issues involving the Group.

Corporate Governance Statement (continued)

There are clear division of responsibilities between the Board and the Chief Executive Officer (CEO) to ensure the balance of power and authority. The CEO's primary responsibilities are to manage the Bank's day-to-day operations and together with the Non-Executive Directors ensure that the strategies are fully discussed and examined, and taking into account the long term interests of the various stakeholders including shareholders, employees, customers, suppliers and the various communities in which the Bank and the Group conducts its business. In addition to the role and guidance of the Independent Non-Executive Directors, each Director nevertheless brings an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

All decisions of the Board are based on the decision of the majority and no single Board member can make any decisions on behalf of the Board, unless duly authorised by the Board of Directors. As such, no individual or a group of individuals dominates the decision making process. This enables the Board to effectively discharge its principal responsibilities as set out in the Code.

The profile of each Director is presented on page 8 to page 17 of the Annual Report.

Board Meetings and Supply of Information to the Board

The Board meets on a scheduled basis at least once a month with additional meetings held when urgent issues and important decisions are required to be taken between the scheduled meetings.

The Board convened fifteen (15) meetings for the financial year ended 31 December 2006. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings are set out below:

Corporate Governance Statement (continued)

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
YBhg Datuk Azlan Zainol	14/15	93
YBhg Dato Abdullah Mat Noh	15/15	100
Tuan Haji Khairuddin Ahmad	15/15	100
YBhg Dato' Vaseehar Hassan Abdul Razack	12/15	80
YBhg Dato' Mohd Salleh Hj Harun	15/15	100
YBhg Dato' Othman Jusoh	13/15	87
Prof Balachandran A. Shanmugam ⁽¹⁾	14/15	93
Encik Johari Abdul Muid	12/15	80
Encik Ismael Fariz Ali	13/15	87
YBhg Dato' Mohamed Khadar Merican	13/15	87
Mr Ong Seng Pheow ^{(2)*}	2/2	100

Notes:-

(1) Ceased to be a Director on 3 March 2007

(2) Appointed on 20 November 2006

* Based on the number of meetings held since he was appointed to the Board

Pursuant to the revised BNM/GP1, individual directors must attend 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.

Scheduled Board meetings are structured with a pre-set agenda. The Board's principal focus amongst others is the overall strategic direction, financial and corporate developments of the Bank. Key matters such as the Bank's business and marketing strategy and budget, annual interim results, material contracts, major capital expenditure, credit policies and guidelines are reserved for the Board's decision.

Corporate Governance Statement (continued)

The Directors are kept abreast of the Bank's performance via the various monthly reports tabled at the Board meetings and Board committee meetings. The reports include the financial reports, major capital expenditure reports, risk reports, IT reports, compliance reports, audit reports and report on major litigation cases. Minutes of meetings of the various committees of the Bank are tabled to the Board for notation. Agenda and Board papers are circulated prior to the Board meetings to give Directors appropriate time to consider and deliberate on the issues to be raised at the Board meetings.

The Directors have full access to the senior management of the Group and the advice and services of the Company Secretaries. In addition, the Directors may also seek independent professional advice, at the Bank's expense, if required. Directors may also consult with the Chairman and other Board members prior to seeking any independent professional advice.

Directors' Training

RHB Bank is in compliance with the Revised BNM/GP1, which requires a licensed institution to develop in-house orientation and education programs for its newly appointed directors to familiarise them with the industry and company. In addition, the members of the Board keep abreast with the relevant developments in banking and finance industry via various conferences, seminars and training programs organised by the Group and other organizers. The topics presented at these programs are wide-ranging and provide the Directors with current updates on various business, management, compliance and legal issues.

Appointment to the Board and Re-election of Directors

The proposed appointment of new Board members, as well as re-appointment of the Board members are recommended by the Nominating Committee to the Board for their approval. The appointments are further subject to BNM's approval.

In accordance with the Bank's Articles of Association, one-third (1/3) of the Directors shall retire from office but shall be eligible for re-election at each Annual General Meeting. Directors who are appointed by the Board during the financial period are subject to re-election by the shareholders at the next Annual General Meeting following their appointments.

Corporate Governance Statement (continued)

Directors' Remuneration

There is a formal and transparent procedure for fixing the Directors' remuneration packages. The level of remuneration are sufficient to attract and retain Directors of calibre. As all Board Members are Non-Executive Directors, their level of remuneration reflects the level of responsibilities undertaken by the particular Non-Executive Director concerned in the Bank and in the Group.

All Non-Executive Directors' fees are subject to the shareholders' approval at the Bank's Annual General Meeting before payment is made.

BOARD COMMITTEES

Audit Committee

The Board has established an Audit Committee since 13 December 1984. The Committee presently comprises two (2) Independent Non-Executive Directors of whom one (1) is the Chairman and one (1) Non-Independent Non-Executive Director, as follows:

- (1) Mr Ong Seng Pheow (Chairman) (appointed on 28 February 2007)
- (2) YBhg Dato' Mohd Salleh Hj Harun
- (3) Tuan Haji Khairuddin Ahmad

Previous Member

- (1) Prof Balachandran A. Shanmugam (ceased on 3 March 2007)

The Audit Committee meets regularly to review the Bank's and the Group's financial reporting, the nature, scope and results of audit reviews, and the effectiveness of the system of internal controls and compliance. The Head of 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 Audit Committee meets with the external auditors without the presence of the management at least once a year. The terms of reference of the Audit Committee are set out in page 48 to page 52 of this Annual Report.

Corporate Governance Statement (continued)

Nominating Committee

The Board has established the Nominating Committee since 5 September 2002. The Committee currently comprises three (3) Independent Non-Executive Directors of whom one is the Chairman and two (2) Non-Independent Non-Executive Directors, as follows:

- (1) YBhg Dato' Othman Jusoh (Chairman) (appointed on 29 August 2006)
- (2) YBhg Dato' Mohd Salleh Hj Harun
- (3) YBhg Dato Abdullah Mat Noh
- (4) Tuan Haji Khairuddin Ahmad
- (5) Mr Ong Seng Pheow (appointed on 25 January 2007)

Previous Member

- (1) Prof Balachandran A. Shanmugam (ceased on 3 March 2007)

It meets at least once a year and is responsible for assessing the effectiveness of individual Directors, Board and Board Committees as a whole and performance of CEO and key senior management officers, and identifying, nominating and orientating new Directors to enhance corporate governance.

The Terms of Reference of the Nominating Committee are set out in page 30 to page 33 of this Annual Report.

Remuneration and Human Resource Committee

The Board has established the Remuneration and Human Resource Committee since 4 May 2000. The Committee currently comprises two (2) Independent Non-Executive Directors of whom one is the Chairman and one (1) Non-Independent Non-Executive Director, as follows:

- (1) YBhg Dato Othman Jusoh (Chairman) (appointed on 29 August 2006)
- (2) Encik Ismael Fariz Ali
- (3) Mr Ong Seng Pheow (appointed on 25 January 2007)

Corporate Governance Statement (continued)

Previous Members

- (1) YBhg Dato' Mohd Salleh Hj Harun (resigned on 29 August 2006)
- (2) YBhg Dato' Vaseehar Hassan Abdul Razack (resigned on 25 January 2007)

The Committee is responsible to evaluate the performance and remuneration of the directors, CEO and key senior management officers and to recommend on the policies and framework in relation to rewards and benefits.

The Terms of Reference of the Remuneration and Human Resource Committee are set out in page 33 to page 36 of this Annual Report.

Risk Management Committee

The Board has established the Risk Management Committee since 30 January 2001. Currently, the Committee comprises two (2) Independent Non-Executive Directors of whom one (1) is the Chairman and one (1) Non-Independent Non-Executive Director, as follows:

- (1) YBhg Dato' Mohd Salleh Hj Harun (Chairman)
- (2) Tuan Haji Khairuddin Ahmad
- (3) Mr Ong Seng Pheow (appointed on 28 February 2007)

Previous Members

- (1) YBhg Dato' Othman Jusoh (resigned on 28 February 2007)
- (2) Prof Balachandran A. Shanmugam (ceased on 3 March 2007)

The Committee meets monthly with the objective of assisting the Board in carrying out its responsibilities in relation to managing the Bank's range of inter-related risks in an integrated manner.

The Terms of Reference of the Risk Management Committee are set out in page 36 to page 37 of this Annual Report.

Corporate Governance Statement (continued)

Executive Committee

The Board has established an Executive Committee since 2 August 1984. The Committee currently comprises the Chairman and Deputy Chairman of the Bank, one (1) Independent Non-Executive Director and two (2) Non-Independent Non-Executive Directors, as follows:-

- (1) YBhg Datuk Azlan Zainol (Chairman)
- (2) YBhg Dato Abdullah Mat Noh
- (3) YBhg Dato' Vaseehar Hassan Abdul Razack
- (4) Encik Ismael Fariz Ali
- (5) YBhg Dato' Mohamed Khadar Merican

It meets monthly and has full authority as delegated by the Board to approve all operational plans and activities of the Bank within the budgets and targets as approved by the Board.

The Terms of Reference of the Executive Committee are set out in page 38 to page 39 of this Annual Report.

Loans Committee

The Board has established the Loans Committee since 4 July 2001. It meets fortnightly and has full authority to affirm, impose additional covenants or veto credits approved by the Credit Committee to ensure adherence to the Bank's credit policies and procedures. Currently, the Committee comprises the Deputy Chairman of the Bank, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors, as follows:

- (1) YBhg Dato Abdullah Mat Noh (Chairman)
- (2) Encik Johari Abdul Muid
- (3) Encik Ismael Fariz Ali
- (4) YBhg Dato' Mohamed Khadar Merican
- (5) YBhg Dato' Othman Jusoh (appointed on 28 February 2007)

Corporate Governance Statement (continued)

Previous Members

- (1) YBhg Dato' Vaseehar Hassan Abdul Razack (resigned on 25 January 2007)
- (2) Mr Ong Seng Pheow (appointed on 25 January 2007 and resigned on 28 February 2007)

The Terms of Reference of the Loans Committee are set out in page 39 to page 41 of this Annual Report.

RELATIONSHIP WITH SHAREHOLDERS

The Board acknowledges the importance for the stakeholders, particularly shareholders to be informed of all material business and corporate matters affecting the Bank and the Group.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual audited financial statements and quarterly announcements of results to stakeholders, the Directors take responsibility to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists by scrutinising the information to be disclosed, to ensure accuracy and adequacy. A statement by Directors of their responsibilities in preparing the financial statements is set out on page 56 of this Annual Report.

Internal Control

The Statement of Internal Control set out on page 42 to page 45 of this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with the Auditors

The Board maintains a formal and transparent professional relationship with the auditors, through the Audit Committee. The activities and role of the Audit Committee in relation to the internal and external auditors is described in the Audit Committee Report set out on page 46 to page 52 of this Annual Report.

Terms of Reference of Board Committees

NOMINATING COMMITTEE

Objectives

1. To provide a formal and transparent procedure for the appointment of directors, board committee members and chief executive officer and key senior management officers as well as assessment of effectiveness of individual directors, board and board committees as a whole and performance of chief executive officer and key senior management officers of RHB Bank and RHB Bank Group.
2. To assist the Board in ensuring that appointments are made on merit against an agreed specification.
3. 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.
4. To examine the size of the Board with a view of determining the impact of the number upon its effectiveness.

Roles And Responsibilities

The Nominating Committee is responsible for:-

- Establishing minimum requirements for the board i.e. required mix of skills, experience, qualification and other core competencies required of a director. The committee is also responsible for establishing minimum requirements for the chief executive officer and key senior management officers. The requirements and criteria should be approved by the full board;
- Recommending and assessing the nominees for directorship, board committee members as well as nominees for the chief executive officer and key senior management officers. This includes assessing directors for reappointment, before an application for approval is submitted to Bank Negara Malaysia. The actual decision as to who shall be nominated should be the responsibility of the full board;

Terms of Reference of Board Committees (continued)

- Overseeing the overall composition of the board/board committees, in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors through annual review;
- Recommending to the board the removal of a director/board committee member/chief executive officer and key senior management officers from the board/board committees/management if the director/board committee member/chief executive officer/key senior management officer is ineffective, errant and negligent in discharging his responsibilities;
- Establishing a mechanism for the formal assessment on the effectiveness of the board as a whole and the contribution of each director to the effectiveness of the board, the contribution of the board's various committees and the performance of the chief executive officer and other key senior management officers. Annual assessment should be conducted based on an objective performance criterion. Such performance criteria should be approved by the full board;
- Ensuring that all directors receive an appropriate continuous training program in order to keep abreast with the latest developments in the industry;
- Overseeing the appointment, management succession planning and performance evaluation of key senior management officers;
- Assessing, on an annual basis, that the directors and key senior management officers are not disqualified under section 56 of the Banking and Financial Institutions Act 1989 (BAFIA); and
- Assessing the independence of the independent directors of RHB Bank on an annual basis.

Terms of Reference of Board Committees (continued)

Authority

1. The Committee is authorised by the Board to act within its terms of reference, to obtain the resources which it requires including but not limited to obtaining advice from expert advisers, both internal and external, and to have full and unrestricted access to information to enable the Committee to fulfill its objectives.
2. Each and every member of the Committee shall be vested with such power and authority, specific or general, as may from time to time be decided upon by the Board.
3. The actual decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations of the Committee.

Meetings

1. Meetings shall be held at least once a year with a quorum of three (3) members and at least one (1) member present shall be an independent non-executive director. Additional meetings may be called at the discretion of the Chairman of the Committee.
2. The Committee may invite any other director or members of management and employees of the Company to be in attendance during meetings to assist in its deliberations.
3. Meetings of the Committee shall be governed by the provisions of the Company's Articles of Association relating to Board meetings except in so far as the same are amended in these terms of reference.
4. The Company Secretary shall be the Secretary of the Committee.
5. Minutes of each Committee meeting shall be kept and distributed to all Committee members. The minutes of the Committee meeting shall be presented at the Board Meeting and the Chairman of the Committee shall report on each Committee meeting to the Board.

Terms of Reference of Board Committees (continued)

Composition

The Nominating Committee shall consist of a minimum of five members, of whom at least four must be non-executive directors. The committee should be chaired by an independent director. In order to avoid conflict of interest, a member of the committee shall abstain from participating in discussions and decisions on matters involving him.

Disclosure

The activities of the committee and its assessments should be briefly disclosed in the Directors' report of the institution's annual report as follows:-

- Membership of the committee;
- Responsibilities of the committee;
- Number of Committee meetings. Licensed institutions are encouraged to disclose information on the number of meetings attended by each member of the committee; and
- A statement on the committee's assessment on the mix of skills, experience and other qualities of directors.

REMUNERATION AND HUMAN RESOURCE COMMITTEE

Objectives

1. To provide a formal and transparent procedure for developing remuneration policy for directors, chief executive officer and key senior management officers of RHB Bank and RHB Bank Group and ensuring that compensation is competitive and consistent with the RHB Bank Group's culture, objectives and strategy.
2. To recommend to the Board on the policies, strategies and framework for the RHB Bank Group in relation to staff remuneration, rewards and benefits.
3. To oversee and review the scope and quality of human resource projects/programmes of the RHB Bank Group.

Terms of Reference of Board Committees (continued)

Roles and Responsibilities

The Remuneration Committee is responsible for:-

1. Recommending a framework of remuneration for directors, chief executive officer and key senior management officers for the full board's approval. The remuneration framework should support the licensed institution's culture, objectives and strategy and should reflect the responsibilities and commitment, which goes with board membership and responsibilities of the chief executive officer and key senior management officers. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain directors of calibre, and yet not excessive to the extent RHB Bank's Group's funds are used to subsidise the excessive remuneration packages. The framework should cover all aspects of remuneration including director's fee, salaries, allowance, bonuses, options and benefit-in-kind.
2. Recommending specific remuneration packages for executive directors and the chief executive officer. The remuneration package should be structured such that it is competitive and consistent with the licensed institution's culture, objectives and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependant on short-term performance to avoid incentives for excessive risk-taking. As for non-executive directors and independent directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the board. In addition, the remuneration of each board member may differ based on their level of expertise, knowledge and experience.
3. To ensure the establishment of a formal and transparent procedure for developing policies, strategies and framework for the remuneration of executive directors, management and staff.
4. To review the Management's succession planning programme and leadership framework.
5. To review and assess the effectiveness of the HR Division in supporting the organisation.
6. To perform any other functions as defined by the Board.

Terms of Reference of Board Committees (continued)

Authority

1. The Committee is authorised by the Board to investigate any matter under its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to information.
2. The Committee is authorised by the Board to seek appropriate professional advice as and when necessary or engage consultants at the Company's expense to aid the Committee in the discharge of its duties.

Meetings

1. The full committee shall meet at least four times a year with a quorum of two (2) members, among others to review the remuneration packages of the directors, chief executive officer and key senior management officers of RHB Bank and RHB Bank Group. Additional meetings are to be held as and when necessary.
2. Minutes of each meeting shall be kept and distributed to all members of the Committee. The Chairman of the Committee shall report on each meeting to the Board.
3. The Secretary to the Committee shall be the Bank's Company Secretary.

Composition

The committee shall comprise only non-executive directors, with at least three members and should be chaired by an independent director. In order to avoid conflict of interest, a member of the committee shall abstain from participating in discussions and decisions on matters involving him.

Terms of Reference of Board Committees (continued)

Disclosure

The activities of the committee should be briefly disclosed in the Directors' report of the institution's annual report as follows:-

- Membership of the committee;
- Responsibilities of the committee; and
- Number of committee meetings. Licensed institutions are encouraged to disclose information on the number of meetings attended by each member of the committee.

RISK MANAGEMENT COMMITTEE

Objective

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 RHB Bank and the RHB Bank Group is in place and functioning.

Roles and Responsibilities

The Risk Management Committee is responsible for:-

- Reviewing and recommending risk management strategies, policies and risk tolerance for board's approval;
- Reviewing and assessing adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
- Ensuring infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the financial institutions' risk taking activities;
- Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities;

Terms of Reference of Board Committees (continued)

- To review and in consultation and concurrence of the Loans Committee, recommend the following to the Board for approval:-
 - (a) delegation of discretionary powers which represents the maximum discretion which the Board is prepared to vest to any single individual or committee.
 - (b) procedures for the delegation and monitoring of discretionary lending authority given to (a) above.

The committee should hold regular meetings, at least once every quarter and should report regularly to the full board.

Composition

The risk management committee should comprise only non-executive directors with at least three members. The committee should be chaired by an independent director.

Meetings

1. The committee shall meet monthly.
2. The Secretary of the committee shall be the Bank's Company Secretary.
3. Minutes of each meeting shall be kept and distributed to all members of the Risk Management Committee.

Disclosure

The activities of the committee should be briefly disclosed in the Directors' report of the institution's annual report as follows:

- Membership of the committee;
- Responsibilities of the committee;
- Number of committee meeting. Licensed institutions are encouraged to disclose information on the number of meetings attended by each member of the committee; and
- A statement on the licensed institution's risk management framework.

Terms of Reference of Board Committees (continued)

EXECUTIVE COMMITTEE

Objectives

1. To assist the Board to set and formulate strategic business directions of the Bank and its Subsidiaries.
2. To assist the Board to set annual budgets on operational expenditure and capital expenditure and to set annual profit targets.
3. To assist the Board in its review of the performance and business efficiency of the Bank and its Subsidiaries.

Duties and Responsibilities

1. To review the Bank's financial and operation performance against budget and three-year business plan (to include Subsidiaries' Financial Performance).
2. To review policy and strategic direction and guidance on operational matters and to recommend major changes to previous approvals on the same to the Board.
3. To consider operational expenditure and capital expenditure that have been budgeted but are above the Chief Executive Officer's approval limit.
4. To schedule, define and prioritise Business, Product, Technology and Programme Reviews to be presented to the Board.

Authority

Full authority as delegated by the Board to approve all operational plans and activities of the Bank within the budgets and targets previously approved by the Board.

Terms of Reference of Board Committees (continued)

Meetings

1. The meetings shall be held monthly or as and when necessary with a quorum of three (3) members.
2. The minutes shall be kept and distributed to all members of the committee and tabled to the Board.
3. The Secretary to the committee shall be the Bank's Company Secretary.

Agenda

- I. Financials
 - Performance vs Budget
 - Prospects and Business Development
 - Performance vs 3-year Business Plan
- II. Business
 - Issues and Action Plans concerning Key Bank Business Units and Subsidiaries.
- III. Support Functions
 - Technology
 - Risk Management
 - Operations
 - Others as required

LOANS COMMITTEE

APPOINTED BY : Board of Directors of RHB Bank Berhad

MEMBERS : Not less than 4 members.

CHAIRMAN : The Chairman of the Loans Committee shall be appointed by the Board

Terms of Reference of Board Committees (continued)

ALTERNATE CHAIRMAN	: Any one of the Non-Executive directors
BY INVITATION	: Chief Executive Officer Chief Operating Officer Executive Director for Japanese Business Chief Credit Officer Chief Risk Officer (Standing instruction for policy input) Head, Islamic Banking Division Head, Corporate Banking Division Head, Commercial Banking Division Head, Loan Recovery Division Head, Treasury Division Head, Legal Department Presenters
QUORUM	: Three members of the Committee.
DECISION	: By majority vote, dissenting votes to be recorded. All credit applications must be accompanied by a full evaluation and recommendation by the Chief Credit Officer and Credit Committee.
FREQUENCY OF MEETINGS	: Twice a month or as and when necessary.
SECRETARY	: Company Secretary.

Objectives

1. To affirm, impose additional covenants or veto credits for amounts above RM 250 Million to RM 1 Billion approved by Credit Committee.
2. To ensure that credits approved by Credit Committee adhere to the Bank's Credit Policy and procedures.

Terms of Reference of Board Committees (continued)

3. To periodically review and monitor the following: -
 - a. Compliance with approved policies, procedures and directives;
 - b. Adequacy and effectiveness of the Bank's credit risk grading system;
 - c. Overall quality of the Bank's credit portfolio, outstanding and committed;
 - d. The Bank's concentration of risk by:
 - customer or customer group;
 - geographical units;
 - industry;
 - security type; and
 - credit risk grade.

Responsibilities

1. To affirm, impose additional covenants or veto credit applications and renewals approved by the Credit Committee exceeding RM250 Million and up to RM 1 Billion subject to the Single Customer and Single Group Exposure limits specified in the Credit Policy document.
2. To review and monitor to ensure that the Bank is adhering to the following:-
 - a. The Bank's approved credit policies and practices;
 - b. Industry best practices is maintained; and
 - c. That resources and mechanisms are in place such that the number and amount of sub-standard and non-performing assets are minimised and maintained within acceptable levels set by the Board.
3. To ensure that Management adequately address issues raised by Group Audit, external auditors and Bank Negara Malaysia Auditors relating to credit matters.

Internal Control Statement

INTRODUCTION

The 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. The Bursa Malaysia Securities Berhad's Revamped Listing Requirements require directors of listed companies to include a statement in their annual reports on the state of their internal controls. The guidelines for directors on internal control, the *Statement on Internal Control: Guidance for Directors of Public Listed Companies* ("Guidance") provides guidance for compliance with these requirements.

Although the Bank is not a listed company, the Board has endeavoured to prepare its Internal Control Statement in accordance with the Guidance.

RESPONSIBILITY OF THE BOARD

The Board acknowledges their overall responsibility for the Group's system of internal controls and for reviewing its adequacy and integrity. Such system covers not only financial controls but also controls relating to operational, risk management and compliance with applicable laws, regulations, rules, directives and guidelines.

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

RISK MANAGEMENT FRAMEWORK

The Group has in place an ongoing process for identifying, evaluating, managing and reporting on 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. This process is regularly reviewed by the Board through its Risk Management Committee to ensure proper management of risks and appropriate measures are taken timely to mitigate any identified weaknesses in the control environment.

Internal Control Statement (continued)

The Board has established a Risk Management Committee since 30 January 2001 to further strengthen the Group's risk management process. All members of this Committee are from the board and it meets monthly. The Risk Management Committee meets regularly with the objective of assisting the Board in carrying out its responsibilities in relation to managing the Group's range of inter-related risks in an integrated manner.

A Risk Management Division has also been established to assist the Risk Management Committee in discharging its duties.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from the above, the other key elements of the Group's internal control system, which has been reviewed by the Board are described below: -

- The management of the various companies in the Group is delegated to the respective Chief Executive Officer and Management Committee, whose responsibilities and authority limits are set by the respective Boards. Appointment of such officers at the companies concerned requires the approval of their respective Boards and relevant regulatory authorities, where applicable;
- Specific responsibilities have been delegated to the relevant Board committees, all of which have written terms of reference. These committees have the authority to examine all matters within their scope of responsibility and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters however lies with the entire Board;

Internal Control Statement (continued)

- Delegation of authority including authorisation limits at various levels of management and those requiring the Board's approval are documented and designed to ensure accountability and responsibility.
- Policies and procedures manuals for key processes are documented and regularly updated for application across the Group. These are supplemented by operating standards set by the individual company, as required for the type of business or geographical location of each company;
- There is clear procedure for investment appraisal, including equity investment or divestment and capital expenditure;
- There are proper guidelines for hiring and termination of staff, training programmes for staff, annual performance appraisal and other relevant procedures in place to achieve the objective of ensuring staff are competent to carry out their responsibilities;
- Regular and comprehensive information is provided to management for monitoring of performance against the strategic plan approved by the Board, covering all key financial and operational indicators;
- A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets annually, which are discussed and approved by the Board. A reporting system on actual performance against approved budgets is in place and significant variances are followed up by management and reported at the Board;

Internal Control Statement (continued)

- Ongoing reviews of the internal control system are carried out by the internal auditors. Results of such reviews are reported to the Audit Committee. The work of the internal auditors is focused on areas of priority as identified by risk analysis and in accordance with the annual internal audit plan approved by the Audit Committee. The head of internal audit function reports to the Audit Committee;
- The Audit Committee holds regular meetings to deliberate on findings and recommendations for improvement by both the internal and external auditors on the state of the internal control system. The minutes of the Audit Committee meetings are tabled to the Board;
- The Bank has in place its Management Audit Committee (MAC), comprising of senior management, that meets regularly to act on the Bank Negara Malaysia (BNM), Internal and External Auditors and other regulatory bodies' findings and lapses of the RHB Bank Berhad Group. The minutes of MAC meetings are tabled to the Audit Committee; and
- The Bank has set up its Compliance Division to centrally manage and provide assurance to the Management that the Bank's activities are in compliance with internal and external requirements and key controls.

Audit Committee Report

During the financial year ended 31 December 2006 (“year”), a total of 13 Audit Committee (“Committee”) meetings were held. The Committee comprises the following members and details of attendance of each member at the Committee meetings held during the year are as follows :-

Composition Of The Committee	No. Of Meetings Attended Whilst In Office
Current Members	
1. Dato’ Mohd Salleh Hj Harun - relinquished his chairmanship but remains as member of the Committee on 28 February 2007 (Chairman / Independent Non-Executive Director)	13 out of 13 meetings
2. Tuan Haji Khairuddin Ahmad (Member / Non-Independent Non-Executive Director)	13 out of 13 meetings
3. Prof. Balachandran a/l A. Shanmugam – ceased to be a member of the Committee on 3 March 2007 (Member / Independent Non-Executive Director)	13 out of 13 meetings

On 28 February 2007, Mr. Ong Seng Pheow, an Independent Non-Executive Director, was appointed as Chairman of the Committee in place of Dato’ Mohd Salleh Hj Harun who has relinquished his chairmanship but remains as member of the Committee on the same day.

On 3 March 2007, Prof. Balachandran a/l A. Shanmugam, an Independent Non-Executive Director, ceased to be a member of the Committee.

Audit Committee Report (continued)

The Committee reviewed the unaudited quarterly and half-year results, and the audited financial statements of the Bank and the Group prior to their approval by the Board. It also reviewed the new accounting standards applicable in the preparation of the consolidated financial statements.

The Committee reviewed the related party transactions (“RPTs”) and the adequacy of the Group’s procedures for monitoring and reviewing of RPTs.

The Committee reviewed with the external auditors, the nature and scope of their engagement and audit plan, their fees as well as the findings emanating from their examination of the annual financial statements. It also considered the reappointment of the external auditors for recommendation to the Board and the shareholders for their approval.

The Committee reviewed the scope and adequacy of the internal audit plans, including resource needs. It also reviewed the results of the risk-based audit work carried out by the internal auditors and the status of completion of the internal audit plans on all relevant companies of the Group. Where necessary, the Committee directed actions to be taken by management to rectify and improve the system of internal controls and procedures. During the financial year ended 31 December 2006, all internal audit reports were tabled to the Committee.

The Committee reviewed the inspection and examination reports issued by the regulatory authorities and the appropriate remedial actions taken in respect of any findings. The Committee also satisfied itself that all matters highlighted in these reports have been adequately and promptly addressed by management.

The Chairman of the Committee tabled the minutes of each Committee meeting to the Board for noting, and for further action by the Board, where necessary.

Audit Committee Report (continued)

INTERNAL AUDIT FUNCTION

The internal audit function is guided by its Audit Charter and reports to the Committee. Its primary role is to assist the Committee to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and integrity of the Group's system of internal controls.

The Committee approves the annual internal audit plans at the beginning of each financial year. The 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 internal auditors have closely monitored the implementation progress of their audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by management. All audit reports on the results of work undertaken together with the recommended action plans and their implementation status were presented to management and the Committee.

The 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 management.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objectives

1. To provide independent oversight of RHB Bank Group's financial reporting and internal control system and ensuring checks and balances within RHB Bank Group.
2. To review the financial condition and performance of RHB Bank and its subsidiaries.

Audit Committee Report (continued)

3. To review the adequacy and integrity of RHB Bank and the RHB Bank group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
4. To review the findings of the internal auditors, and to recommend appropriate remedial action.
5. To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit process and to provide, by way of regular meetings, a line of communication between the Board and the external auditors.

Primary Responsibilities

1. Ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, and bad and doubtful debts. Review the balance sheet and profit and loss account for submission to the full board of directors and ensure the prompt publication of annual accounts.
2. Review the effectiveness of internal controls and risk management processes, including the scope of the internal audit programme, the internal audit findings, and recommend action to be taken by management. The reports of internal auditors and AC should not be subject to the clearance of the chief executive or executive directors.

The AC shall oversee the functions of the Internal Audit Department and ensure compliance with the requirements of Guidelines On Minimum Audit Standards For Internal Auditors Of Financial Institutions (BNM/GP10). The AC should also appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Chief Internal Auditor.

Audit Committee Report (continued)

3. The AC shall also have the following responsibilities concerning external auditors:
 - (i) recommend the appointment, re-appointment and removal of the external auditors to the Board;
 - (ii) assess objectivity, performance and independence of external auditors;
 - (iii) review the external auditors' management letter and response;
 - (iv) approve the provision of non-audit service by the external auditors;
 - (v) ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the auditors;
 - (vi) regularly review the audit findings and ensuring that issues are being managed and rectified appropriately and in a timely manner; and
 - (vii) review with the external auditors, the scope of their audit plan, the system of internal accounting controls, the audit reports and the assistance given by the management and its staff to the external auditors.
4. Review any related party transactions that may arise within the RHB Bank Group and keep the board informed of such transactions.

Authority

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

Audit Committee Report (continued)

2. The Committee shall have direct communication channels with the external and internal auditors.
3. The Committee is authorised by the Board to obtain independent professional or other advice at the Bank's or RHB Bank Group's expense 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 once every quarter with a quorum of two (2) members and the majority of members present shall be independent non-executive directors. Additional meetings may be called at any time at the discretion of the Chairman of the Committee.
2. The head of internal audit shall be in attendance at meetings of the Committee. The Committee may invite the external auditors, the chief financial officer, any other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.
3. At least once a year, the Committee shall meet with the external auditors without any executive Board member present and upon the request of the external auditors, the Chairman of the Committee shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the Board or shareholders.
4. The Bank's Secretary shall be the Secretary of the Committee.
5. The minutes of each Committee meeting shall be tabled to the Board by the Chairman of the Committee.

Audit Committee Report (continued)

Composition

1. The Committee shall be appointed by the Board from amongst its number and shall comprise not less than three (3) members, none of whom should be full-time executives of RHB Bank or the RHB Bank Group. The majority of the AC members should be independent non-executive directors. At least one member should have accounting expertise or experience in the field of finance.
2. The Chairman of the Committee shall be an independent non-executive director appointed by the Board.
3. No alternate director shall be appointed as a member of the Committee.
4. The term of office and performance of the Committee and each of its members must be reviewed by the Board at least once every three (3) years.
5. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

Responsibility Statement by the Board of Directors

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with the requirements of the applicable Approved Accounting Standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and of the Bank present a true and fair view of the state of affairs of the Group and of the Bank as of the end of the financial year and the results and cash flows for the 12 months then ended.

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

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

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 222 of the audited financial statements.

Statutory Financial Statements

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Directors' Report

The directors hereby present their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

RHB Bank Berhad ('the Bank'), a limited liability company domiciled in Malaysia, is principally engaged in all aspects of banking and finance business and in the provision of related services.

The principal activities of the Bank's subsidiaries consist of Islamic banking business, leasing, offshore banking, nominee services and property investment.

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

RESULTS

	Group RM'000	Bank RM'000
Profit before INCPS dividends, zakat and taxation	845,555	714,574
INCPS dividends	(136,810)	(136,810)
Profit after INCPS dividends but before zakat and taxation	708,745	577,764
Zakat	1,166	–
Taxation	(206,063)	(185,719)
Net profit for the financial year	503,848	392,045
Transfer to statutory reserves	(193,107)	(196,023)
Net profit after transfer to statutory reserves	310,741	196,022
Retained profit brought forward	780,262	593,113
Profit available for distribution	1,091,003	789,135
Ordinary dividends paid:		
– 31 December 2006	(120,264)	(120,264)
Retained profit carried forward	970,739	668,871

Directors' Report (continued)

ORDINARY SHARES DIVIDENDS

The dividends proposed and paid by the Bank since 31 December 2005 were as follows:-

	RM'000
In respect of previous financial year	
Ordinary shares	
Final dividend of 4.1% less tax	57,564
In respect of current financial year	
Ordinary shares	
First interim dividend of 4.5% less tax	62,700
	<u>120,264</u>

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 9.4% less tax amounting to RM133.81 million will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2007 when approved by the shareholders.

IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES ('INCPS') DIVIDENDS

The dividends paid by the Bank since 31 December 2005 were as follows:-

	RM'000
First semi-annual dividend of 5% less tax paid on 31 May 2006	<u>49,117</u>
Second semi-annual dividend of 5% less tax paid on 30 November 2006	<u>49,386</u>

RESERVES AND PROVISIONS

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

Directors' Report (continued)

NON-PERFORMING DEBTS AND FINANCING

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

The Group and the Bank's allowance for non-performing debts and financing is in conformity with the minimum requirements of BNM's 'Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts (GP3)', which is deemed as in conformity with the requirement on the allowance for loan impairment under the revised BNM/GP8.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

Directors' Report (continued)

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group or the Bank which has arisen since the end of the financial year other than in the ordinary course of business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the Group and the Bank for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 43 to the financial statements.

Directors' Report (continued)

DIRECTORS OF THE BANK

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

Datuk Azlan Zainol

Non-Independent Non-Executive Chairman

Dato Abdullah Mat Noh

Non-Independent Non-Executive Deputy Chairman

Tuan Haji Khairuddin Ahmad

Non-Independent Non-Executive Director

Dato' Vaseehar Hassan Abdul Razack

Non-Independent Non-Executive Director

Dato' Mohd Salleh Haji Harun

Independent Non-Executive Director

Dato' Othman Jusoh

Independent Non-Executive Director

Prof Balachandran A. Shanmugam

Independent Non-Executive Director

Johari Abdul Muid

Non-Independent Non-Executive Director

Ismael Fariz Ali

Non-Independent Non-Executive Director

Dato' Mohamed Khadar Merican

Independent Non-Executive Director

Ong Seng Pheow

Independent Non-Executive Director (appointed on 20 November 2006)

In accordance with Article 100 of the Bank's Articles of Association, Tuan Haji Khairuddin Ahmad, Dato' Mohd Salleh Haji Harun and Dato' Othman Jusoh retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Article 104 of the Bank's Articles of Association, Mr Ong Seng Pheow who is appointed during the financial year, retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Directors' Report (continued)

DIRECTORS' INTERESTS IN SECURITIES

According to the register of directors' shareholding, the interests of the directors in office as at 31 December 2006 in the securities of related corporations were as follows:

← Number of Ordinary Shares of RM1 each →				
	As at 1.1.2006/ Date of Appointment	Bought	Sold	As at 31.12.2006
Ultimate Holding Company				
Rashid Hussain Berhad				
Dato' Vaseehar Hassan				
Abdul Razack				
– Indirect ¹	238,127,000	–	–	238,127,000
Dato' Mohamed Khadar				
Merican				
– Direct	5,000	–	–	5,000
Holding Company				
RHB Capital Berhad				
Tuan Haji Khairuddin Ahmad				
– Direct	15,000	–	–	15,000
Dato' Vaseehar Hassan				
Abdul Razack				
– Indirect ²	1,182,896,459	–	(2,000,000)	1,180,896,459
Dato' Mohd Salleh				
Haji Harun				
– Direct	15,000	–	–	15,000
Dato' Mohamed Khadar				
Merican				
– Direct	10,000	–	–	10,000

Directors' Report (continued)

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

	← Number of Warrants 1997/2007 →			
As at 1.1.2006	Bought	Sold	As at 31.12.2006	

Ultimate Holding Company Rashid Hussain Berhad

Tuan Haji Khairuddin Ahmad

– Indirect ³	3,000	–	–	3,000
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Each warrant of Rashid Hussain Berhad ('Warrants 1997/2002') entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in Rashid Hussain Berhad at any time within a period of four and three quarter (4 3/4) years from the date of issue on 25 June 1997 at an exercise price of RM18.30 per share. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll executed on 25 June 1997. Pursuant to a Supplemental Deed Poll dated 23 June 1999, the exercise period of the Warrants 1997/2002 has been extended by five (5) years to expire on 24 March 2007 and the Warrants 1997/2002 are now known as Warrants 1997/2007.

	← Number of Warrants 1999/2009 →			
As at 1.1.2006	Bought	Sold	As at 31.12.2006	

Ultimate Holding Company Rashid Hussain Berhad

Tuan Haji Khairuddin Ahmad

– Direct	5,000	–	–	5,000
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Directors' Report (continued)

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

Each warrant of Rashid Hussain Berhad ('Warrants 1999/2002') entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in Rashid Hussain Berhad at any time from the date of issue on 17 August 1999 at an initial exercise price of RM4.35 per share. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll executed on 23 June 1999. Pursuant to a Supplemental Deed Poll dated 20 March 2002, the exercise period of the Warrants 1999/2002 has been extended by approximately seven (7) years to expire on 16 August 2009 and the Warrants 1999/2002 are now known as Warrants 1999/2009.

	← Number of Warrants 2001/2007 →			As at 31.12.2006
	As at 1.1.2006	Bought	Sold	
Ultimate Holding Company				
Rashid Hussain Berhad				
Tuan Haji Khairuddin Ahmad				
– Indirect ³	13,000	–	–	13,000
Dato' Vaseehar Hassan Abdul Razack				
– Indirect ¹	8,000,000	–	–	8,000,000

Each warrant of Rashid Hussain Berhad ('Warrants 2001/2002') entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in Rashid Hussain Berhad at any time from the date of issue on 4 April 2001 at an exercise price of RM1.90 per share. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll executed on 13 February 2001. Pursuant to a Supplemental Deed Poll dated 20 March 2002, the exercise period of the Warrants 2001/2002 has been extended by five (5) years to expire on 24 March 2007 and the Warrants 2001/2002 are now known as Warrants 2001/2007.

Directors' Report (continued)

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

Nominal Amount (RM) of 2002/2012
← 0.5% Irredeemable Convertible Unsecured Loan Stocks →
of RM1 each nominal value ('RHB ICULS-A')

As at 1.1.2006	Bought	Converted/ Sold	As at 31.12.2006
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Ultimate Holding Company**Rashid Hussain Berhad**

Dato' Vaseehar Hassan

Abdul Razack

– Indirect ¹	449,206,479	–	–	449,206,479
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Each RHB ICULS-A entitles the registered holder to convert the RHB ICULS-A into one (1) new ordinary share of RM1.00 each in Rashid Hussain Berhad ('New Share') at the conversion price of RM1.00 per New Share ('Conversion Price') at any time within a period of ten (10) years from the date of issue on 24 December 2002 in accordance with the Trust Deed constituting the RHB ICULS-A dated 24 December 2002. The Conversion Price shall be satisfied by surrendering for conversion into New Shares such nominal value of RHB ICULS-A equal to the Conversion Price.

Nominal Amount (RM) of 2002/2012
← 3.0% Irredeemable Convertible Unsecured Loan Stocks →
of RM1 each nominal value ('RHB ICULS-B')

As at 1.1.2006	Bought	Converted/ Sold	As at 31.12.2006
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Ultimate Holding Company**Rashid Hussain Berhad**

Dato' Vaseehar Hassan

Abdul Razack

– Indirect ¹	403,471,898	–	–	403,471,898
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Directors' Report (continued)

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

Each RHB ICULS-B entitles the registered holder to convert the RHB ICULS-B into one (1) new ordinary share of RM1.00 each in Rashid Hussain Berhad ('New Share') at the conversion price of RM1.13 per New Share ('Conversion Price') at any time within a period of ten (10) years from the date of issue on 24 December 2002 in accordance with the Trust Deed constituting RHB ICULS-B dated 24 December 2002. The Conversion Price shall be satisfied by surrendering for conversion into New Shares such nominal value of RHB ICULS-B which equal to the Conversion Price or a combination of such nominal value of RHB ICULS-B and cash which aggregates to the Conversion Price, provided that at least RM1.00 nominal value of RHB ICULS-B is surrendered for conversion into one (1) New Share.

Notes:

- 1 Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his indirect substantial interest in Utama Banking Group Berhad ('UBG'), a substantial shareholder of Rashid Hussain Berhad.
- 2 Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his indirect substantial interest in Rashid Hussain Berhad.
- 3 The indirect interest is held through family members.

By virtue of his indirect substantial interests in the shares of Rashid Hussain Berhad ('RHB'), Dato' Vaseehar Hassan Abdul Razack is also deemed to have an indirect substantial interest in the securities of the Bank and the subsidiary companies of RHB to the extent RHB has an interest.

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

Directors' Report (continued)

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 as disclosed in 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 other arrangements subsisted to which the Bank or its subsidiaries is a party with the object of enabling 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.

DISCLOSURE OF COMMITTEES

NOMINATING COMMITTEE

A Nomination Committee was established on 5 September 2002 which was renamed as Nominating Committee on 28 August 2003. During the financial year ended 31 December 2006, a total of 8 meetings were held. The Nominating Committee comprises the following members and details of attendance of each member at the Nominating Committee meetings held during the year as at 31 December 2006 are as follows:-

Composition of the Nominating Committee	Attendance at the committee meetings
Current Members:	
1. Dato' Othman Jusoh <i>(Chairman/Independent Non-Executive Director)</i> – Appointed as Chairman on 29 August 2006	7 out of 8 meetings
2. Dato' Mohd Salleh Haji Harun <i>(Member/Independent Non-Executive Director)</i> – Resigned as Chairman on 29 August 2006 but remained a Member	8 out of 8 meetings

Directors' Report (continued)

DISCLOSURE OF COMMITTEES (CONTINUED)

NOMINATING COMMITTEE (CONTINUED)

Composition of the Nominating Committee (continued)	Attendance at the committee meetings
3. Dato Abdullah Mat Noh <i>(Member/Non-Independent Non-Executive Director)</i>	8 out of 8 meetings
4. Prof Balachandran A. Shanmugam <i>(Member/Independent Non-Executive Director)</i>	8 out of 8 meetings
5. Tuan Haji Khairuddin Ahmad <i>(Member/Non-Independent Non-Executive Director)</i>	8 out of 8 meetings

The Nominating Committee is responsible for assessing existing directors and identifying, nominating and orientating new directors to enhance corporate governance.

The directors bring together to the Board a wide range of business management skills and banking, financial and legal experience required for the management of a large, diversified and expanding Group.

REMUNERATION AND HUMAN RESOURCE COMMITTEE

The Human Resource Committee was established on 4 May 2000 which was renamed as the Remuneration and Human Resource Committee on 28 August 2003. During the financial year ended 31 December 2006, a total of 5 meetings were held. The Remuneration and Human Resource Committee comprises the following members and details of attendance of each member at the Remuneration and Human Resource Committee meetings held during the year as at 31 December 2006 are as follows:-

Directors' Report (continued)

DISCLOSURE OF COMMITTEES (CONTINUED)

REMUNERATION AND HUMAN RESOURCE COMMITTEE (CONTINUED)

Composition of the Remuneration and Human Resource Committee	Attendance at the committee meetings
---	---

Current Members:

- | | |
|---|---------------------|
| 1. Dato' Othman Jusoh
<i>(Chairman/Independent Non-Executive Director)</i>
– Appointed as Chairman and Member on 29 August 2006 | 2 out of 2 meetings |
| 2. Dato' Vaseehar Hassan Abdul Razack
<i>(Member/Non-Independent Non-Executive Director)</i> | 5 out of 5 meetings |
| 3. Encik Ismael Fariz Ali
<i>(Member/Non-Independent Non-Executive Director)</i> | 4 out of 5 meetings |

Previous Member:

- | | |
|--|---------------------|
| 4. Dato' Mohd Salleh Haji Harun
<i>(Chairman/Independent Non-Executive Director)</i>
– Resigned as Chairman and Member on 29 August 2006 | 3 out of 3 meetings |
|--|---------------------|

The Remuneration and Human Resource Committee is responsible to evaluate the performance and remuneration of the directors and senior management and to recommend on the policies and framework in relation to rewards and benefits.

Directors' Report (continued)

DISCLOSURE OF COMMITTEES (CONTINUED)

RISK MANAGEMENT COMMITTEE

A Risk Management Committee was established on 30 January 2001. During the financial year ended 31 December 2006, a total of 12 meetings were held. The Risk Management Committee comprises the following members and details of attendance of each member at the Risk Management Committee meetings held during the year as at 31 December 2006 are as follows:-

Composition of the Risk Management Committee	Attendance at the committee meetings
Current Members:	
1. Dato' Mohd Salleh Haji Harun <i>(Chairman/Independent Non-Executive Director)</i>	10 out of 12 meetings
2. Dato' Othman Jusoh <i>(Member/Independent Non-Executive Director)</i>	8 out of 12 meetings
3. Tuan Haji Khairuddin Ahmad <i>(Member/Non-Independent Non-Executive Director)</i>	12 out of 12 meetings
4. Prof Balachandran A. Shanmugam <i>(Member/Independent Non-Executive Director)</i>	12 out of 12 meetings

The Risk Management Committee is responsible to provide oversight and management of all risks in the Bank and to ensure that there is an ongoing process to continuously manage the Bank's risks proactively.

A Statement on the Bank's Risk Management Framework is set out in Note 39 to the financial statements for the financial year ended 31 December 2006.

HOLDING AND ULTIMATE HOLDING COMPANY

The directors regard RHB Capital Berhad and Rashid Hussain Berhad, both companies incorporated in Malaysia, as the holding and ultimate holding company respectively.

Directors' Report (continued)

2007 BUSINESS PLAN AND OUTLOOK

The banking landscape continues to evolve with increasing liberalization and globalization, presenting new demands and challenges. Against this backdrop, the Bank will continue to focus on managing markets and segments proactively, leveraging on cross-selling within the Bank and the Group to provide our customers comprehensive financial solutions. While pursuing growth in targeted segments, the Bank will also strive to manage funding costs actively and optimize delivery channel efficiency. Risk management continues to underpin the Bank's operations.

RATINGS ACCORDED BY THE RATING AGENCIES

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

Agencies	Date Accorded	Ratings
Rating Agency Malaysia Berhad	8 November 2006	Long Term Rating – AA3 Short Term Rating – P1 Subordinated Bonds Rating – A1
Standard & Poor's	24 May 2006	Long Term Counterparty Credit Rating – BBB Short Term Counterparty Credit Rating – A-2 Subordinated Bonds Rating – BBB- Bank Fundamental Strength Rating – C
Moody's Investors Service	25 May 2006	Long Term Bank Deposits Rating – A3 Short Term Bank Deposits Rating – P-1 Subordinated Debt Rating – Baa1 Bank Financial Strength – D
Fitch Ratings *	6 July 2006	Long Term Senior Foreign Currency Rating – BBB Subordinated Notes Rating – BBB- Individual Rating – C/D Support Rating – 2

* The Bank has given notice to cease the rating services provided by Fitch Ratings on 18 May 2006.

Directors' Report (continued)

DESCRIPTION OF THE RATING ACCORDED

Rating Agency Malaysia Berhad

Long term rating (Financial institutions)

AA Financial Institution ('FIs') rated in this category are adjudged to offer high safety for timely payments of financial obligations. This level of rating indicates corporate entities with sound credit profiles and without significant problems. Entities rated in this category are, however, considered to be somewhat more vulnerable to adverse changes in economic conditions than those entities rated in the highest category.

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

Short term rating (Financial institutions)

P1 FIs in this category have superior capacities for timely payments of obligations.

Long term rating (RM subordinated bonds)

A Adequate safety for timely payment of interest and principal. More susceptible to changes in circumstances and economic conditions than debts in higher-rated categories.

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

Directors' Report (continued)

DESCRIPTION OF THE RATING ACCORDED (CONTINUED)

Standard and Poor's

Long term issuer credit rating

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

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

Short term issuer credit rating

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

Long term issue credit rating (USD subordinated debt)

BBB An obligation rated 'BBB' exhibits adequate protection parameters. However adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

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

Bank fundamental strength rating ('BFSR')

C A bank or financial institution, in the absence of extraordinary assistance or interference from its corporate group, regulator or government, assigned a BFSR of 'C' has adequate fundamental strength. However, the bank or financial institution is more sensitive to uncertainties and adverse circumstances to a greater degree than higher-rated entities.

Directors' Report (continued)

DESCRIPTION OF THE RATING ACCORDED (CONTINUED)

Moody's Investors Service

Long term bank deposit rating

A Banks rated A for deposits offer good credit quality. However, elements may be present that suggest a susceptibility to impairment over the long term.

Note:

Moody's appends the numerical modifiers 1, 2 and 3 to each generic rating category from 'Aa' to 'Caa'. The modifier 1 indicates that the bank is in the higher end of its letter-rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the bank is in the lower end of its letter-ranking category.

Short term bank deposit rating

P-1 Banks rated Prime-1 for deposits offer superior credit quality and a very strong capacity for timely payment of short term deposit obligations.

Long term obligation rating (USD subordinated debt)

Baa Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

Note:

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

Bank financial strength rating ('BFSR')

D Banks rated D display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise, financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.

Where appropriate, a "+" modifier will be appended to ratings below the 'A' category and a "-" modifier will be appended to ratings above the 'E' category to distinguish those banks that fall in intermediate categories.

Directors' Report (continued)

DESCRIPTION OF THE RATING ACCORDED (CONTINUED)

Fitch Ratings

Long term foreign currency credit rating (Bank and USD subordinated debt)

BBB Good credit quality. 'BBB' ratings indicate that there is currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.

The modifiers "+" or "-" may be appended to a rating to denote relative status within the major rating categories. Such suffixes are not added to the 'AAA' Long term rating category, to categories below 'CCC' or to short term ratings other than 'F1'.

Bank individual rating

- C An adequate bank, which, however, possesses one or more troublesome aspects. There may be concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.
- D A bank, which has weaknesses of internal and/or external origin. There are concerns regarding its profitability, substance and resilience, balance sheet integrity, franchise, management, operating environment or prospects. Banks in emerging markets are necessarily faced with greater number of potential deficiencies of external origin.

Notes: Gradations may be used among the five ratings: i.e. A/B, B/C, C/D, and D/E.

Bank support rating

- 2 A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-term rating floor of 'BBB-'.

Directors' Report (continued)

AUDITORS

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

In accordance with the resolution of the Board of Directors dated 28 February 2007.

DATUK AZLAN ZAINOL

*NON-INDEPENDENT NON-EXECUTIVE
CHAIRMAN*

DATO ABDULLAH MAT NOH

*NON-INDEPENDENT NON-EXECUTIVE
DEPUTY CHAIRMAN*

Kuala Lumpur

Balance Sheets

as at 31 December 2006

	Note	Group		Bank	
		31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
ASSETS					
Cash and short-term funds	2	9,623,320	10,790,936	8,571,796	12,539,401
Securities purchased under resale agreements		2,691,541	2,219,491	2,691,541	2,219,491
Deposits and placements with banks and other financial institutions	3	5,068,831	2,431,491	4,004,276	1,981,441
Securities held for trading	4	1,945,762	1,761,937	1,417,972	890,492
Securities available-for-sale	5	5,713,828	1,895,580	5,607,140	1,726,819
Securities held-to-maturity	6	13,020,680	14,078,589	12,002,779	12,843,807
Loans, advances and financing	7	52,741,606	47,634,111	46,879,331	37,090,808
Other assets	8	623,811	430,409	691,627	689,033
Tax recoverable		65	17,449	–	–
Deferred taxation assets	9	251,720	240,038	210,747	171,138
Statutory deposits	10	1,835,744	1,619,025	1,665,315	1,233,745
Investment in subsidiaries	11	–	–	828,956	1,389,849
Investment in an associate	12	4,683	4,198	–	–
Property, plant and equipment	13	598,789	628,239	471,894	486,433
Goodwill	14	1,004,017	1,004,017	905,519	892,012
TOTAL ASSETS		95,124,397	84,755,510	85,948,893	74,154,469

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

Balance Sheets

as at 31 December 2006 (continued)

	Note	Group		Bank	
		31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
LIABILITIES, INCPS AND SHAREHOLDERS' EQUITY					
Deposits from customers	15	55,785,316	48,704,834	47,791,098	40,844,274
Deposits and placements of banks and other financial institutions	16	9,876,493	10,597,657	9,332,836	9,770,738
Obligations on securities sold under repurchase agreements		13,364,811	10,329,421	13,364,811	10,341,624
Bills and acceptances payable		3,778,758	3,313,060	3,762,216	3,279,024
Recourse obligation on loans sold to Cagamas Berhad		2,879,284	3,356,992	2,879,284	2,006,549
Other liabilities	17	1,684,974	1,363,876	1,425,857	1,074,223
Provision for taxation and zakat		79,425	19,214	56,564	15,675
Deferred taxation liabilities	9	17	8	-	-
Long term borrowings	18	282,400	-	282,400	-
Subordinated obligations	19	1,328,158	1,365,252	1,328,158	1,365,252
		89,059,636	79,050,314	80,223,224	68,697,359
Irredeemable Non-Cumulative Convertible Preference Shares ('INCPS')	20	1,368,099	1,368,099	1,368,099	1,368,099
		90,427,735	80,418,413	81,591,323	70,065,458
Ordinary share capital	21	1,949,986	1,949,986	1,949,986	1,949,986
Reserves	22	2,746,676	2,387,111	2,407,584	2,139,025
Shareholders' equity		4,696,662	4,337,097	4,357,570	4,089,011
TOTAL LIABILITIES, INCPS AND SHAREHOLDERS' EQUITY					
		95,124,397	84,755,510	85,948,893	74,154,469
COMMITMENTS AND CONTINGENCIES					
	36	50,208,685	40,364,815	46,614,708	37,682,648

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

Income Statements

for the financial year ended 31 December 2006

	Note	Group		Bank	
		31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Interest income	23	4,139,257	3,288,689	3,994,572	2,824,271
Interest expense	24	(2,235,029)	(1,689,894)	(2,158,462)	(1,519,198)
Net interest income		1,904,228	1,598,795	1,836,110	1,305,073
Other operating income	25	617,520	560,253	668,840	576,563
		2,521,748	2,159,048	2,504,950	1,881,636
Income from Islamic banking business	26	236,099	147,635	–	23,685
		2,757,847	2,306,683	2,504,950	1,905,321
Other operating expenses	27	(1,208,881)	(1,103,581)	(1,110,953)	(930,044)
Operating profit before allowances		1,548,966	1,203,102	1,393,997	975,277
Allowance for losses on loans and financing	29	(667,296)	(495,072)	(643,959)	(403,043)
Allowance for impairment losses	30	(36,600)	(84,289)	(35,464)	(93,904)
		845,070	623,741	714,574	478,330
Share of results of an associate		485	314	–	–
Profit before INCPS dividends, zakat and taxation		845,555	624,055	714,574	478,330
INCPS dividends	31	(136,810)	(136,842)	(136,810)	(136,842)
Profit after INCPS dividends but before zakat and taxation		708,745	487,213	577,764	341,488
Zakat		1,166	(921)	–	–
Taxation	32	(206,063)	(108,555)	(185,719)	(71,686)
Net profit for the financial year		503,848	377,737	392,045	269,802
Earnings per ordinary share					
– Basic earnings per 50 sen share	33	12.9 sen	9.7 sen	10.1 sen	6.9 sen
Ordinary dividend per 50 sen share less income tax	34	5.0 sen	3.5 sen	5.0 sen	3.5 sen

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

Statement of Changes in Shareholders Equity

for the financial year ended 31 December 2006

GROUP	Share	Share	Statutory	Translation	AFS	Retained	Total
	capital	premium	reserves	reserves	reserves	profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 31.12.2005	1,949,986	8,563	1,596,396	(3,252)	5,142	780,262	4,337,097
Currency translation differences	-	-	-	(17,411)	-	-	(17,411)
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(22,785)	-	(22,785)
AFS reserve realised on disposal of AFS securities	-	-	-	-	1,705	-	1,705
Net transfer to income statement on impairment	-	-	-	-	10,939	-	10,939
Deferred tax	-	-	-	-	3,533	-	3,533
Income and expenses recognised directly in equity	-	-	-	(17,411)	(6,608)	-	(24,019)
Net profit for the financial year	-	-	-	-	-	503,848	503,848
Total recognised income and expenses for the financial year	-	-	-	(17,411)	(6,608)	503,848	479,829
Transfer to statutory reserves	-	-	193,107	-	-	(193,107)	-
Ordinary dividends paid during the year	-	-	-	-	-	(120,264)	(120,264)
Balance as at 31.12.2006	1,949,986	8,563	1,789,503	(20,663)	(1,466)	970,739	4,696,662

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

Statement of Changes in Shareholders' Equity

for the financial year ended 31 December 2006 (continued)

GROUP	Share	Share	Statutory	Translation	AFS	Retained	Total
	capital	premium	reserves	reserves	reserves	profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 31.12.2004	1,949,986	8,563	1,450,369	11,854	(21,420)	710,011	4,109,363
Currency translation differences	-	-	-	(15,106)	-	-	(15,106)
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(25,241)	-	(25,241)
AFS reserve realised on disposal of AFS securities	-	-	-	-	(32,242)	-	(32,242)
Net transfer to income statement on impairment	-	-	-	-	95,769	-	95,769
Deferred tax	-	-	-	-	(11,724)	-	(11,724)
Income and expenses recognised directly in equity	-	-	-	(15,106)	26,562	-	11,456
Net profit for the financial year	-	-	-	-	-	377,737	377,737
Total recognised income and expenses for the financial year	-	-	-	(15,106)	26,562	377,737	389,193
Transfer to statutory reserves	-	-	146,027	-	-	(146,027)	-
Ordinary dividends paid during the year	-	-	-	-	-	(161,459)	(161,459)
Balance as at 31.12.2005	1,949,986	8,563	1,596,396	(3,252)	5,142	780,262	4,337,097

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

Statement of Changes in Shareholders' Equity

for the financial year ended 31 December 2006 (continued)

BANK	← Non-distributable →				→ Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
Balance as at 31.12.2005	1,949,986	8,563	1,529,557	(288)	8,080	593,113	4,089,011
Amount vested over from RHB Delta Finance	-	-	-	-	148	-	148
Currency translation differences	-	-	-	5,873	-	-	5,873
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(24,544)	-	(24,544)
AFS reserve realised on disposal of AFS securities	-	-	-	-	768	-	768
Net transfer to income statement on impairment	-	-	-	-	10,939	-	10,939
Deferred tax	-	-	-	-	3,594	-	3,594
Income and expenses recognised directly in equity	-	-	-	5,873	(9,095)	-	(3,222)
Net profit for the financial year	-	-	-	-	-	392,045	392,045
Total recognised income and expenses for the financial year	-	-	-	5,873	(9,095)	392,045	388,823
Transfer to statutory reserves	-	-	196,023	-	-	(196,023)	-
Ordinary dividends paid during the year	-	-	-	-	-	(120,264)	(120,264)
Balance as at 31.12.2006	1,949,986	8,563	1,725,580	5,585	(1,015)	668,871	4,357,570

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

Statement of Changes in Shareholders' Equity

for the financial year ended 31 December 2006 (continued)

BANK	← Non-distributable →					Distributable		Total RM'000
	Share capital	Share premium	Statutory reserves	Translation reserves	AFS reserves	Retained profits	RM'000	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Balance as at 31.12.2004	1,949,986	8,563	1,394,656	14,424	(21,965)	619,671	3,965,335	
Currency translation differences	-	-	-	(14,712)	-	-	(14,712)	
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(21,649)	-	(21,649)	
AFS reserve realised on disposal of AFS securities	-	-	-	-	(32,242)	-	(32,242)	
Net transfer to income statement on impairment	-	-	-	-	95,620	-	95,620	
Deferred tax	-	-	-	-	(11,684)	-	(11,684)	
Income and expenses recognised directly in equity	-	-	-	(14,712)	30,045	-	15,333	
Net profit for the financial year	-	-	-	-	-	269,802	269,802	
Total recognised income and expenses for the financial year	-	-	-	(14,712)	30,045	269,802	285,135	
Transfer to statutory reserves	-	-	134,901	-	-	(134,901)	-	
Ordinary dividends paid during the year	-	-	-	-	-	(161,459)	(161,459)	
Balance as at 31.12.2005	1,949,986	8,563	1,529,557	(288)	8,080	593,113	4,089,011	

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

Consolidated Cash Flow Statements

for the financial year ended 31 December 2006

GROUP	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after INCPS dividends but before zakat and taxation	708,745	487,213
Adjustments for:		
INCPS dividend	136,810	136,842
Share of results of an associate	(485)	(314)
Property, plant and equipment:		
– Depreciation	85,737	92,171
– Gain on disposal	(3,896)	(1,112)
– Loss on disposal	77	67
– Written off	10	41
– Allowance for impairment losses	2,478	–
– Write back of allowance for impairment loss	(2,001)	–
Net loss/(gain) on sale of securities available-for-sale	768	(32,242)
Net gain from redemption of securities held-to-maturity	(60)	(14,042)
Interest income from securities available-for-sale	(75,071)	(52,455)
Interest income from securities held-to-maturity	(564,797)	(437,410)
Allowance for impairment losses of securities available-for-sale	46,385	103,565
Allowance for impairment losses of securities held-to-maturity	34,758	13,533
Write back of allowance for impairment loss of securities available-for-sale	(35,446)	(7,796)
Write back of allowance for impairment loss of securities held-to-maturity	(9,574)	(25,013)
Dividend income from securities available-for-sale	(3,625)	(3,590)
Allowance for losses on loans and financing	743,918	630,843
Interest suspended clawback net of recoveries	(111,312)	(119,460)
Amortisation of premium less accretion of discount	(10,472)	(9,058)
Amortisation of discount for subordinated obligations	232	236
Unrealised exchange (gain)/loss	(29,219)	16,935
	913,960	778,954

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

Consolidated Cash Flow Statements

for the financial year ended 31 December 2006 (continued)

GROUP	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
Increase in operating assets:		
Deposits and placements with banks and other financial institutions	(2,636,067)	(1,941,138)
Securities purchased under resale agreements	(471,581)	(2,180,161)
Securities held for trading	(171,111)	(833,733)
Loans, advances and financing	(5,694,231)	(5,089,473)
Other assets	(105,761)	(113,009)
Statutory deposits	(218,126)	(285,721)
	(9,296,877)	(10,443,235)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	7,016,362	(218,125)
Deposits and placements of banks and other financial institutions	(746,161)	3,973,120
Obligations on securities sold under repurchase agreements	3,035,390	2,828,472
Bills and acceptances payable	465,531	688,980
Recourse obligation on loans sold to Cagamas Berhad	(477,708)	(9,859)
Other liabilities	258,480	244,827
Long term borrowings	282,400	-
Subordinated obligations	-	(3,064)
	9,834,294	7,504,351
Cash generated from/(used in) operations	1,451,377	(2,159,930)
Zakat paid	(54)	(99)
Taxation paid	(172,958)	(164,966)
Net cash generated from/(used in) operating activities	1,278,365	(2,324,995)

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

Consolidated Cash Flow Statements

for the financial year ended 31 December 2006 (continued)

GROUP	Note	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(67,261)	(62,958)
Proceeds from disposal of property, plant and equipment		15,779	6,319
Net (purchase)/sale of securities available-for-sale		(3,847,778)	4,439,500
Net sale/(purchase) of securities held-to-maturity		1,056,512	(3,424,052)
Interest received from securities available-for-sale		56,919	19,294
Interest received from securities held-to-maturity		571,819	404,075
Dividend income from securities available-for-sale		2,973	2,585
Net cash (used in)/generated from investing activities		(2,211,037)	1,384,763
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid:			
– INCPS		(98,503)	(98,503)
– Ordinary shares		(120,264)	(161,459)
Net cash used in financing activities		(218,767)	(259,962)
Net decrease in cash and cash equivalents		(1,151,439)	(1,200,194)
Effects of exchange rate differences		(16,177)	(8,523)
Cash and cash equivalents brought forward		10,790,936	11,999,653
Cash and cash equivalents carried forward		9,623,320	10,790,936
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	2	9,623,320	10,790,936

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

Cash Flow Statements

for the financial year ended 31 December 2006

BANK	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after INCPS dividends but before taxation and zakat	577,764	341,488
Adjustments for:		
INCPS dividend	136,810	136,842
Property, plant and equipment:		
– Depreciation	84,039	87,719
– Gain on disposal	(4,142)	(755)
– Loss on disposal	77	67
– Written off	10	3
– Allowance for impairment losses	1,342	–
– Write back of allowance for impairment loss	(2,001)	–
Net loss/(gain) on sale of securities available-for-sale	768	(32,242)
Net gain from redemption of securities held-to-maturity	–	(14,042)
Interest income from securities available-for-sale	(69,192)	(50,314)
Interest income from securities held-to-maturity	(541,065)	(409,611)
Allowance for impairment loss of securities available-for-sale	46,385	103,417
Allowance for impairment loss of securities held-to-maturity	34,758	14,596
Write back of allowance for impairment loss of securities available-for-sale	(35,446)	(7,797)
Write back of allowance for impairment loss of securities held-to-maturity	(9,574)	(16,312)
Dividend income from securities available-for-sale	(3,625)	(3,513)
Dividend income from subsidiary companies	(67,656)	(34,055)
Allowance for losses on loans and financing	720,340	537,739
Interest suspended clawback net of recoveries	(109,024)	(107,652)
Amortisation of premium less accretion of discount	12,382	5,371
Amortisation of discount for subordinated obligations	232	236
Unrealised exchange (gain)/loss	(29,221)	16,935
	743,961	568,120

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

Cash Flow Statements

for the financial year ended 31 December 2006 (continued)

BANK	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
(Increase)/Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	(2,022,052)	(1,481,484)
Securities purchased under resale agreements	(421,639)	(2,180,161)
Securities held for trading	(520,158)	(841,515)
Loans, advances and financing	(4,490,593)	(3,500,362)
Other assets	98,137	(390,021)
Statutory deposits	(227,808)	(155,706)
	(7,584,113)	(8,549,249)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	5,825,024	532,749
Deposits and placements of banks and other financial institutions	(4,605,382)	4,290,871
Obligations on securities sold under repurchase agreements	1,672,744	2,878,675
Bills and acceptances payable	483,089	999,074
Recourse obligation on loans sold to Cagamas Berhad	872,735	(31,764)
Other liabilities	202,979	186,196
Long term borrowings	282,400	-
Subordinated obligations	-	(3,064)
	4,733,589	8,852,737

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

Cash Flow Statements

for the financial year ended 31 December 2006 (continued)

BANK	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
Cash (used in)/generated from operations	(2,106,563)	871,608
Zakat paid	–	(2)
Taxation paid	(146,531)	(109,606)
Net cash (used in)/generated from operating activities	(2,253,094)	762,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(65,423)	(52,513)
Proceeds from disposal of property, plant and equipment	14,425	5,621
Net (purchase)/sale of securities available-for-sale	(3,885,264)	4,560,322
Net sale/(purchase) of securities held-to-maturity	1,071,863	(3,474,456)
Interest received from securities available-for-sale	19,126	17,271
Interest received from securities held-to-maturity	579,923	378,332
Dividend income from securities available-for-sale	2,973	2,530
Dividend income from subsidiary companies	51,881	33,776
Net investment in subsidiaries	17,354	(75,000)
Net cash (used in)/generated from investing activities	(2,193,142)	1,395,883

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

Cash Flow Statements

for the financial year ended 31 December 2006 (continued)

BANK	Note	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayment of finance lease		(470)	(434)
Dividends paid:			
– INCPS		(98,503)	(98,503)
– Ordinary shares		(120,264)	(161,459)
Net cash used in financing activities		(219,237)	(260,396)
Net (decrease)/increase in cash and cash equivalents		(4,665,473)	1,897,487
Cash and cash equivalents vested over to			
RHB Islamic Bank		–	(1,273,377)
Cash and cash equivalents vested from			
RHB Delta Finance Bhd		727,701	–
Effects of exchange rate differences		(29,833)	(10,136)
Cash and cash equivalents brought forward		12,539,401	11,925,427
Cash and cash equivalents carried forward		8,571,796	12,539,401
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	2	8,571,796	12,539,401

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 2006

(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 except as disclosed below.

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

During the financial year, the Group and the Bank adopted the following new and revised Financial Reporting Standards ('FRS') issued by MASB that are relevant and effective for financial statements commencing 1 January 2006:

- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sale and Presentation of Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events After the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Group and the Bank require retrospective application other than:

- FRS 3 Prospectively for business combinations for which the agreement date is on or after 1 January 2006;
- FRS 5 Prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and to operations that meet the criteria to be classified as discontinued on/after 1 January 2006;
- FRS 116 The exchange of property, plant and equipment is accounted at fair value prospectively;
- FRS 121 Prospective accounting for goodwill and fair value adjustments as part of foreign operations.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

The adoption of the above new FRS and other interpretations do not have any significant financial impact on the results of the Group and the Bank.

The new standards, amendments to published standards and interpretations that are mandatory for the Group's financial periods beginning on or after 1 January 2007 or later periods are as follows:

- FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease payments. The Group and the Bank will apply this standard from financial periods beginning 1 January 2007.
- FRS 124 Related party disclosures (effective for accounting periods beginning on or after 1 October 2006). This standard affects the identification of related parties and some other related party disclosures.
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by MASB). This new standard 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 Group and the Bank will apply this standard when effective. Nevertheless, the accounting policies of the Group incorporate revised BNM/GP8 which include selected principles of FRS 139.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2 BASIS OF CONSOLIDATION

(i) Subsidiaries

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

Subsidiaries are consolidated using the purchase method of accounting except for:

- (a) Internal group reorganisations, as defined in FRS 122 consolidated on/after 1 July 2001 but with agreement dates before 1 January 2006 where:
 - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
 - the minorities' share of net assets of the Group is not altered by the transfer
- (b) Business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006.

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2 BASIS OF CONSOLIDATION (CONTINUED)

(i) Subsidiaries (continued)

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

Intragroup transactions, balances and unrealised gains on transactions between the Group and the Bank are eliminated.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary and it is recognised in the consolidated income statement.

(ii) Associates

Investments in associates are accounted for in the consolidated financial statements by using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3 INVESTMENT IN SUBSIDIARIES

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

Investment in subsidiaries are stated at cost less any impairment losses. At each balance sheet date, the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 22 on impairment of non-financial assets.

4 INVESTMENT IN ASSOCIATES

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

Investment in associates are stated at cost less any impairment losses. At each balance sheet date, the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 22 on impairment of non-financial assets.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5 GOODWILL

Goodwill arising on consolidation represents the excess of the purchase price over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries and associates at the date of acquisition.

Goodwill is retained in the consolidated balance sheet and is stated at cost less any impairment loss and is tested at least annually for impairment. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ('CGU') for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. See accounting policy Note 22 on impairment of non-financial assets.

6 SECURITIES

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

(i) Held for trading securities

Securities are classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or 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. Securities held for trading are stated at fair value at initial recognition. 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6 SECURITIES (CONTINUED)

(ii) Held-to-maturity securities

Held-to-maturity securities are securities with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Securities held-to-maturity are measured at fair value at initial recognition and subsequently at amortised cost using the effective interest method. Any gain or loss is recognised in the income statement when the securities are derecognised or impaired and through the amortisation process.

(iii) Available-for-sale securities ('AFS')

Securities available-for-sale are financial assets that are not classified as held for trading or held-to-maturity securities. Securities available-for-sale are measured at fair value at initial recognition. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost. Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial assets are derecognised, at which time the cumulative gain or loss previously recognised in equity shall be transferred to the income statement.

Interest calculated using the effective interest 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 is established.

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6 SECURITIES (CONTINUED)

(iii) Available-for-sale securities ('AFS') (continued)

For loans 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 21 on impairment of securities.

7 REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group has purchased with a commitment to resell at a future date. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group has sold from its portfolio, with a commitment to repurchase at a future date. Such financing and the obligation to repurchase the securities is reflected as a liability on the balance sheet.

8 FORECLOSED PROPERTIES

Foreclosed properties are stated at cost. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 22 on impairment of non-financial assets.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

Freehold land, buildings in progress, renovations in progress and computer software in progress are not depreciated. Depreciation of other property, plant and equipment is calculated to write down the cost of the property, plant and equipment on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates of depreciation are as follows:

Leasehold land	Amortised over period of leases. The remaining period of the leases range from 11 years to 887 years
Buildings	2% to 3 $\frac{1}{3}$ %
Renovations	7.5% to 10%
Office equipment and furniture	7.5% to 20%
Computer equipment and software	20% to 33 $\frac{1}{3}$ %
Motor vehicles	20%

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

At each balance sheet date, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 22 on impairment of non-financial assets.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits on day one.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or, (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criterias are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

(iii) Derivatives that do not qualify for hedge accounting

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

11 BILLS AND ACCEPTANCES PAYABLE

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

12 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD ('CAGAMAS')

In the normal course of banking operations, the Group sells loans to Cagamas but undertakes to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective based on prudence. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the balance sheet.

For Islamic banking, the sale of Islamic debts to Cagamas is deemed as a sale and purchase transaction from Shariah point of view. Such financing transactions are net-off with the assets sold on the balance sheet and the obligations to buy back the loans are reflected as assets sold with recourse in the commitment and contingencies.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13 LEASES – WHERE THE GROUP IS LESSEE

(i) Operating lease

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

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

(ii) Finance lease

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14 LEASES - WHERE THE GROUP 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.

(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.

15 OTHER PROVISIONS

Provisions are recognised when all of the following conditions have been met:

- (i) The Group has a present legal or constructive obligation as a result of past events;
- (ii) It is probable that an outflow of resources will be required to settle the obligation; and
- (iii) A reliable estimate of the amount can be made.

16 BORROWINGS

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17 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.

18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19 INCOME RECOGNITION

- (i) Interest income is recognised on an accruals basis. Income earned on hire purchase, block discounting and leasing business is recognised on the 'sum-of-digits' method.

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

- (ii) Dividends from all investments are recognised when the shareholders' right to receive payment is established.
- (iii) Loan arrangement fees and commissions are recognised as income when all conditions precedent is fulfilled.
- (iv) Guarantee fees are recognised as income upon issuance of the guarantees. Commitment fees are recognised as income based on time apportionment.
- (v) Income from the Islamic Banking is recognised on an accruals basis in accordance with the principles of Shariah.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20 ALLOWANCE FOR NON-PERFORMING DEBTS AND FINANCING

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

A general allowance based on a percentage of the loan 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 loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

The basis for classification of non-performing debts and financing follows the period of default for non-performing loans of 3 months. In line with the classification of non-performing debts and financing, during the year, the Group's basis for specific allowance has changed from default period of 6 months to 3 months.

The Group and the Bank's allowance for non-performing debts and financing is in conformity with the minimum requirements of BNM's 'Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts (GP3)', which is deemed as in conformity with the requirement on the allowance for loan impairment under the revised BNM/GP8.

BNM has granted indulgence to the Group and the Bank from complying with the requirement on the impairment of loans under the revised BNM/GP8 if the allowance for non-performing debts and financing are computed based on BNM/GP3 requirements.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21 IMPAIRMENT OF SECURITIES

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

(i) Securities carried at amortised cost

If there is objective evidence that an impairment loss on held-to-maturity 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 interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a held-to-maturity security has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21 IMPAIRMENT OF SECURITIES (CONTINUED)

(ii) Securities carried at fair value

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

22 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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 asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow/CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

23 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 Group.

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to the national pension scheme, Employees' Provident Fund ('EPF'). The Group's contributions to defined contribution plans are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(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.

24 INCOME TAXES

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

24 INCOME TAXES (CONTINUED)

Tax rate enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

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

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

25 CURRENCY CONVERSION AND TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(ii) 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 transaction 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

25 CURRENCY CONVERSION AND TRANSLATION

(ii) Transactions and balances (continued)

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 value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held for trading 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.

(iii) Group companies

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

25 CURRENCY CONVERSION AND TRANSLATION (CONTINUED)

(iii) Group companies (continued)

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

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

26 DIVIDENDS

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

27 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances and short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

28 SEGMENT REPORTING

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

28 SEGMENT REPORTING (CONTINUED)

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

(a) Allowance for losses on loans and advances

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

(b) Impairment of goodwill

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

Notes to the Financial Statements

for the financial year ended 31 December 2006

1 GENERAL INFORMATION

RHB Bank Berhad ('the Bank'), a limited liability company domiciled in Malaysia, is principally engaged in all aspects of banking and finance business and in the provision of related services.

The principal activities of the Bank's subsidiaries consist of Islamic banking business, leasing, offshore banking, nominee services and property investment.

There have been no significant changes in the nature of 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

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	381,043	695,251	359,750	618,838
Money at call and deposit placements maturing within one month	9,242,277	10,095,685	8,212,046	11,920,563
	9,623,320	10,790,936	8,571,796	12,539,401

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Licensed banks	817,331	182,391	872,776	132,341
Licensed merchant banks	20,000	–	–	–
Bank Negara Malaysia	4,231,500	2,249,100	3,131,500	1,849,100
	5,068,831	2,431,491	4,004,276	1,981,441

4 SECURITIES HELD FOR TRADING

At fair value	Group		Bank	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Money market instruments:				
<u>Quoted</u>				
Malaysian government securities	146,325	25,030	146,325	25,030
Khazanah bonds	170,205	120,419	170,205	91,345
Government investment issues	149,837	208,083	149,837	189,507
Singapore government stocks	192,069	317,799	192,069	317,799
<u>Unquoted</u>				
Malaysian government treasury bills	28,965	19,807	28,965	–
Fixed rate notes	229,710	249,057	229,710	249,057
BNM bills/notes	440,460	444,592	365,732	17,754
Bankers' acceptances and Islamic accepted bills	69,212	20,437	–	–
Private debt securities	305,810	118,551	135,129	–
Quoted Securities:				
<u>In Malaysia</u>				
Shares	–	6,017	–	–
<u>Outside Malaysia</u>				
Other government securities	114,487	126,856	–	–
Bonds	98,682	105,289	–	–
Total securities held for trading	1,945,762	1,761,937	1,417,972	890,492

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

5 SECURITIES AVAILABLE-FOR-SALE

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
At fair value	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
<u>Quoted</u>				
Malaysian government securities	50,190	–	50,190	–
Cagamas bonds and Cagamas mudharabah bonds	451,156	585,535	451,156	570,545
Government investment issues	5,058	–	–	–
Singapore government stocks	103,952	–	103,952	–
Khazanah bonds	9,405	–	–	–
<u>Unquoted</u>				
Malaysian government treasury bills	85,677	42,534	81,934	9,677
Singapore government treasury bills	85,890	56,761	85,890	56,761
Negotiable instruments of deposit	3,220,039	–	3,220,039	–
Private debt securities	484,151	275,592	484,151	275,592
Structured notes	306,350	322,498	235,749	322,498
BNM bills/notes	401,056	99,575	401,056	–
Other government securities	–	4,546	–	4,546
	5,202,924	1,387,041	5,114,117	1,239,619

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

5 SECURITIES AVAILABLE-FOR-SALE (CONTINUED)

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
At fair value	RM'000	RM'000	RM'000	RM'000
Quoted securities:				
<u>In Malaysia</u>				
Corporate loan stocks	54,813	74,789	54,813	74,789
Shares	13,751	31,975	11,878	30,959
<u>Outside Malaysia</u>				
Floating rate notes	292	313	–	–
Shares	129	135	–	58
	68,985	107,212	66,691	105,806
Unquoted securities:				
<u>In Malaysia</u>				
Corporate loan stocks	161,524	193,691	146,512	177,189
Shares	165,779	165,952	165,204	162,521
Private debt securities	65,507	38,386	65,507	38,386
<u>Outside Malaysia</u>				
Private debt securities	49,109	3,298	49,109	3,298
Total securities available-for-sale	5,713,828	1,895,580	5,607,140	1,726,819

Included in securities available-for-sale is an amount of RM3,539,529,000 (31.12.2005: RM375,000,000) being pledged to third parties in relation to securities sold under repurchase agreement.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

6 SECURITIES HELD-TO-MATURITY

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
At amortised cost	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
<u>Quoted</u>				
Malaysian government securities	2,069,764	2,369,616	2,069,764	2,157,947
Cagamas bonds and Cagamas mudharabah bonds	911,120	656,125	850,678	530,566
Khazanah bonds	521,752	585,764	–	–
Government investment issues	80,964	–	–	–
<u>Unquoted</u>				
Malaysian government treasury bills	–	73,406	–	73,406
Thailand government treasury bills	–	47,235	–	47,235
Cagamas notes	98,157	–	98,157	–
Bankers' acceptances and Islamic accepted bills	99,065	714,033	99,065	714,033
Negotiable instruments of deposit	5,536,823	5,867,009	5,536,823	5,867,009
Prasarana bonds	1,881,558	1,954,850	1,881,558	1,954,850
Private debt securities	686,087	917,586	539,637	771,968
Structured notes	353,051	151,182	264,764	113,385
Other government securities	234,310	140,746	234,310	140,746
	12,472,651	13,477,552	11,574,756	12,371,145

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

6 SECURITIES HELD-TO-MATURITY (CONTINUED)

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
At amortised cost	RM'000	RM'000	RM'000	RM'000
Quoted securities:				
<u>In Malaysia</u>				
Floating rate notes	81,225	100,162	-	-
Unquoted securities:				
<u>In Malaysia</u>				
Promissory notes	-	375	-	375
Bonds	29,047	29,047	860	834
Private debt securities	389,458	399,183	389,458	399,183
Corporate loan stocks	205,231	187,992	205,231	187,992
Shares	500	500	500	500
<u>Outside Malaysia</u>				
Floating rate notes	10,594	-	-	-
	13,188,706	14,194,811	12,170,805	12,960,029
Accumulated impairment losses	(168,026)	(116,222)	(168,026)	(116,222)
Total securities held-to-maturity	13,020,680	14,078,589	12,002,779	12,843,807

- (i) Included in unquoted shares is RM500,000 of a third party redeemable preference shares with a nominal value of RM1.00 each which were charged to another third party as part of a financing transaction facilitated by the Bank.
- (ii) Included in securities held-to-maturity is an amount of RM8,507,728,000 (31.12.2005: RM8,879,125,000) being pledged to third parties in relation to securities sold under repurchase agreement.

Notes to the Financial Statements

for the financial year ended 31 December 2006

7 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
(i) By type				
Overdrafts	6,797,088	6,465,593	6,732,859	6,407,163
Term loans/financing				
– housing loans/financing	12,545,070	11,706,298	10,972,207	10,423,825
– syndicated term loans/financing	2,567,111	2,266,496	993,166	893,268
– hire purchase receivables	9,654,495	7,669,206	8,862,377	4,596
– lease receivables	281,120	295,953	–	–
– other term loans/ financing	11,225,971	11,104,503	10,065,249	10,068,428
Bills receivable	1,877,730	1,628,524	1,456,467	1,130,178
Trust receipts	537,794	498,867	517,019	483,630
Claims on customers under acceptance credits	4,801,402	4,104,478	4,801,403	4,104,478
Staff loans/financing	406,299	417,836	400,058	406,508
Credit card receivables	1,288,406	994,953	1,288,406	994,953
Revolving credit	4,938,787	4,433,111	4,643,319	4,388,445
Floor stocking	8,308	7,935	8,308	–
	56,929,581	51,593,753	50,740,838	39,305,472
Less: Unearned interest and income	(1,563,244)	(1,281,313)	(1,456,814)	(24,317)
Gross loans, advances and financing	55,366,337	50,312,440	49,284,024	39,281,155
Less: Allowance for bad and doubtful debts and financing:				
– general	(965,782)	(909,527)	(843,614)	(676,608)
– specific	(1,658,949)	(1,768,802)	(1,561,079)	(1,513,739)
Net loans, advances and financing	52,741,606	47,634,111	46,879,331	37,090,808

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) By type (continued)

Included in term loans are housing loans and hire purchase receivables sold to Cagamas with recourse amounting to RM2,879,284,000 (31.12.2005: RM3,356,992,000) for the Group and RM2,879,284,000 (31.12.2005: RM2,006,549,000) for the Bank.

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
(ii) By type of customer				
Domestic non-bank financial institutions				
– Stock broking companies	1,857	2,862	1,857	2,862
– Others	831,683	1,538,106	797,331	1,498,753
Domestic business enterprises				
– Small medium enterprises	9,241,892	9,094,506	8,034,477	6,852,556
– Others	21,021,151	17,902,451	18,240,610	15,079,773
Government and statutory bodies	248,651	167,350	147,498	166,956
Individuals	23,318,568	21,137,542	21,690,649	15,381,841
Other domestic entities	57,746	54,419	41,841	37,971
Foreign entities	644,789	415,204	329,761	260,443
	55,366,337	50,312,440	49,284,024	39,281,155

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
(iii) By interest/profit rate sensitivity				
Fixed rate				
– Housing loans/financing	1,593,037	1,447,587	101,959	196,011
– Hire purchase receivables	8,129,916	6,485,481	7,426,139	4,171
– Other fixed rate loans/financing	3,499,775	2,953,207	1,625,851	1,456,431
Variable rate				
– Base Lending Rate plus	20,237,464	19,155,530	20,237,464	18,960,595
– Cost plus	16,576,213	16,075,401	16,233,182	15,695,727
– Other variable rates	5,329,932	4,195,234	3,659,429	2,968,220
	55,366,337	50,312,440	49,284,024	39,281,155
(iv) By purpose				
Purchase of securities	1,710,666	1,709,814	1,344,039	1,361,395
Purchase of transport vehicles	6,516,541	5,137,937	6,091,629	29,330
Purchase of landed property:				
– Residential	12,860,513	12,213,164	11,397,561	10,926,525
– Non-residential	1,574,474	1,139,347	1,634,612	1,228,935
Purchase of property, plant and equipment other than land and building	2,489,462	1,865,132	1,593,245	124,661
Personal use	1,950,507	1,817,056	1,913,855	1,787,670
Credit card	1,288,406	994,953	1,288,406	994,953
Purchase of consumer durables	114,206	141,802	113,829	130,295
Construction	2,172,003	2,521,562	1,967,546	2,400,971
Working capital	22,639,326	21,359,340	21,108,101	20,038,855
Others purposes	2,050,233	1,412,333	831,201	257,565
	55,366,337	50,312,440	49,284,024	39,281,155

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
(v) Movement in non-performing loans, advances and financing				
At beginning of year	4,151,770	4,866,476	3,484,877	4,587,825
Amount vested over to RHB Islamic Bank	–	–	–	(258,040)
Amount vested over from RHB Delta Finance Bhd	–	–	375,910	–
Classified as non-performing during the year	4,059,982	2,474,971	3,653,161	1,814,499
Reclassified as performing during the year	(2,712,691)	(1,648,019)	(2,407,817)	(1,315,295)
Loans/financing converted to securities	(66,371)	(28,716)	(66,371)	(22,837)
Amount recovered	(560,013)	(391,096)	(514,999)	(274,148)
Amount written off	(787,600)	(1,118,358)	(749,844)	(1,044,495)
Exchange difference	(4,851)	(3,488)	(86)	(2,632)
At end of the year	4,080,226	4,151,770	3,774,831	3,484,877
Specific allowance	(1,658,949)	(1,768,802)	(1,561,079)	(1,513,739)
Net non-performing loans, advances and financing	2,421,277	2,382,968	2,213,752	1,971,138
Ratio of net non-performing loans, advances and financing to net loans, advances and financing	4.5%	4.9%	4.6%	5.2%

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
(vi) Movement in allowance for bad and doubtful debts				
<u>General allowance</u>				
At beginning of year	909,527	809,746	676,608	684,630
Amount vested over to RHB Islamic Bank	-	-	-	(77,059)
Amount vested over from RHB Delta Finance Bhd	-	-	107,790	-
Allowance made during the year	58,277	100,842	58,616	69,839
Exchange difference	(2,022)	(1,061)	600	(802)
At end of year	965,782	909,527	843,614	676,608
As % of gross loans, advances and financing less specific allowance	1.8%	1.9%	1.8%	1.8%
<u>Specific allowance</u>				
At beginning of year	1,768,802	2,377,714	1,513,739	2,187,574
Amount vested over to RHB Islamic Bank	-	-	-	(75,661)
Amount vested over from RHB Delta Finance Bhd	-	-	142,534	-
Allowance made during the year	920,750	714,759	890,579	610,002
Transferred to accumulated impairment losses for securities	(56,215)	(12,332)	(56,215)	(12,332)
Amount recovered	(235,109)	(184,758)	(228,855)	(142,102)
Amount written off	(736,414)	(1,125,044)	(701,689)	(1,052,879)
Amount transferred from other debtors	788	-	788	-
Exchange difference	(3,653)	(1,537)	198	(863)
At end of year	1,658,949	1,768,802	1,561,079	1,513,739

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

	Group		Bank	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
(vii) Non-performing loans, advances and financing by purpose				
Purchase of securities	33,103	76,025	33,053	75,905
Purchase of transport vehicles	391,338	295,827	389,443	557
Purchase of landed property:				
– Residential	1,282,014	1,135,648	1,102,680	978,088
– Non-residential	133,866	141,597	130,764	135,704
Purchase of property, plant and equipment other than land and building	102,341	104,634	36,979	581
Personal use	171,153	182,282	163,448	175,513
Credit card	45,484	36,500	45,484	36,500
Purchase of consumer durables	10,558	14,542	10,558	12,948
Construction	334,982	428,805	329,174	409,748
Working capital	1,547,366	1,700,739	1,519,361	1,657,009
Other purposes	28,021	35,171	13,887	2,324
	4,080,226	4,151,770	3,774,831	3,484,877

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

8 OTHER ASSETS

	Note	Group		Bank	
		31.12.2006	31.12.2005	31.12.2006	31.12.2005
		RM'000	RM'000	RM'000	RM'000
Other debtors, deposits and prepayments		242,775	191,992	179,871	160,350
Accrued interest receivable		186,827	152,660	174,883	137,825
Amount recoverable from BNM		1,379	1,705	–	–
Amount due from immediate holding company	(i)	20,451	28,254	20,091	27,894
Amount due from subsidiaries		–	–	146,438	309,992
Amount due from related companies		5,335	11,960	5,322	9,409
Derivative assets	17(iv)	167,044	43,838	165,022	43,563
		623,811	430,409	691,627	689,033

- (i) Amount due from immediate holding company is unsecured, bears interest at 6.0% (31.12.2005: 4.9%) per annum and has no fixed repayment terms.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

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 in the balance sheet:

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	251,720	240,038	210,747	171,138
Deferred tax liabilities	(17)	(8)	–	–
	251,703	240,030	210,747	171,138

The deferred tax assets and liabilities have been adjusted to take into account the reduction in tax rate to 27% in Year of Assessment 2007, 26% in Year of Assessment 2008 and thereafter, adjustments are made based on amounts of temporary differences expected to be reversed in the prospective years.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

9 DEFERRED TAXATION (CONTINUED)

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

Deferred tax assets/(liabilities)

Group	Property, plant & equipment RM'000	Securities available- for-sale RM'000	Temporary difference arising from leasing business RM'000	Tax losses RM'000	General allowance on loans, and financing advances RM'000	Other temporary differences RM'000	Total RM'000
31.12.2006							
At beginning of year	(26,636)	(3,295)	7,964	8,958	242,618	10,421	240,030
Charged to income statement	5,435	-	8,552	(4,518)	(700)	(733)	8,036
Charged to equity	-	3,533	-	-	-	-	3,533
Exchange difference	-	-	-	104	-	-	104
At end of year	(21,201)	238	16,516	4,544	241,918	9,688	251,703
31.12.2005							
At beginning of year	(33,010)	8,429	7,964	4,595	213,961	2,214	204,153
Charged to income statement	6,374	-	-	4,435	28,657	8,207	47,673
Charged to equity	-	(11,724)	-	-	-	-	(11,724)
Exchange difference	-	-	-	(72)	-	-	(72)
At end of year	(26,636)	(3,295)	7,964	8,958	242,618	10,421	240,030

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

9 DEFERRED TAXATION (CONTINUED)

Deferred tax assets

Bank	Property, plant & equipment	Securities available- for-sale	Tax losses	General allowance on loans, advances and financing	Other temporary differences	Total
31.12.2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of year	(25,162)	(3,142)	8,958	189,450	1,034	171,138
Amount vested over from RHB Delta Finance Bhd	(609)	(57)	-	30,185	6,379	35,898
Charged to income statement	5,327	-	(4,518)	(295)	(501)	13
Charged to equity	-	3,594	-	-	-	3,594
Exchange difference	-	-	104	-	-	104
At end of year	(20,444)	395	4,544	219,340	6,912	210,747
31.12.2005						
At beginning of year	(32,349)	8,542	4,595	191,696	(4,141)	168,343
Amount vested over to RHB Islamic Bank	-	-	-	(21,577)	-	(21,577)
Charged to income statement	7,187	-	4,435	19,331	5,175	36,128
Charged to equity	-	(11,684)	-	-	-	(11,684)
Exchange difference	-	-	(72)	-	-	(72)
At end of year	(25,162)	(3,142)	8,958	189,450	1,034	171,138

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

9 DEFERRED TAXATION (CONTINUED)

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Tax losses for which the related tax credit has not been recognised in the financial statements	2,485,966	2,600,059	213,893	327,986

10 STATUTORY DEPOSITS

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Statutory deposits with BNM	1,760,929	1,556,280	1,590,500	1,171,000
Statutory deposits with Monetary Authority of Singapore	70,530	58,040	70,530	58,040
Statutory deposits with Ministry of Finance, Brunei	4,285	4,705	4,285	4,705
	1,835,744	1,619,025	1,665,315	1,233,745

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 37(1) (c) of the Central Bank of Malaysia Act, 1958 (revised-1994), with the Ministry of Finance, Negara Brunei Darussalam in compliance with Section 6A of the Banking Act, and with the Monetary Authority of Singapore in compliance with Banking Act, Cap. 19 and Singapore Finance Companies Act, Cap. 108. The amounts are determined by the respective authorities.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

11 INVESTMENT IN SUBSIDIARIES

	Bank	
	31.12.2006	31.12.2005
	RM'000	RM'000
Unquoted shares, at cost		
– in Malaysia	1,748,327	2,309,220
– outside Malaysia	12,807	12,807
	1,761,134	2,322,027
Amount due to subsidiaries	(39,103)	(39,103)
Reclassified to goodwill upon acquisition of assets and liabilities of a subsidiary net of fair value adjustment	(892,012)	(892,012)
Impairment loss on investment in subsidiaries	(1,063)	(1,063)
	828,956	1,389,849

The following are the subsidiaries of the Bank:

	Paid-up capital	Effective interest		Principal activities
		2006	2005	
		%	%	
RHB Bank (L) Ltd	US\$54,000,000	100	100	Offshore banking
RHB Islamic Bank Berhad	RM523,424,002	100	100	Islamic Banking
RHB Capital Nominees (Tempatan) Sdn Bhd	RM10,000	100	100	Nominee services for Malaysian beneficial shareholders
– RHB Capital Nominees (Asing) Sdn Bhd	RM10,000	100	100	Nominee services for foreign beneficial shareholders

Notes to the Financial Statements

for the financial year ended 31 December 2006

11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Paid-up capital	Effective interest		Principal activities
		2006	2005	
		%	%	
UMBC Sdn Bhd	RM499,999,818	100	100	Dormant company
RHB Investment Ltd *	S\$19,000,000	100	100	Property investment and rental
Banfora Pte Ltd *	S\$25,000,000	100	100	Property investment and rental
RHB Bank Nominees Pte Ltd *	S\$100,000	100	100	Nominee services
USB Nominees Sdn Bhd	RM10,000	100	100	Dormant company
USB Nominees (Tempatan) Sdn Bhd	RM10,000	100	100	Dormant company
USB Nominees (Asing) Sdn Bhd	RM10,000	100	100	Dormant company
RHB Delta Sdn Bhd (formerly known as RHB Delta Finance Berhad)	RM175,000,000	100	100	Dormant company
RHB Delta Nominees (Tempatan) Sdn Bhd +	RM10,000	100	100	Dormant company
RHB Leasing Sdn Bhd +	RM10,000,000	100	100	Leasing and hire purchase
INFB Jaya Sdn Bhd	RM50,000,000	100	100	Dormant company
RHB Trade Services Limited #	HK\$2.00	100	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Paid-up capital	Effective interest		Principal activities
		2006	2005	
		%	%	
RHB Capital Properties Sdn Bhd	RM21,800,000	100	100	Property investment
Utama Gilang Sdn Bhd	RM800,000,000	100	100	Dormant company
Utama Assets Sdn Bhd	RM2,300,000	100	100	Property investment
U.B. Nominees (Tempatan) Sdn Bhd	RM10,000	100	100	Dormant company

* Subsidiaries companies audited by overseas firms associated with PricewaterhouseCoopers, Malaysia.

Subsidiary not audited by PricewaterhouseCoopers.

+ On 1 January 2006, the operations of RHB Delta Sdn Bhd (formerly known as RHB Delta Finance Berhad) was merged into RHB Bank Berhad. Pursuant to the merger exercise, RHB Delta Nominees (Tempatan) Sdn Bhd and RHB Leasing Sdn Bhd which were previously direct subsidiaries of RHB Delta Sdn Bhd, became direct subsidiaries of the Bank.

All of the subsidiaries are incorporated in Malaysia except for RHB Investment Ltd, Banfora Pte Ltd and RHB Bank Nominees Pte Ltd which are incorporated in Singapore, and RHB Trade Services Limited which is incorporated in Hong Kong.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

12 INVESTMENT IN AN ASSOCIATE

	Group	
	31.12.2006	31.12.2005
	RM'000	RM'000
Unquoted shares, at cost	3,315	3,315
Share of post acquisition profit	1,368	883
	4,683	4,198
<hr/>		
Represented by:		
Share of net assets	4,683	4,198
	<hr/>	

The details of the associate are as follows:

Name of company	Country of incorporation	Paid-up share capital RM	Effective equity interest		Principal activity
			2006	2005	
			%	%	
CMS Trust Management Berhad*	Malaysia	6,765,300	49	49	Management of unit trust funds

* Shareholding held by a subsidiary company, Utama Gilang Sdn. Bhd.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

12 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Based on effective equity interest as of year end, the financial positions of the associate are as follows:

Name of company	Assets RM'000	Liabilities RM'000	Revenue RM'000	Profit after taxation RM'000
2006				
CMS Trust Management Berhad	6,090	1,407	6,238	485
2005				
CMS Trust Management Berhad	5,133	935	5,304	314

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

13 PROPERTY, PLANT AND EQUIPMENT

Group

31.12.2006	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
Cost									
Balance as at beginning of financial year	86,790	1,047	128,831	284,760	126,325	164,291	621,886	13,953	1,427,883
Exchange differences	19	-	1,203	554	35	159	192	19	2,181
Additions	-	-	-	2,472	8,302	1,513	53,631	1,343	67,261
Reclassifications	-	-	-	(22,772)	5,315	17,461	(4)	-	-
Disposals/written off	(602)	-	(4,995)	(9,397)	(27)	(2,336)	(17,620)	(3,364)	(38,341)
Balance as at end of financial year	86,207	1,047	125,039	255,617	139,950	181,088	658,085	11,951	1,458,984
Less: Accumulated depreciation									
Balance as at beginning of financial year	-	412	4,067	38,671	89,236	157,895	471,196	11,137	772,614
Exchange differences	-	-	-	120	(16)	144	95	19	362
Charge for the year	-	28	407	6,371	5,381	8,435	64,026	1,089	85,737
Reclassifications	-	-	-	(88)	88	-	-	-	-
Disposals/written off	-	-	(378)	(2,362)	(20)	(2,334)	(17,498)	(3,357)	(25,949)
Balance as at end of financial year	-	440	4,096	42,712	94,669	164,140	517,819	8,888	832,764
Less: Impairment loss									
Balance as at beginning of financial year	-	-	23,535	3,495	-	-	-	-	27,030
Charge for the year	1,136	-	-	1,342	-	-	-	-	2,478
Disposals	-	-	-	(310)	-	-	-	-	(310)
Written back	-	-	(1,827)	(174)	-	-	-	-	(2,001)
Exchange differences	-	-	252	(18)	-	-	-	-	234
Balance as at end of financial year	1,136	-	21,960	4,335	-	-	-	-	27,431
Net book value as at end of financial year	85,071	607	98,983	208,570	45,281	16,948	140,266	3,063	598,789

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

31.12.2005	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
Cost									
Balance as at beginning of financial year	86,825	1,047	134,372	284,544	120,517	165,736	585,997	16,081	1,395,119
Exchange differences	(35)	-	(2,242)	(1,174)	(195)	(348)	(454)	(46)	(4,494)
Additions	-	-	-	3,518	8,509	4,390	45,130	1,411	62,958
Reclassifications	-	-	-	-	(1,355)	(217)	1,572	-	-
Disposals/written off	-	-	(3,299)	(2,128)	(1,151)	(5,270)	(10,359)	(3,493)	(25,700)
Balance as at end of financial year	86,790	1,047	128,831	284,760	126,325	164,291	621,886	13,953	1,427,883
Less: Accumulated depreciation									
Balance as at beginning of financial year	-	384	3,842	34,597	82,359	155,425	412,150	13,037	701,794
Exchange differences	-	-	(1)	(238)	(119)	(321)	(252)	(41)	(972)
Charge for the year	-	28	444	4,750	8,077	9,392	68,161	1,319	92,171
Reclassifications	-	-	-	-	-	(1,442)	1,442	-	-
Disposals/written off	-	-	(218)	(438)	(1,081)	(5,159)	(10,305)	(3,178)	(20,379)
Balance as at end of financial year	-	412	4,067	38,671	89,236	157,895	471,196	11,137	772,614
Less: Impairment loss									
Balance as at beginning of financial year	-	-	24,005	3,508	-	-	-	-	27,513
Exchange differences	-	-	(470)	(13)	-	-	-	-	(483)
Balance as at end of financial year	-	-	23,535	3,495	-	-	-	-	27,030
Net book value as at end of financial year	86,790	635	101,229	242,594	37,089	6,396	150,690	2,816	628,239

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Bank**

	Freehold land	Leasehold land				Office equipment and furniture	Computer equipment and software	Motor vehicles	Total
	RM'000	Less than 50 years	50 years or more	Buildings	Renovations	RM'000	RM'000	RM'000	RM'000
31.12.2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
Balance as at beginning of financial year	80,574	879	31,000	232,518	117,775	156,132	605,222	11,583	1,235,683
Amount vested over from RHB Delta Finance Bhd	2,867	-	-	2,526	4,450	4,050	10,694	1,488	26,075
Exchange differences	17	-	-	274	117	204	276	22	910
Additions	-	-	-	2,352	7,136	1,368	53,326	1,241	65,423
Reclassifications	-	-	-	(22,772)	5,315	17,461	(4)	-	-
Disposals/written off	(602)	-	(4,995)	(6,805)	(27)	(2,296)	(17,614)	(3,215)	(35,554)
Balance as at end of financial year	82,856	879	26,005	208,093	134,766	176,919	651,900	11,119	1,292,537
Less: Accumulated depreciation									
Balance as at beginning of financial year	-	330	2,809	31,605	86,128	151,715	462,261	9,889	744,737
Amount vested over from RHB Delta Finance Bhd	-	-	-	556	1,604	3,008	6,366	984	12,518
Exchange differences	-	-	-	108	67	196	178	19	568
Charge for the year	-	24	352	5,874	5,330	8,126	63,386	947	84,039
Reclassifications	-	-	-	(88)	88	-	-	-	-
Disposals/written off	-	-	(378)	(1,681)	(20)	(2,295)	(17,492)	(3,207)	(25,073)
Balance as at end of financial year	-	354	2,783	36,374	93,197	160,750	514,699	8,632	816,789
Less: Impairment loss									
Balance as at beginning of financial year	-	-	3,987	526	-	-	-	-	4,513
Charge for the year	-	-	-	1,342	-	-	-	-	1,342
Written back	-	-	(1,827)	(174)	-	-	-	-	(2,001)
Balance as at end of financial year	-	-	2,160	1,694	-	-	-	-	3,854
Net book value as at end of financial year	82,856	525	21,062	170,025	41,569	16,169	137,201	2,487	471,894

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank

31.12.2005	Freehold	Leasehold land		Buildings	Renovations	Office	Computer	Motor	Total
	land	Less than	50 years			equipment	equipment		
	RM'000	50 years	or more	RM'000	RM'000	and	and	vehicles	RM'000
		RM'000	RM'000			furniture	software		
				RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
Balance as at beginning of financial year	80,606	879	34,299	231,483	114,735	154,645	575,773	12,901	1,205,321
Amount vested over to RHB Islamic Bank	-	-	-	-	(264)	(450)	(1,393)	(232)	(2,339)
Exchange differences	(32)	-	-	(510)	(188)	(290)	(443)	(46)	(1,509)
Additions	-	-	-	3,495	4,889	3,627	39,675	827	52,513
Reclassification	-	-	-	-	(1,355)	1,355	-	-	-
Disposals/written off	-	-	(3,299)	(1,950)	(42)	(2,755)	(8,390)	(1,867)	(18,303)
Balance as at end of financial year	80,574	879	31,000	232,518	117,775	156,132	605,222	11,583	1,235,683
Less: Accumulated depreciation									
Balance as at beginning of financial year	-	306	2,638	28,004	78,755	146,379	405,938	10,961	672,981
Amount vested over to RHB Islamic Bank	-	-	-	-	(204)	(429)	(875)	(225)	(1,733)
Exchange differences	-	-	-	(194)	(112)	(282)	(241)	(39)	(868)
Charge for the year	-	24	389	4,188	7,697	8,723	65,813	885	87,719
Disposals/written off	-	-	(218)	(393)	(8)	(2,676)	(8,374)	(1,693)	(13,362)
Balance as at end of financial year	-	330	2,809	31,605	86,128	151,715	462,261	9,889	744,737
Less: Impairment loss									
Balance as at beginning/end of financial year	-	-	3,987	526	-	-	-	-	4,513
Net book value as at end of financial year	80,574	549	24,204	200,387	31,647	4,417	142,961	1,694	486,433

Included in the net book value of office equipment and furniture is an amount of RM1,041,827 (31.12.2005: RM1,753,457) which is acquired under finance lease from subsidiaries.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation and impairment loss				
Balances as at beginning of financial year	799,644	729,307	749,250	677,494
Balances as at end of financial year	860,195	799,644	820,643	749,250

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

	Group and Bank	
	31.12.2006	31.12.2005
	RM'000	RM'000
Cost		
Renovations	7,802	5,013
Computer equipment & software	32,530	12,750
	40,332	17,763

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

14 GOODWILL

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Balance as at beginning of financial year	1,004,017	1,018,435	892,012	892,950
Fair value adjustment on assets acquired in previous year	-	(938)	-	(938)
Accumulated amortisation	-	(13,480)	-	-
Acquisition of assets and liabilities of a subsidiary	-	-	13,507	-
Balance as at end of financial year	1,004,017	1,004,017	905,519	892,012

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

	Group RM'000
Cash generating units ('CGUs')	
Wholesale banking	375,636
Retail banking	307,919
Treasury and money market	268,600
Islamic Banking business	51,862
	<u>1,004,017</u>

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

14 GOODWILL (CONTINUED)

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets/forecasts approved by directors covering a five-year period. Cash flows beyond the five-year period are assumed to remain the same as in year five to infinity.

The cash flow projection is derived based on a number of key factors including the past performance and the management's expectations of the market developments. The discount rate used in determining the recoverable amount of all CGUs within the business segment is 10.1%. The discount rate used is pre-tax and computed based on industry information to reflect the risks of the CGUs.

No impairment charge was required for goodwill arising from all the business segments. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount of all the business segments to be lower than its carrying amount.

15 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Demand deposits	15,691,206	13,671,301	13,097,838	12,240,434
Savings deposits	4,861,397	4,722,989	4,375,173	4,190,874
Fixed/investment deposits	32,480,252	28,276,770	27,708,037	22,521,116
Negotiable instrument of deposits	2,752,461	2,033,774	2,610,050	1,891,850
	55,785,316	48,704,834	47,791,098	40,844,274

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

15 DEPOSITS FROM CUSTOMERS (CONTINUED)

- (i) The maturity structure of the fixed/investment deposits and negotiable instrument of deposits is as follows:

	Group		Bank	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Due within six months	27,773,770	23,803,198	23,154,016	18,503,869
Six months to one year	7,044,135	5,998,681	6,846,323	5,578,955
One year to three years	191,526	418,741	103,496	304,142
Three years to five years	223,282	86,059	214,252	26,000
Over five years	–	3,865	–	–
	35,232,713	30,310,544	30,318,087	24,412,966

- (ii) The deposits are sourced from the following classes of customers:

	Group		Bank	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Government and statutory bodies	3,889,695	3,181,957	2,224,873	1,973,312
Business enterprises	27,326,028	21,805,579	21,897,020	17,153,977
Individuals	22,674,291	22,823,334	21,916,491	21,563,514
Others	1,895,302	893,964	1,752,714	153,471
	55,785,316	48,704,834	47,791,098	40,844,274

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Licensed banks	8,161,117	7,089,159	7,840,785	6,462,596
Licensed finance companies	–	62,770	–	62,770
Licensed merchant banks	71,286	438,787	2,500	438,787
BNM	1,185,713	948,947	1,185,471	948,695
Other financial institutions	458,377	2,057,994	304,080	1,857,890
	9,876,493	10,597,657	9,332,836	9,770,738

17 OTHER LIABILITIES

	Note	Group		Bank	
		31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Accrued interest payable		423,386	314,599	391,560	270,062
Accruals for operational expenses		131,950	120,551	127,238	110,735
Amount due to holding company		400	1,783	341	1,783
Amount due to subsidiaries		–	–	24,723	79,710
Amount due to related companies		1,866	1,955	1,761	1,095
Amount due to BNM	(i)	296,129	256,738	296,129	256,681
Amount due to Danaharta	(ii)	1,725	1,909	1,725	1,909
Finance lease	(iii)	–	–	1,172	1,642
Prepaid instalment		61,889	51,594	61,889	1,356
Lessee deposits		82,778	80,935	650	12
Derivative liabilities	(iv)	143,668	66,059	136,243	54,253
Short term employee benefits		94,621	58,454	86,255	54,530
Other accruals and charges		446,562	409,299	296,171	240,455
		1,684,974	1,363,876	1,425,857	1,074,223

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

17 OTHER LIABILITIES (CONTINUED)

- (i) The 'Amount due to BNM' mainly comprises collections on ex-Sime Bank's non performing loans sold to BNM which are managed by the Bank. Amount due to BNM was subject to interest at rates ranging from 3.21% to 3.70% (31.12.2005: 2.79% to 2.88%) per annum.
- (ii) The 'Amount due to Danaharta' mainly comprises collections on ex-Sime Bank's overseas branches non-performing loans sold to Danaharta which is managed by the overseas branches.
- (iii) The minimum lease payments of the Bank:

	Bank	
	31.12.2006	31.12.2005
	RM'000	RM'000
Not later than 1 year	579	578
Later than 1 year and not later than 5 years	699	1,279
	1,278	1,857
Future finance charges	(106)	(215)
Present value	1,172	1,642

Finance lease are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The effective interest rates of the finance leases at balance sheet date is 7.67% (31.12.2005: 7.67%) per annum.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

17 OTHER LIABILITIES (CONTINUED)

(iv) Derivative assets/liabilities

	Note	Group		Bank	
		31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Derivative assets	8	167,044	43,838	165,022	43,563
Derivative liabilities		(143,668)	(66,059)	(136,243)	(54,253)
		23,376	(22,221)	28,779	(10,690)

Group	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
31.12.2006			
Foreign exchange related contracts:			
– forwards/swaps	13,686,801	107,946	81,428
– options	45,390	1,512	1,208
– cross currency interest rate swaps	683,017	21,798	20,996
Interest rate related contracts:			
– futures	100,000	139	–
– swaps	3,948,397	35,649	40,036
		167,044	143,668

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

17 OTHER LIABILITIES (CONTINUED)

(iv) Derivative assets/liabilities (continued)

Group	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
31.12.2005			
Foreign exchange related contracts:			
– forwards/swaps	6,939,216	13,305	16,093
– options	929,564	20,149	19,759
– cross currency interest rate swaps	188,975	167	59
Interest rate related contracts:			
– futures	151,000	136	3
– swaps	3,542,403	10,081	30,145
		<u>43,838</u>	<u>66,059</u>
Bank			
31.12.2006			
Foreign exchange related contracts:			
– forwards/swaps	13,686,262	107,946	81,428
– options	45,390	1,512	1,208
– cross currency interest rate swaps	683,017	21,798	20,996
Interest rate related contracts:			
– futures	100,000	139	–
– swaps	3,547,558	33,627	32,611
		<u>165,022</u>	<u>136,243</u>

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

17 OTHER LIABILITIES (CONTINUED)

(iv) Derivative assets/liabilities (continued)

Bank	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
31.12.2005			
Foreign exchange related contracts:			
– forwards/swaps	6,927,886	13,305	16,093
– options	929,564	20,148	19,759
– cross currency interest rate swaps	188,975	167	59
Interest rate related contracts:			
– futures	151,000	136	3
– swaps	3,330,740	9,807	18,339
		<u>43,563</u>	<u>54,253</u>

18 LONG TERM BORROWINGS

	Group and Bank	
	31.12.2006	31.12.2005
	RM'000	RM'000
Term loan	<u>282,400</u>	–

On 7 April 2006, the Bank entered into an agreement with Japan Bank for International Cooperation (JBIC), to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 11 years. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing on 8 March 2008 until 8 September 2017 and bears a floating interest rate of British Bankers Association Interest Settlement Rate in USD (BBA LIBOR) plus 0.395% per annum. The average interest rates ranging from 5.81% to 6.02% per annum.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

19 SUBORDINATED OBLIGATIONS

	Group and Bank	
	31.12.2006	31.12.2005
	RM'000	RM'000
RM Subordinated Bonds 2002/2012	800,000	800,000
USD150 million Subordinated Notes 2002/2013	529,500	566,925
	1,329,500	1,366,925
Less: Unaccreted discount	(1,342)	(1,673)
	1,328,158	1,365,252

(i) RM Subordinated Bonds

On 24 December 2002, the Bank issued a RM800 million nominal value 10 year redeemable unsecured Subordinated Bonds ('Sub-Bonds'). The Sub-Bonds are due in 2012. The Sub-Bonds may be redeemed at par at the option of the Bank on its fifth anniversary date ('First Redemption Date') or on each anniversary of the First Redemption Date up to the maturity date.

Interest on the Sub-Bonds shall be accrued at 6.85% per annum for the first five years ('Initial Coupon'). From the First Redemption Date onwards until maturity date, the coupon rate shall be increased by 1.5% above the Initial Coupon rate or be equivalent to the base lending rate of Malayan Banking Berhad prevailing as at the First Redemption Date plus 1.5% whichever is higher. Interest is payable semi-annually in arrears from the date of issuance until maturity date.

The Sub-Bonds constitute direct, unconditional, subordinated and unsecured obligations of the Bank, and will rank pari passu without any preference among themselves.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

19 SUBORDINATED OBLIGATIONS (CONTINUED)

(ii) USD Subordinated Notes

On 27 December 2002, the Bank issued a USD150 million nominal value (RM570 million equivalent) 10 year Subordinated Notes ('Sub-Notes') due 2013, callable with step-up in 2008 at 6.625% maturing on 25 January 2013. The Bank may at its option, subject to prior written approval of Bank Negara Malaysia, redeem the Sub-Notes on 25 January 2008 at their principal amount plus accrued interest. In addition, the Bank may at its option, subject to prior written approval as aforesaid, redeem the Sub-Notes at any time at their principal amount plus accrued interest in the event of certain changes affecting taxation in Malaysia as described under the "Terms and Conditions of the Notes – Redemption and Purchase".

Interest on the Notes shall be accrued at 6.625% per annum from issue date to, but excluding 25 January 2008 and, thereafter, at rate per annum equal to the US Treasury Rate (as defined under "Terms and Conditions of the Notes – Interest") plus 6.475%. Interest is payable in arrears on 25 July and 25 January in each year, commenced on 25 July 2003.

The Sub-Notes constitute direct, unsecured and subordinated obligations of the Bank, and will rank *pari passu* with the RM800 million Sub-Bonds due 2012. The Sub-Notes will rank *pari passu* without any preference among themselves.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

20 IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES ('INCPS')

	Number of shares			
	31.12.2006 '000	31.12.2005 '000	31.12.2006 RM'000	31.12.2005 RM'000
Bank				
Authorised:				
<u>Irredeemable non-cumulative</u>				
<u>convertible</u>				
<u>Preference shares of RM1 each</u>				
As at beginning/end of				
financial year	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid:				
<u>Irredeemable non-cumulative</u>				
<u>convertible</u>				
<u>Preference shares of RM1 each</u>				
As at beginning/end of				
financial year	1,368,099	1,368,099	1,368,099	1,368,099

The salient features of the Irredeemable Non-Cumulative Convertible Preference Shares ('INCPS') are:

- (i) A non-cumulative preferential dividend (less tax) at the following rates:
 - (a) for the period from the date of issue of INCPS to the day preceding the fifth anniversary date of issue of the INCPS, a non-cumulative preferential dividend at the rate of 8% (less tax) per annum; and
 - (b) thereafter, a non-cumulative preferential dividend at the rate of 10% (less tax) per annum.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

20 IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES ('INCPS') (CONTINUED)

- (ii) Save and except that the INCPS shall rank in priority to the Bank ordinary shares with regards to the preferential dividend, and with regards to the return of capital in the event of winding-up, the INCPS have no right to participate in the surplus assets and profits of the Bank.
- (iii) The INCPS carry no right to attend and vote at general meetings of the Bank unless the dividends on the INCPS are in arrears for more than 3 months or the general meeting is:
 - (a) for any resolution which varies or is deemed to vary the rights and privileges of such INCPS; or
 - (b) for any resolution for winding up of the Bank.
- (iv) Holders of the INCPS have the option of converting the INCPS into new Bank ordinary shares in the first 5 years from the date of issue of the INCPS (Conditional Conversion Period) should:
 - (a) the Bank ceases to be a subsidiary of RHB Capital Berhad; or
 - (b) the risk weighted capital adequacy ratio of the Bank fall to a level at or below 8.5% and this is not remedied within 3 months from the occurrence of such event; or
 - (c) at any time the aggregate of dividends which are missed and not paid exceed 4% of the par value of the INCPS, or
 - (d) at any time after the Conditional Conversion Period, at the Optional Conversion Price. The Optional Conversion Price means the consolidated net assets per Bank ordinary share based on its consolidated management financial statements immediately preceding the date of conversion multiplied by 1.2 times. The Optional Conversion Price is subject to adjustments under certain circumstances in accordance with the terms of the INCPS.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

20 IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES ('INCPS') (CONTINUED)

- (v) In the event the Bank undertakes an initial public offering of shares for the purpose of seeking a listing on the Bursa Malaysia Securities Berhad, the outstanding INCPS will be mandatorily converted based on a specified price which would yield a return of 12% per annum on the INCPS.

21 ORDINARY SHARE CAPITAL

Number of shares

31.12.2006	31.12.2005	31.12.2006	31.12.2005
RM'000	RM'000	RM'000	RM'000

Group and Bank

Authorised:

Ordinary shares of 50 sen each

As at beginning/end of
financial year

8,000,000	8,000,000	4,000,000	4,000,000
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Issued and fully paid:

Ordinary shares of 50 sen each

As at beginning/end of
financial year

3,899,972	3,899,972	1,949,986	1,949,986
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22 RESERVES

The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989, and Section 18 of the Singapore Finance Companies (Amendment) Act 1994, and are not distributable as cash dividends.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act 1999 to pay dividends out of its entire retained profits as at 31 December 2006.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

23 INTEREST INCOME

	Group		Bank	
	Year ended 31.12.2006	Year ended 31.12.2005	Year ended 31.12.2006	Year ended 31.12.2005
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
– Interest income other than recoveries from NPLs	2,764,571	2,305,080	2,654,698	1,828,077
– Recoveries from NPLs	212,126	174,938	208,865	159,885
Money at call and deposit placements with banks and other financial institutions	427,383	351,797	423,838	391,738
Securities purchased under resale agreement	176,014	30,385	176,014	30,385
Securities held for trading	42,422	28,908	29,510	19,619
Securities available-for-sale	71,226	52,111	69,192	50,314
Securities held-to-maturity	555,098	428,224	541,065	407,709
Others	3,613	1,719	3,613	1,719
	4,252,453	3,373,162	4,106,795	2,889,446
Amortisation of premium less accretion of discount	(12,382)	(12,035)	(12,382)	(9,700)
Interest suspended clawback	(100,814)	(72,438)	(99,841)	(55,475)
	4,139,257	3,288,689	3,994,572	2,824,271

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

24 INTEREST EXPENSE

	Group		Bank	
	Year ended	Year ended	Year ended	Year ended
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	297,096	149,980	296,762	152,110
Deposits from customers	1,447,514	1,146,651	1,372,572	1,033,696
Subordinated obligations	91,815	92,549	91,815	92,549
Recourse obligation on loans sold to Cagamas	150,589	156,769	150,589	95,923
Obligation on securities sold under repurchase agreements	205,093	112,005	205,093	110,600
Others	42,922	31,940	41,631	34,320
	2,235,029	1,689,894	2,158,462	1,519,198

25 OTHER OPERATING INCOME

	Group		Bank	
	Year ended	Year ended	Year ended	Year ended
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Fee income				
Commission	113,112	102,173	111,844	100,227
Service charges and fees	143,921	147,312	136,892	133,839
Guarantee fees	37,260	27,628	37,260	27,623
Commitment fees	41,615	37,291	41,615	37,291
Underwriting fees	1,245	1,335	1,245	1,335
Other fees	12,495	13,681	12,845	14,131
	349,648	329,420	341,701	314,446

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

25 OTHER OPERATING INCOME (CONTINUED)

	Group		Bank	
	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
Gain arising from sale/ redemption of securities				
Net gain/(loss) from sale of:				
– Securities held for trading	29,243	13,612	28,956	13,612
– Securities available-for-sale	(768)	32,242	(768)	32,242
Net gain from redemption of securities held-to-maturity	60	14,042	–	14,042
	28,535	59,896	28,188	59,896
Gross dividend income				
Securities available-for-sale	3,625	3,590	3,625	3,513
Subsidiaries	–	–	67,656	34,055
	3,625	3,590	71,281	37,568
Unrealised gains/(losses) on revaluation				
Securities held for trading	(2,991)	(10,375)	1,135	2,260
Derivatives	16,378	5,612	10,248	(6,173)
	13,387	(4,763)	11,383	(3,913)
Other income				
Foreign exchange gain/(loss)				
– realised	147,788	149,750	143,508	147,633
– unrealised	29,219	(16,935)	29,221	(16,935)
Gain on disposal of property, plant and equipment	3,874	1,112	4,142	755
Other operating income	32,325	34,821	31,595	34,165
Other non-operating income	9,119	3,362	7,821	2,948
	222,325	172,110	216,287	168,566
	617,520	560,253	668,840	576,563

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

26 INCOME FROM ISLAMIC BANKING BUSINESS

	Group		Bank	
	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000	Year ended* 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
Income derived from investment of depositors' funds	330,642	261,588	–	50,395
Income derived from investment of shareholder's funds	88,259	39,572	–	5,358
Transfer to profit equalisation reserve	(1,563)	(13,277)	–	(5,275)
Total distributable income	417,338	287,883	–	50,478
Income attributable to depositors	(181,239)	(140,248)	–	(26,793)
Income from Islamic Banking business	236,099	147,635	–	23,685

* Note

The nil results is due to Islamic Banking business of RHB Bank being vested over to RHB Islamic Bank, a wholly owned subsidiary, which was incorporated on 2 February 2005. The vesting took effect on 16 March 2005 which is also the date RHB Islamic Bank Berhad began its operations.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

27 OTHER OPERATING EXPENSES

	Group		Bank	
	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
Personnel cost				
– Salaries, allowances and bonuses	496,081	444,308	464,966	399,780
– Contributions to Employees Provident Fund	71,766	67,812	67,473	62,395
– Other staff related cost	72,740	51,307	70,276	40,924
	640,587	563,427	602,715	503,099
Establishment cost				
– Property, plant and equipment				
– Depreciation	85,737	92,171	84,039	87,719
– Loss on disposal	77	67	77	67
– Written off	10	41	10	3
– Rental of premises	41,042	40,781	41,235	38,964
– Rental equipment	9,719	6,238	9,478	6,115
– Insurance	19,517	12,779	18,767	12,042
– Water and electricity	14,809	14,452	13,696	13,023
– Repair and maintenance	40,673	40,881	39,651	39,168
– Information technology expenses	89,648	70,836	83,682	65,851
– Others	1,856	2,221	–	–
	303,088	280,467	290,635	262,952

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

27 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
Marketing expenses				
- Sales commission	20,094	18,236	20,056	18,206
- Advertisement and publicity	29,905	36,928	28,126	32,458
- Dealers' handling and warranty fees	40,492	51,741	40,424	-
- Others	49,206	43,090	47,876	41,631
	139,697	149,995	136,482	92,295
Administration and general expenses				
- Communication expenses	64,642	70,765	60,248	60,681
- Auditors' remuneration (i)	2,128	2,184	1,820	1,747
- Others	58,739	36,743	19,053	9,270
	125,509	109,692	81,121	71,698
	1,208,881	1,103,581	1,110,953	930,044

Included in the personnel cost of the Group and the Bank are Directors' remuneration (exclude benefits-in-kind) totalling RM5,323,000 (31.12.2005: RM4,594,000) and RM4,541,000 (31.12.2005: RM4,021,000) respectively, as disclosed in Note 28.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

27 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
(i) PricewaterhouseCoopers (‘PwC’) Malaysian Firm				
Statutory audit	1,149	1,199	920	880
Fee for other services				
– Limited reviews	250	200	250	200
– Other services	125	148	113	94
Affiliates of PwC Malaysian firm (including overseas PwC firm) Statutory audit	604	637	537	573
	2,128	2,184	1,820	1,747

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

28 REMUNERATION OF CHIEF EXECUTIVE OFFICER ('CEO') AND DIRECTORS

Forms of remuneration in aggregate for the CEO and all directors charged to the income statement during the financial year are as follows:

	Group		Bank	
	Year ended 31.12.2006	Year ended 31.12.2005	Year ended 31.12.2006	Year ended 31.12.2005
	RM'000	RM'000	RM'000	RM'000
CEO and Executive Director*				
– Salary and other remuneration, including meeting allowance	1,800	2,195	1,800	2,195
– Benefits-in-kind (based on an estimated money value)	190	190	190	190
– Bonus	1,125	270	1,125	270
– Others	–	72	–	72
Non-Executive Directors				
– Fees	1,248	551	847	351
– Benefits-in-kind (based on an estimated money value)	65	86	65	86
– Others	1,150	1,506	769	1,133
	5,578	4,870	4,796	4,297

The remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind during the financial year amounted to RM3,115,116 (31.12.2005: RM1,922,965).

* Executive Director was in respect of previous year only.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

28 REMUNERATION OF CHIEF EXECUTIVE OFFICER ('CEO') AND DIRECTORS (CONTINUED)

CEO

Michael J. Barrett

The Directors of the Bank in office since the date of the last report are as follows:

Non-executive Directors

Datuk Azlan Zainol

(Chairman)

Dato Abdullah Mat Noh

(Deputy Chairman)

Tuan Haji Khairuddin Ahmad

Dato' Vaseehar Hassan Abdul Razack

Dato' Mohd Salleh Haji Harun

Dato' Othman Jusoh

Prof Balachandran A. Shanmugam

Johari Abdul Muid

Ismael Fariz Ali

Dato' Mohamed Khadar Merican

Ong Seng Pheow

(Appointed on 20 November 2006)

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

28 REMUNERATION OF CHIEF EXECUTIVE OFFICER ('CEO') AND DIRECTORS (CONTINUED)

The remuneration including benefits-in-kind of the Directors is within the following bands:

RM	Group		Bank	
	2006 Number of Directors	2005 Number of Directors	2006 Number of Directors	2005 Number of Directors
Executive				
700,001 – 750,000	–	1	–	1
Non-Executive				
0 – 50,000	1	–	1	1
50,001 – 100,000	2	3	2	5
100,001 – 150,000	2	2	5	2
150,001 – 200,000	2	3	2	1
200,001 – 250,000	2	–	–	1
250,001 – 300,000	1	1	1	–
300,001 – 350,000	–	1	–	–
350,001 – 400,000	1	–	–	–
400,001 – 450,000	–	–	–	–
450,001 – 500,000	–	–	–	1
500,001 – 550,000	–	–	–	–
550,001 – 600,000	–	1	–	–

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

29 ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group		Bank	
	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000	Year ended 31.12.2006 RM'000	Year ended 31.12.2005 RM'000
Allowance for losses on loans and financing				
Specific allowance				
– Made during the financial year	920,750	714,759	890,579	610,002
– Written back	(235,109)	(184,758)	(228,855)	(142,102)
General allowance				
– Made during the financial year	58,277	100,842	58,616	69,839
Bad debts on loans and financing				
– Recovered	(76,502)	(56,976)	(76,381)	(55,901)
– Written off	(120)	–	–	–
	667,296	573,867	643,959	481,838
Amount recoverable from Danaharta				
– Recovered	–	(78,795)	–	(78,795)
	667,296	495,072	643,959	403,043

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

29 ALLOWANCE FOR LOSSES ON LOANS AND FINANCING (CONTINUED)

The Group and the Bank have 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 RM156,281,000 (31.12.2005: RM167, 629,000) and RM126,104,000 (31.12.2005: RM160,927,000) for the Group and the Bank respectively.

In addition, during the year, the Group and the Bank's basis for specific allowance has changed from default period of 6 months to 3 months in line with its non-performing classification of loans and financing. The additional specific allowance due to this change amounted to RM45,511,000 and RM43,511,000 for the Group and the Bank respectively.

30 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group		Bank	
	Year ended 31.12.2006	Year ended 31.12.2005	Year ended 31.12.2006	Year ended 31.12.2005
	RM'000	RM'000	RM'000	RM'000
Charged for the financial year				
– Securities available-for-sale	46,385	103,565	46,385	103,416
– Securities held-to-maturity	34,758	13,533	34,758	14,596
– Property, plant and equipment	2,478	–	1,342	–
Reversal for the financial year				
– Securities available-for-sale	(35,446)	(7,796)	(35,446)	(7,796)
– Securities held-to-maturity	(9,574)	(25,013)	(9,574)	(16,312)
– Property, plant and equipment	(2,001)	–	(2,001)	–
	36,600	84,289	35,464	93,904

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

31 INCPS DIVIDENDS

	Group and Bank	
	Year ended	Year ended
	31.12.2006	31.12.2005
	RM'000	RM'000
INCPS		
Annual gross dividend of 10% (31.12.2005: 10%)	136,810	136,842

The INCPS dividends are paid in accordance with the terms of the INCPS (refer to Note 20).

32 TAXATION

	Group		Bank	
	Year ended	Year ended	Year ended	Year ended
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
– Current year	249,272	207,353	222,712	158,432
– Under/(over) provision in prior years	1,793	(12,399)	–	(12,192)
Overseas taxation:				
– Current year	1,451	795	1,410	734
– Over provision in prior years	(110)	(895)	(83)	(844)
Tax refund	–	(32)	–	–
Deferred taxation (note 9)	(8,036)	(47,673)	(13)	(36,128)
Tax on INCPS dividends	(38,307)	(38,594)	(38,307)	(38,316)
	206,063	108,555	185,719	71,686

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

32 TAXATION (CONTINUED)

	Group		Bank	
	Year ended 31.12.2006	Year ended 31.12.2005	Year ended 31.12.2006	Year ended 31.12.2005
	RM'000	RM'000	RM'000	RM'000
Current tax				
Current year	250,723	208,148	224,122	159,166
Under/(over) provision in prior years	1,683	(13,294)	(83)	(13,036)
Tax refund	–	(32)	–	–
Tax on INCPS dividends	(38,307)	(38,594)	(38,307)	(38,316)
	214,099	156,228	185,732	107,814
Deferred tax				
Origination and reversal of temporary differences	(28,643)	(47,673)	(18,256)	(36,128)
Change in tax rate	16,089	–	13,725	–
Reversal of previously recognised deferred tax assets	4,518	–	4,518	–
	(8,036)	(47,673)	(13)	(36,128)

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

32 TAXATION (CONTINUED)

The numerical reconciliation between the average effective tax rate and the applicable tax rate are as follows:-

	Group		Bank	
	Year ended 31.12.2006	Year ended 31.12.2005	Year ended 31.12.2006	Year ended 31.12.2005
	%	%	%	%
Group and Bank average applicable tax rate	28.0	28.0	28.0	28.0
Tax effects in respect of:-				
Non allowable expenses	2.1	2.7	2.4	3.4
Non-taxable income	(0.5)	(0.1)	(1.0)	(2.8)
Effect of different tax rates in Labuan/other countries	(2.2)	(3.4)	(0.1)	(0.4)
Utilisation of unabsorbed business losses brought forward previously not recognised	(0.1)	(1.5)	(0.1)	(2.2)
Changes in tax rates	2.7	–	2.9	–
Other temporary differences not recognised in prior years	(1.1)	(0.5)	–	(1.2)
Under/(over) provision in prior years	0.2	(2.7)	–	(3.8)
Average effective tax rate	29.1	22.5	32.1	21.0
	RM'000	RM'000	RM'000	RM'000
Tax losses:				
Tax savings as a result of the utilisation of tax losses brought forward from previous year for which the related credit is recognised during the financial year	5,103	7,466	5,103	7,466

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

33 EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

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

	Group		Bank	
	Year ended 31.12.2006	Year ended 31.12.2005	Year ended 31.12.2006	Year ended 31.12.2005
	RM'000	RM'000	RM'000	RM'000
Earnings per ordinary share is calculated as follows:				
Basic:				
Net profit for the financial year	503,848	377,737	392,045	269,802
Weighted average number of ordinary shares in issue ('000)	3,899,972	3,899,972	3,899,972	3,899,972
Basic earnings per share (sen)	12.9	9.7	10.1	6.9

(b) Diluted earnings per ordinary share

If the Bank's INCPS were converted to ordinary shares, the effect would be anti-dilutive and are therefore ignored in the calculation for dilutive earnings per share of the Group and the Bank.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

34 DIVIDENDS OF ORDINARY SHARES

	Group and Bank			
	Year ended 31.12.2006		Year ended 31.12.2005	
	Gross dividend per share sen	Amount of dividends, net of tax RM'000	Gross dividend per share sen	Amount of dividends, net of tax RM'000
Ordinary Shares				
First interim dividend	2.23	62,700	2.75	77,219
Final dividend – proposed	4.70	133,808	2.05	57,564
	6.93	196,508	4.80	134,783

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 4.70 sen per share (31.12.2005: 2.05 sen per share) less tax amounting to RM133.81 million will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year when approved by the shareholders.

35 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

Related parties	Relationship
Rashid Hussain Berhad ('RHB')	Parent of holding company
RHB Capital Berhad	Holding company
Subsidiaries and associates of RHB as disclosed in its financial statements	Subsidiary and associated companies of the parent of holding company
Subsidiaries and associates of RHB Capital Berhad as disclosed in its financial statements	Subsidiary and associated companies of holding company
Subsidiaries of the Bank as disclosed in Note 11	Subsidiaries

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related parties and relationships (continued)

As at 31 December 2006, Utama Banking Group Berhad ('UBG') held 32.6% of the ordinary shares of RM1.00 each in RHB and 449,206,479 of ICULS-A and 403,471,898 of ICULS-B that are presently convertible into ordinary shares of RHB. Pursuant to FRS 127₂₀₀₅ which requires the consideration of these potential ordinary shares, UBG's interest in RHB would amount to 61.2%. The related parties of UBG are disclosed in UBG's financial statements.

(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. The significant related party transactions and balances described below were carried out on terms and conditions obtainable on transactions with unrelated parties. Interest rates on all related party transactions are at normal commercial rates.

Other related companies comprise the other companies in the RHB Group.

Group	Immediate holding company RM'000	Other related companies RM'000
31.12.2006		
<u>Income</u>		
Interest on deposits and placements with other financial institutions	–	1,935
Income on securities held-to-maturity	2,919	11,901
Interest on advances	–	186
Other income	4,452	4,249
	7,371	18,271

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**(b) Significant related party balances and transactions (continued)**

Group	Immediate holding company RM'000	Other related companies RM'000
31.12.2006		
<u>Expenditure</u>		
Interest on deposits and placements of banks and other financial institutions	–	215
Interest on fixed deposits	1,350	3,901
Interest on securities sold under REPO	3,156	2,662
Rental of premises	–	9,951
Management fee	–	1,918
Other expenses	22	22,457
	4,528	41,104
<u>Amount due from</u>		
Securities held-to-maturity	86,544	250,000
Other assets	20,451	5,335
	106,995	255,335
<u>Amount due to</u>		
Current account and fixed deposits	52,404	122,180
Securities sold under REPO	32,330	166,649
Deposits and placements of banks and other financial institutions	–	2,500
Other liabilities	400	1,866
	85,134	293,195

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group	Immediate holding company RM'000	Other related companies RM'000
31.12.2005		
<u>Income</u>		
Interest on deposits and placements with other financial institutions	–	332
Income on securities held for trading	–	2,739
Income on securities held-to-maturity	2,278	10,683
Other income	4,600	7,142
	6,878	20,896
<u>Expenditure</u>		
Interest on deposits and placements of banks and other financial institutions	–	92
Interest on fixed deposits	795	1,649
Interest on securities sold under REPO	3,488	1,837
Rental of premises	–	9,810
Management fee	–	2,260
Other expenses	27	24,007
	4,310	39,655
<u>Amount due from</u>		
Securities held-to-maturity	89,200	500,000
Other assets	28,254	11,960
	117,454	511,960
<u>Amount due to</u>		
Current account and fixed deposits	34,188	84,053
Securities sold under REPO	114,743	94,257
Deposits and placements of banks and other financial institutions	–	50,000
Other liabilities	1,783	1,955
	150,714	230,265

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**(b) Significant related party balances and transactions (continued)**

Bank	Immediate holding company	Subsidiaries	Other related companies
	RM'000	RM'000	RM'000
31.12.2006			
<u>Income</u>			
Interest on deposits and placements with other financial institutions	–	23,259	1,935
Income on securities held-to-maturity	2,919	–	11,901
Interest on advances	–	25,232	186
Other income	4,452	67,970	3,982
	7,371	116,461	18,004
<u>Expenditure</u>			
Interest on deposits and placements of banks and other financial institutions	–	9,643	215
Interest on fixed deposits	1,350	284	3,810
Interest on securities sold under REPO	3,156	127	2,662
Rental of premises	–	3,214	9,673
Management fee	–	400	1,905
Reimbursement of operating expenses from a subsidiary	–	(51,228)	–
Other expenses	22	59	22,343
	4,528	(37,501)	40,608

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank	Immediate holding company RM'000	Subsidiaries RM'000	Other related companies RM'000
31.12.2006			
<u>Amount due from</u>			
Money at call and deposit placements	–	348,909	–
Deposits and placements with banks and other financial institutions	–	222,775	–
Loans, advances and financing	–	688,562	–
Securities held-to-maturity	86,544	–	250,000
Other assets	20,091	146,438	5,322
	106,635	1,406,684	255,322
<u>Amount due to</u>			
Current account and fixed deposits	52,404	30,359	112,202
Securities sold under REPO	32,330	–	166,649
Deposits and placements of banks and other financial institutions	–	77,841	2,500
Finance lease	–	1,172	–
Other liabilities	341	24,723	1,761
	85,075	134,095	283,112

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**(b) Significant related party balances and transactions (continued)**

Bank	Immediate holding company	Subsidiaries	Other related companies
	RM'000	RM'000	RM'000
31.12.2005			
<u>Income</u>			
Interest on deposits and placements			
with other financial institutions	–	57,142	332
Interest on securities held for trading	–	–	2,739
Income on securities held-to-maturity	2,278	–	10,683
Interest on advances	–	10,034	–
Other income	4,600	35,091	5,701
	<u>6,878</u>	<u>102,267</u>	<u>19,455</u>
<u>Expenditure</u>			
Interest on deposits and placements			
of banks and other financial institutions	–	4,189	92
Interest on fixed deposits	795	20,236	655
Interest on securities sold under REPO	3,488	984	1,837
Rental of premises	–	3,196	9,482
Management fee	–	592	2,203
Reimbursement of operating expenses from a subsidiary	–	(33,761)	–
Other expenses	27	51	23,554
	<u>4,310</u>	<u>(4,513)</u>	<u>37,823</u>

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

35 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank	Immediate holding company RM'000	Subsidiaries RM'000	Other related companies RM'000
31.12.2005			
<u>Amount due from</u>			
Money at call and deposit placements	–	4,432,340	–
Loans, advances and financing	–	690,616	–
Securities held-to-maturity	89,200	–	500,000
Other assets	27,894	309,992	9,409
	117,094	5,432,948	509,409
<u>Amount due to</u>			
Current account and fixed deposits	34,188	758,703	53,269
Securities sold under REPO	114,743	50,000	94,257
Deposits and placements of banks and other financial institutions	–	499,390	50,000
Finance lease	–	1,642	–
Other liabilities	1,783	79,710	1,095
	150,714	1,389,445	198,621

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

36 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to customers.

Risk weighted exposures of the Group are as follows:

	31.12.2006			31.12.2005		
	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000
Direct credit substitutes	1,404,457	1,404,457	1,236,516	1,447,962	1,447,962	1,285,878
Transaction-related						
contingent items	1,555,032	777,516	485,979	1,143,457	571,730	451,548
Short-term self-liquidating						
trade-related contingencies	2,555,148	511,030	328,886	1,978,963	395,793	211,859
Obligations under underwriting						
agreements	263,240	131,620	131,620	263,240	131,620	131,620
Housing financing sold to						
Cagamas with recourse	41,064	41,064	20,532	44,062	44,062	22,031
Irrevocable commitments to						
extend credit:						
– maturity more than						
one year	3,535,992	1,767,996	1,540,914	3,418,856	1,709,427	1,377,879
– maturity less than one year	21,642,939	-	-	19,775,230	-	-
Foreign exchange related						
contracts:						
– less than one year	14,028,126	239,098	66,916	7,905,085	116,061	38,091
– one year to less than						
five years	387,082	60,670	30,237	152,670	9,364	5,665
Interest rate related contracts:						
– less than one year	871,230	2,454	512	344,000	601	120
– one year to less than						
five years	2,654,566	83,805	19,169	3,160,918	101,414	32,808
– more than five years	522,601	33,981	17,334	188,485	6,633	2,021
Miscellaneous	747,208	-	-	541,887	-	-
Total	50,208,685	5,053,691	3,878,615	40,364,815	4,534,667	3,559,520

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

36 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk weighted exposures of the Bank are as follows:

	31.12.2006			31.12.2005		
	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000
Direct credit substitutes	1,290,602	1,290,602	1,122,837	1,447,947	1,447,947	1,285,863
Transaction-related contingent items	1,460,227	730,114	439,387	1,072,126	536,064	417,451
Short-term self-liquidating trade-related contingencies	2,341,434	468,287	286,465	1,864,530	372,906	188,973
Obligations under underwriting agreements	213,240	106,620	106,620	213,240	106,620	106,620
Irrevocable commitments to extend credit:						
– maturity more than one year	2,815,107	1,407,554	1,201,260	2,544,013	1,272,007	960,386
– maturity less than one year	19,702,207	–	–	18,488,906	–	–
Foreign exchange related contracts:						
– less than one year	14,027,587	239,090	66,912	7,893,755	115,864	38,017
– one year to less than five years	387,082	60,670	30,237	152,670	9,363	5,665
Interest rate related contracts:						
– less than one year	800,600	2,383	477	344,000	601	120
– one year to less than five years	2,548,621	81,686	18,110	2,971,933	97,256	30,729
– more than five years	298,337	20,110	10,398	165,807	4,318	863
Miscellaneous	729,664	–	–	523,721	–	–
Total	46,614,708	4,407,116	3,282,703	37,682,648	3,962,946	3,034,687

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

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

36 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Bank has also given a continuing guarantee to Bank Negara Malaysia to meet the liabilities and financial obligations and requirements of its subsidiary, RHB Bank (L) Ltd., arising from its offshore banking business in the Federal Territory of Labuan.

37 OPERATING LEASE COMMITMENTS

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

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Year				
Within one year	29,487	32,374	29,487	29,673
Between one to five years	12,625	18,100	12,625	15,542
More than five years	35	1,483	35	1,448

38 CAPITAL COMMITMENTS

	Group		Bank	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Capital expenditure for property, plant and equipment:				
Authorised and contracted for	25,927	34,317	25,627	33,757
Authorised but not contracted for	36,717	36,239	35,775	28,325
	62,644	70,556	61,402	62,082

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

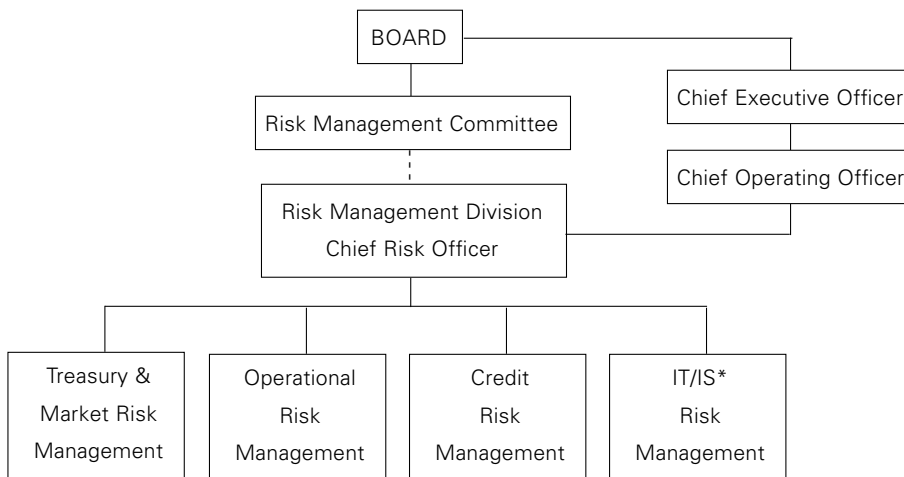
39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

OVERVIEW AND ORGANISATION

Risk is inherent in banking business and sound risk management is 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 Bank's Risk Management Division ('RMD') and Risk Management Committee ('RMC'), is responsible for identifying principal risk and ensuring that there is an ongoing process to continuously manage the Bank's risks proactively.

The RMC of the Board provides oversight and management of all risks in an integrated way. RMD is independent and reports directly to this committee. RMD through the RMC assists the 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 structure of risk management in the Bank is shown below:

Structure of Risk Management



* Information Technology ('IT')/ IT Security ('IS')

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

OVERVIEW AND ORGANISATION (CONTINUED)

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.

MARKET RISK MANAGEMENT

Market risk is the risk of potential loss resulting from adverse movements in the level of market prices or rates, the two key components being interest rate risk and foreign currency exchange risk. It is incurred as a result of trading and non-trading activities.

The primary objective of market risk management is to ensure that losses from market risk can be promptly addressed, such that losses are contained within acceptable levels.

A framework of approved risk policies, measurement methodologies and limits as approved by the Board, controls financial market activities. The Asset Liability Committee ('ALCO') comprising key officers of the banks, plays a fundamental role in the asset/liability management of the bank, and establishes strategies which assist in controlling and reducing any potential exposures to market risk. The RMD, via the Market Risk Department, plays an independent role in the monitoring and assessing of risk exposures arising from these, and reports independently to the RMC of the Board.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Apart from monitoring compliance with risk policies, methodologies and limits, a number of techniques are used to measure and control market risks. Value at Risk ('VAR') method is used for estimation of potential loss arising from positions held for a specified period of time. Scenario analysis and stress testing examine the impact of unusual market forces on the existing portfolios.

Derivative financial instruments are used principally to hedge exposures to fluctuation in foreign exchange rates and interest rates. Risk of market rate change subsequent to acquisition is generally offset by opposite effects on the items being hedged.

Some specific methods for managing the various types of market risks are:

(a) Currency Risk

Currency risk refers to the risk that earnings and value of financial instruments will fluctuate due to changes in foreign exchange rates.

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

Foreign and overseas investments, which are funded by purchases with resultant open foreign exchange positions, are monitored and appropriate hedging strategies are undertaken in line with market trends.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest Rate Risk

Interest rate risk is the risk to earnings and the value of financial instruments held by the Bank caused by fluctuation in the interest rates. Interest rate risks arise from differences in maturities and repricing dates of assets, liabilities and off-balance sheet items.

The ALCO monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to interest rate movements. There are set limits on the level of mismatch of interest rate repricing that may be undertaken, which are monitored monthly. VAR and sensitivity analysis are undertaken to provide guidance towards limiting interest rate risks.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest / Profit Rate Risk (continued)

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

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest/ 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- interest sensitive RM'000			
31.12.2006									
Assets									
Cash and short-term funds	9,240,971	-	-	-	-	382,349	-	9,623,320	3.56
Securities purchased under resale agreements	1,034,585	1,656,956	-	-	-	-	-	2,691,541	3.81
Deposits and placements with banks and other financial institutions	-	4,457,523	611,308	-	-	-	-	5,068,831	3.63
Securities held for trading	-	-	-	-	-	-	1,945,762	1,945,762	3.71
Securities available-for-sale	2,571,387	1,378,385	715,024	698,397	170,686	179,949	-	5,713,828	3.66
Securities held-to-maturity	2,537,605	2,775,594	1,694,789	4,664,222	1,515,996	(167,526) [#]	-	13,020,680	3.75
Loans, advances and financing									6.83
- performing	29,806,417	6,403,037	4,934,467	7,619,070	2,522,981	140	-	51,286,112	
- non-performing	-	-	-	-	-	1,455,494 [#]	-	1,455,494	
Other assets	11,904	-	-	-	-	444,863	167,044	623,811	5.92
Tax recoverable	-	-	-	-	-	65	-	65	-
Deferred taxation assets	-	-	-	-	-	251,720	-	251,720	-
Statutory deposits	-	-	-	-	-	1,835,744	-	1,835,744	-
Investment in an associate	-	-	-	-	-	4,683	-	4,683	-
Property, plant and equipment	-	-	-	-	-	598,789	-	598,789	-
Goodwill	-	-	-	-	-	1,004,017	-	1,004,017	-
Total assets	45,202,869	16,671,495	7,955,588	12,981,689	4,209,663	5,990,287	2,112,806	95,124,397	

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) Interest / Profit Rate Risk (continued)**

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest/ 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- interest sensitive RM'000			
31.12.2006									
Liabilities									
Deposits from customers	21,762,014	6,653,665	12,643,145	414,609	200	14,311,683	-	55,785,316	3.15
Deposits and placements of banks and other financial institutions	5,577,625	2,641,847	709,864	856,679	89,050	1,428	-	9,876,493	3.67
Obligations on securities sold under repurchase agreements	11,118,986	2,245,825	-	-	-	-	-	13,364,811	3.37
Bills and acceptances payable	1,272,468	1,493,303	605,157	-	-	407,830	-	3,778,758	3.88
Recourse obligation on loans sold to Cagamas Berhad	122,267	-	658,771	1,882,468	215,778	-	-	2,879,284	4.52
Other liabilities	296,129	-	-	-	-	1,245,177	143,668	1,684,974	3.66
Provision for taxation and zakat	-	-	-	-	-	79,425	-	79,425	-
Deferred taxation liabilities	-	-	-	-	-	17	-	17	-
Long term borrowing	282,400	-	-	-	-	-	-	282,400	5.81
Subordinated obligations	-	-	-	1,328,158	-	-	-	1,328,158	6.63-6.85
	40,431,889	13,034,640	14,616,937	4,481,914	305,028	16,045,560	143,668	89,059,636	
									Effective dividend rate
INCPS	-	-	-	1,368,099	-	-	-	1,368,099	10.00
Shareholders' equity	-	-	-	-	-	4,696,662	-	4,696,662	-
Total liabilities and shareholders' equity	40,431,889	13,034,640	14,616,937	5,850,013	305,028	20,742,222	143,668	95,124,397	
Total interest-sensitivity gap	4,770,980	3,636,855	(6,661,349)	7,131,676	3,904,635	(14,751,935)	1,969,138	-	

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) Interest / Profit Rate Risk (continued)**

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest/ 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- interest sensitive RM'000			
31.12.2005									
Assets									
Cash and short-term funds	10,485,334	-	-	-	-	305,602	-	10,790,936	2.97
Securities purchased under resale agreements	907,147	1,252,377	59,967	-	-	-	-	2,219,491	3.00
Deposits and placements with banks and other financial institutions	250,000	2,181,441	50	-	-	-	-	2,431,491	3.07
Securities held for trading	-	-	-	-	-	-	1,761,937	1,761,937	3.23
Securities available-for-sale	145,143	430,281	424,569	678,608	153,426	63,553	-	1,895,580	3.46
Securities held-to-maturity	1,780,533	1,914,960	3,500,573	4,460,039	2,538,206	(115,722)*	-	14,078,589	3.46
Loans, advances and financing									6.42
- performing	26,706,076	4,567,817	3,873,557	6,790,833	4,222,213	174	-	46,160,670	
- non-performing	-	-	-	-	-	1,473,441*	-	1,473,441	
Other assets	20,904	-	-	-	-	365,667	43,838	430,409	4.92
Tax recoverable	-	-	-	-	-	17,449	-	17,449	-
Deferred taxation assets	-	-	-	-	-	240,038	-	240,038	-
Statutory deposits	-	-	-	-	-	1,619,025	-	1,619,025	-
Investment in an associate	-	-	-	-	-	4,198	-	4,198	-
Property, plant and equipment	-	-	-	-	-	628,239	-	628,239	-
Goodwill	-	-	-	-	-	1,004,017	-	1,004,017	-
Total assets	20,295,137	10,346,876	7,858,716	11,929,480	6,913,845	5,605,681	1,805,775	84,755,510	

* Consist of equity instruments less impairment loss.

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) Interest / Profit Rate Risk (continued)**

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest/ 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-interest sensitive RM'000			
31.12.2005									
Liabilities									
Deposits from customers	19,169,461	5,929,194	10,211,308	523,227	3,865	12,867,779	-	48,704,834	2.76
Deposits and placements of banks and other financial institutions	5,781,587	2,601,811	991,412	1,139,611	79,556	3,680	-	10,597,657	2.97
Obligations on securities sold under repurchase agreements	7,862,441	1,846,642	620,338	-	-	-	-	10,329,421	2.86
Bills and acceptances payable	1,094,038	1,329,676	550,901	-	-	338,445	-	3,313,060	3.31
Recourse obligation on loans sold to Cagamas Berhad	-	-	441,711	1,600,025	1,315,256	-	-	3,356,992	4.44
Other liabilities	256,681	-	-	-	-	1,041,136	66,059	1,363,876	2.85
Provision for taxation and zakat	-	-	-	-	-	19,214	-	19,214	-
Deferred taxation liabilities	-	-	-	-	-	8	-	8	-
Subordinated obligations	-	-	-	1,365,252	-	-	-	1,365,252	6.63-6.85
	34,164,208	11,707,323	12,815,670	4,628,115	1,398,677	14,270,262	66,059	79,050,314	
									Effective dividend rate
INCPS	-	-	-	1,368,099	-	-	-	1,368,099	10.00
Shareholders' equity	-	-	-	-	-	4,337,097	-	4,337,097	-
Total liabilities and shareholders' equity	34,164,208	11,707,323	12,815,670	5,996,214	1,398,677	18,607,359	66,059	84,755,510	
Total interest-sensitivity gap	6,130,929	(1,360,447)	(4,956,954)	5,933,266	5,515,168	(13,001,678)	1,739,716	-	

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest Rate Risk (continued)

Bank	Non-trading book						Trading book RM'000	Total RM'000	Effective interest/ 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- interest sensitive RM'000			
31.12.2006									
Assets									
Cash and short-term funds	8,210,741	-	-	-	-	361,055	-	8,571,796	3.57
Securities purchased under resale agreements	1,034,585	1,656,956	-	-	-	-	-	2,691,541	3.81
Deposits and placements with banks and other financial institutions	-	3,216,700	611,076	-	176,500	-	-	4,004,276	3.64
Securities held for trading	-	-	-	-	-	-	1,417,972	1,417,972	3.64
Securities available-for-sale	2,532,303	1,378,385	679,762	668,922	170,686	177,082	-	5,607,140	3.65
Securities held-to-maturity	2,456,381	2,697,789	1,626,956	3,959,646	1,429,533	(167,526) [#]	-	12,002,779	3.74
Loans, advances and financing									6.93
- performing	29,533,425	4,800,456	4,070,999	6,262,828	841,485	-	-	45,509,193	
- non-performing	-	-	-	-	-	1,370,138 [*]	-	1,370,138	
Other assets	11,904	-	-	-	-	514,701	165,022	691,627	5.92
Deferred taxation assets	-	-	-	-	-	210,747	-	210,747	-
Statutory deposits	-	-	-	-	-	1,665,315	-	1,665,315	-
Investment in subsidiaries	-	-	-	-	-	828,956	-	828,956	-
Property, plant and equipment	-	-	-	-	-	471,894	-	471,894	-
Goodwill	-	-	-	-	-	905,519	-	905,519	-
Total assets	43,779,339	13,750,286	6,988,793	10,891,396	2,618,204	6,337,881	1,582,994	85,948,893	

[#] Consist of equity instruments less impairment loss.

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) Interest Rate Risk (continued)**

Bank	Non-trading book						Trading book RM'000	Total RM'000	Effective interest/ 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- interest sensitive RM'000			
31.12.2006									
Liabilities									
Deposits from customers	17,108,752	5,525,394	11,757,743	317,748	-	13,081,461	-	47,791,098	3.25
Deposits and placements of banks and other financial institutions	5,238,787	2,562,333	631,494	809,744	89,050	1,428	-	9,332,836	3.67
Obligations on securities sold under repurchase agreements	11,118,986	2,245,825	-	-	-	-	-	13,364,811	3.37
Bills and acceptances payable	1,272,468	1,493,303	600,122	-	-	396,323	-	3,762,216	3.88
Recourse obligation on loans sold to Cagamas Berhad	122,267	-	658,771	1,882,468	215,778	-	-	2,879,284	4.52
Other liabilities	296,129	-	-	-	-	993,485	136,243	1,425,857	3.66
Provision for taxation and zakat	-	-	-	-	-	56,564	-	56,564	-
Long term borrowings	282,400	-	-	-	-	-	-	282,400	5.81
Subordinated obligations	-	-	-	1,328,158	-	-	-	1,328,158	6.63-6.85
	35,439,789	11,826,855	13,648,130	4,338,118	304,828	14,529,261	136,243	80,223,224	
									Effective dividend rate
INCPS	-	-	-	1,368,099	-	-	-	1,368,099	10.00
Shareholders' equity	-	-	-	-	-	4,357,570	-	4,357,570	-
Total liabilities and shareholders' equity	35,439,789	11,826,855	13,648,130	5,706,217	304,828	18,886,831	136,243	85,948,893	
Total interest-sensitivity gap	8,339,550	1,923,431	(6,659,337)	5,185,179	2,313,376	(12,548,950)	1,446,751	-	

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest Rate Risk (continued)

Bank	Non-trading book						Trading book RM'000	Total RM'000	Effective interest/ 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- interest sensitive RM'000			
31.12.2005									
Assets									
Cash and short-term funds	12,310,212	-	-	-	-	229,189	-	12,539,401	3.00
Securities purchased under resale agreements	907,147	1,252,377	59,967	-	-	-	-	2,219,491	3.00
Deposits and placements with banks and other financial institutions	-	1,981,441	-	-	-	-	-	1,981,441	3.12
Securities held for trading	-	-	-	-	-	-	890,492	890,492	3.57
Securities available-for-sale	145,142	330,706	373,731	665,098	153,426	58,716	-	1,726,819	3.51
Securities held-to-maturity	1,693,600	1,855,220	3,390,899	3,576,927	2,442,883	(115,722)*	-	12,843,807	3.43
Loans, advances and financing									6.34
- performing	26,008,032	3,743,632	3,255,878	2,614,844	173,892	-	-	35,796,278	
- non-performing	-	-	-	-	-	1,294,530*	-	1,294,530	
Other assets	20,904	-	-	-	-	624,566	43,563	689,033	4.92
Deferred taxation assets	-	-	-	-	-	171,138	-	171,138	-
Statutory deposits	-	-	-	-	-	1,233,745	-	1,233,745	-
Investment in subsidiaries	-	-	-	-	-	1,389,849	-	1,389,849	-
Property, plant and equipment	-	-	-	-	-	486,433	-	486,433	-
Goodwill	-	-	-	-	-	892,012	-	892,012	-
Total assets	41,085,037	9,163,376	7,080,475	6,856,869	2,770,201	6,264,456	934,055	74,154,469	

* Consist of equity instruments less impairment loss.

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) Interest Rate Risk (continued)**

Bank	Non-trading book						Trading book RM'000	Total RM'000	Effective interest/ 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- interest sensitive RM'000			
31.12.2005									
Liabilities									
Deposits from customers	14,135,730	5,120,567	8,998,974	348,570	-	12,240,433	-	40,844,274	2.77
Deposits and placements of banks and other financial institutions	5,680,518	2,452,494	712,730	841,760	79,556	3,680	-	9,770,738	2.99
Obligations on securities sold under repurchase agreements	7,912,441	1,808,845	620,338	-	-	-	-	10,341,624	2.86
Bills and acceptances payable	1,075,424	1,319,615	545,540	-	-	338,445	-	3,279,024	3.31
Recourse obligation on loans sold to Cagamas Berhad	-	-	437,197	1,341,545	227,807	-	-	2,006,549	4.73
Other liabilities	256,681	-	-	-	-	763,289	54,253	1,074,223	2.85
Provision for taxation and zakat	-	-	-	-	-	15,675	-	15,675	-
Subordinated obligations	-	-	-	1,365,252	-	-	-	1,365,252	6.63-6.85
	29,060,794	10,701,521	11,314,779	3,897,127	307,363	13,361,522	54,253	68,697,359	
									Effective dividend rate
INCPS	-	-	-	1,368,099	-	-	-	1,368,099	10.00
Shareholders' equity	-	-	-	-	-	4,089,011	-	4,089,011	-
Total liabilities and shareholders' equity	29,060,794	10,701,521	11,314,779	5,265,226	307,363	17,450,533	54,253	74,154,469	
Total interest-sensitivity gap	12,024,243	(1,538,145)	(4,234,304)	1,591,643	2,462,838	(11,186,077)	879,802	-	

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity Risk

The primary objective of liquidity risk management is to ensure that the Bank maintains sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

Liquidity is assessed based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into account consideration of realisable cash value of eligible liquefiable securities. The Bank sets limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities, to ensure adequate cover for withdrawals at unexpected levels of demand. Defined ratios of positive Net Cash Inflow are maintained and closely monitored. The Bank constantly ensures compliance with Bank Negara Malaysia's Liquidity Framework. The Bank's liquidity framework is subject to periodic stress tests and the results are constantly reviewed.

(d) Credit Risk Management

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit Risk Management (continued)

The credit policy is to develop a strong credit culture with the objective of maintaining a well diversified, evaluated and current portfolio, fully satisfied for credit risk, giving no concern for unexpected losses and which ensures a reliable and satisfactory risk weighted return. This policy, the bedrock of credit risk management, is in the form of a written statement of credit standards, principles and guidelines, which is distributed bank-wide and used as a common source of reference. Market best practices are incorporated into this policy.

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 the Chief Credit Officer ('CCO'). The Credit Committee and the Loans Committee of the Board sanction credits beyond the individual discretionary limit of the CCO. The strict adherence to the discretionary powers sanctioned by the Board is monitored by the Compliance Division.

A risk rating system is used to categorise the risk of individual credits and determine whether the Bank is adequately compensated. Client accounts are reviewed at regular intervals and weakening credits are transferred to the Loan Recovery Division for more effective management.

The Bank strives to maintain a diverse credit profile and track changing risk concentrations in response to market changes and external events. Risks are further mitigated through counterparty, industry and product exposure limits and risk reward mapping. A sector lending direction guide has been updated for 2005.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit Risk Management (continued)

The Bank has a comprehensive budget and plan to move towards the advanced Basel II approaches.

In line with BNM's implementation timeline, the Bank shall implement its Basel II Standardised Approach for Credit Risks by first quarter of 2007 for parallel reporting to BNM. In respect of the Bank's progression towards compliance to the Basel II Internal Rating Based ('IRB') Approach, the Bank is in the process of implementing key program 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 for models 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's IRB Approach.

These IRB implementation activities are in various advanced stages of completion, and the Bank is confident of meeting the IRB standards of the Basel II Framework.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit Risk Management (continued)

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

Group	Short-term funds and deposits & placements with financial institutions	Securities purchased under resale agreements	Securities held for trading	Securities available-for-sale [®]	Securities held-to-maturity	Loans, advances and financing [*]	Other financial assets [*]	On balance sheet total	Commitments and contingencies
31.12.2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	-	58,027	2,640,794	-	2,698,821	867,430
Mining and quarrying	-	-	-	-	-	76,585	-	76,585	93,879
Manufacturing	-	-	240,217	78,917	249,834	9,952,272	217	10,521,457	11,521,328
Electricity, gas and water	-	-	139,528	7,023	-	285,430	1,026	433,007	432,002
Construction	-	-	-	106,747	156,522	2,778,587	-	3,041,856	3,998,350
Real estate	-	-	48,736	114,926	15,555	988,130	402	1,167,749	633,397
Purchase of landed property	-	-	-	-	-	14,182,286	-	14,182,286	1,230,738
General commerce	-	-	-	23,030	15,326	6,241,379	-	6,279,735	6,262,658
Transport, storage and communication	-	-	24,936	-	1,960,906	2,696,420	156	4,682,418	1,000,005
Finance, insurance and business services	14,311,108	2,689,491	249,999	4,396,722	7,363,886	2,910,896	155,706	32,077,808	15,236,936
Government and government agencies	-	2,050	1,242,346	742,684	3,200,624	169,262	25,147	5,382,113	79,015
Purchase of securities	-	-	-	49,109	-	1,494,654	-	1,543,763	226,037
Purchase of transport vehicles	-	-	-	-	-	5,091,441	-	5,091,441	300,658
Consumption credit	-	-	-	-	-	3,334,387	-	3,334,387	4,089,784
Others	-	-	-	-	-	864,865	566,475	1,431,340	4,236,468
	14,311,108	2,691,541	1,945,762	5,519,158	13,020,680	53,707,388	749,129	91,944,766	50,208,685

[#] Excludes general allowance amounting to RM965,782,000.

[®] Excludes equity instrument amounting to RM194,670,000.

^{*} Other financial assets comprise bank balances and other receivables.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit Risk Management (continued)

Group	Short-term funds and deposits & placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Securities held for trading RM'000	Securities available-for-sale [®] RM'000	Securities held-to-maturity RM'000	Loans, advances and financing [†] RM'000	Other financial assets* RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
31.12.2005									
Agriculture	-	-	-	-	19,144	1,771,351	1	1,790,496	724,014
Mining and quarrying	-	-	-	-	-	55,925	-	55,925	50,323
Manufacturing	-	-	85,714	162,375	242,359	8,699,850	-	9,190,298	10,058,107
Electricity, gas and water	-	-	155,219	18,969	-	295,093	904	470,185	350,807
Construction	-	-	4,912	-	15,177	2,394,248	-	2,414,337	2,589,218
Real estate	-	-	-	45,593	65,207	1,146,505	-	1,257,305	357,829
Purchase of landed property	-	-	-	-	-	13,015,195	479	13,015,674	1,648,576
General commerce	-	-	-	22,811	18,187	5,622,178	-	5,663,176	5,618,727
Transport, storage and communication	-	-	-	38,193	1,981,377	2,771,719	-	4,791,289	1,027,412
Finance, insurance and business services	12,527,176	2,213,042	278,131	1,202,862	8,490,343	2,268,528	132,035	27,112,117	9,861,338
Government and government agencies	-	6,449	1,231,944	203,417	3,080,650	309,186	132,801	4,964,447	705,603
Purchase of securities	-	-	-	3,298	-	1,836,108	-	1,839,406	219,413
Purchase of transport vehicles	-	-	-	-	-	4,343,932	-	4,343,932	131,636
Consumption credit	-	-	-	-	-	2,730,995	-	2,730,995	2,897,117
Others	-	-	-	-	166,145	1,282,825	375,554	1,824,524	4,124,695
	12,527,176	2,219,491	1,755,920	1,697,518	14,078,589	48,543,638	641,774	81,464,106	40,364,815

[†] Excludes general allowance amounting to RM909,527,000.

[®] Excludes equity instrument amounting to RM198,062,000.

* Other financial assets comprise bank balances and other receivables.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(d) Credit Risk Management (continued)**

Bank	Short-term funds and deposits & placements with financial institutions	Securities purchased under resale agreements	Securities held for trading	Securities available-for-sale [®]	Securities held-to-maturity	Loans, advances and financing [†]	Other financial assets*	On balance sheet total	Commitments and contingencies
31.12.2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	-	58,027	1,977,985	-	2,036,012	692,615
Mining and quarrying	-	-	-	-	-	72,511	-	72,511	93,687
Manufacturing	-	-	119,814	78,625	249,834	8,200,203	-	8,648,476	10,235,813
Electricity, gas and water	-	-	-	7,023	-	151,726	-	158,749	173,637
Construction	-	-	-	106,747	10,072	2,453,731	-	2,570,550	3,801,589
Real estate	-	-	-	114,926	15,555	973,663	-	1,104,144	576,908
Purchase of landed property	-	-	-	-	-	12,745,187	-	12,745,187	1,072,219
General commerce	-	-	-	23,030	15,326	5,775,298	-	5,813,654	5,711,105
Transport, storage and communication	-	-	-	-	1,907,933	2,263,910	-	4,171,843	910,843
Finance, insurance and business services	12,216,322	2,689,491	245,025	4,326,121	7,257,535	2,654,538	237,912	29,626,944	14,823,171
Government and government agencies	-	2,050	1,053,133	724,477	2,488,497	-	2,060	4,270,217	-
Purchase of securities	-	-	-	49,109	-	1,494,654	-	1,543,763	226,037
Purchase of transport vehicles	-	-	-	-	-	5,091,441	-	5,091,441	300,658
Consumption credit	-	-	-	-	-	3,334,387	-	3,334,387	4,089,784
Others	-	-	-	-	-	533,711	567,369	1,101,080	3,906,642
	12,216,322	2,691,541	1,417,972	5,430,058	12,002,779	47,722,945	807,341	82,288,958	46,614,708

[†] Excludes general allowance amounting to RM843,614,000.

[®] Excludes equity instruments amounting to RM177,082,000.

* Other financial assets comprise bank balances and other receivables.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit Risk Management (continued)

Bank	Short-term funds and deposits & placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Securities held for trading RM'000	Securities available-for-sale [®] RM'000	Securities held-to-maturity RM'000	Loans, advances and financing [†] RM'000	Other financial assets* RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
31.12.2005									
Agriculture	-	-	-	-	19,144	1,310,870	-	1,330,014	578,031
Mining and quarrying	-	-	-	-	-	42,771	-	42,771	50,131
Manufacturing	-	-	-	162,062	242,359	6,444,106	-	6,848,527	9,312,078
Electricity, gas and water	-	-	-	18,969	-	109,243	-	128,212	221,357
Construction	-	-	-	-	15,177	2,115,989	-	2,131,166	2,520,053
Real estate	-	-	-	45,593	65,207	939,549	-	1,050,349	354,167
Purchase of landed property	-	-	-	-	-	11,843,007	-	11,843,007	1,512,912
General commerce	-	-	-	22,811	18,187	5,003,477	-	5,044,475	5,197,849
Transport, storage and communication	-	-	-	38,193	1,981,377	2,204,749	-	4,224,319	969,971
Finance, insurance and business services	13,902,004	2,213,042	249,057	1,171,371	7,713,974	2,466,492	382,966	28,098,906	9,548,856
Government and government agencies	-	6,449	641,435	70,984	2,788,382	309,186	64,743	3,881,179	705,588
Purchase of securities	-	-	-	3,298	-	1,487,847	-	1,491,145	219,413
Purchase of transport vehicles	-	-	-	-	-	24,720	-	24,720	1,470
Consumption credit	-	-	-	-	-	2,702,796	-	2,702,796	2,897,117
Others	-	-	-	-	-	762,614	390,402	1,153,016	3,593,655
	13,902,004	2,219,491	890,492	1,533,281	12,843,807	37,767,416	838,111	69,994,602	37,682,648

[†] Excludes general allowance amounting to RM676,608,000.

[®] Excludes equity instruments amounting to RM193,538,000.

* Other financial assets comprise bank balances and other receivables.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The management of operational risk is an important feature of sound risk management practice in today's banking operations. Policies and procedures, internal controls and internal reviews or compliance monitoring and audit processes are primary means to control operational risk. The operational risk function is responsible for development of bank-wide operational risk policies, frameworks and methodologies, and providing inputs to the business units on the operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis. Operating processes and policies are continually being refined and strengthened to prevent or minimize unexpected losses.

As part of its Basel II programme for operational risk management, the Bank has further enhanced its Operational Risk Management System, with integrated applications for supporting the entire operational risk management process for loss event data collection and management, loss event analysis, assessment and monitoring of the quality of the internal control system, risk scenario analysis and risk measurement, comprehensive reporting of operational risk and internal control quality and tracking risk mitigation and, control improvement actions. This system improves the Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework.

The Bank has its ongoing business continuity planning ('BCP') programme for its major critical business operations and activities at the Head Office, Datacentre and branches locations. The BCP programme is subject to regular testings to ensure efficacy, reliability and functionality.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Operational Risk (continued)

The Human Resource Division has in place established policies and procedures in ensuring quality people with integrity are recruited, trained and retained. Operational risk awareness training is also part of the Bank's Learning Centre/HR initiatives for targeted staff.

All new products/services introduced by the Bank are evaluated by RMD before being endorsed by RMC and subsequently approved by the Board.

(f) Information Technology ('IT/IS') Risk

As for IT/IS risk, there is a continuous process of risk assessment and risk mitigation on the existing hardware, software and the processes.

IT/IS risk management is the process that balances the operational and economic costs of protective measures of IT systems and data against the goal of the organisation.

Dedicated disaster recovery planning hot site is established for the mainframe system, as well as for the other specific software systems that the Bank has.

The Bank allocates substantial time and dedicated staff to constantly review, revamp and develop new policies and procedures to cater for the constant change of the financial industry.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

40 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 loans and advances to customers, such market prices do not exist as there is currently no ready market wherein exchanges between willing parties occur.

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

40 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Therefore, for a significant portion of the Group and the Bank's financial instruments, including loans and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amount that the Group and 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 Group and the Bank's underlying value as a going concern.

Furthermore, it is the Group and 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.

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

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

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

(ii) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

40 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

(iv) Loans, advances and financing

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

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

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

(v) Other assets and liabilities

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

(vi) Deposits from customers

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

40 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(vii) Deposits and placements of banks and other financial institutions, obligations on securities held under repurchase agreements ('repos'), bills and acceptances payable

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

(viii) Recourse obligation on loans sold to Cagamas Berhad

For amount due to Cagamas with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amount due to Cagamas with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(ix) Long term borrowings

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(x) Subordinated obligations

The estimated fair value of subordinated bonds is generally based on quoted and observable market prices at the balance sheet date.

(xi) INCPS

The estimated fair value of the INCPS is based on the price over net assets value of comparable banks, adjusted for the conversion option of the INCPS.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

40 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(xii) Credit related commitment and contingencies

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

(xiii) Foreign exchange and interest rate related contracts

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

The above mentioned range of methodologies and assumptions had been used in deriving the fair values of the Group's and the Bank's financial instruments at balance sheet date. The total fair value at each financial instrument approximates the total carrying value, except for the following:

	Group		Bank	
	Carrying value RM'000	Estimated fair value RM'000	Carrying value RM'000	Estimated fair value RM'000
Financial assets				
Securities held-to-maturity	13,020,680	13,044,787	12,002,779	12,019,892
Loans, advances and financing	52,741,606	52,621,378 [@]	46,879,331	46,770,622 [@]
Financial liabilities				
Recourse obligation on loans sold to Cagamas Berhad	2,879,284	2,909,218	2,879,284	2,909,218
Subordinated obligations	1,328,158	1,354,849	1,328,158	1,354,849
INCPS	1,368,099	2,497,930	1,368,099	2,497,930

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

40 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(xiii) Foreign exchange and interest rate related contracts (continued)

31.12.2005	Group		Bank	
	Carrying value RM'000	Estimated fair value RM'000	Carrying value RM'000	Estimated fair value RM'000
Financial assets				
Securities held-to-maturity	14,078,589	14,074,966 [#]	12,843,807	12,833,531 [#]
Loans, advances and financing	47,634,111	47,944,342	37,090,808	37,090,808
Financial liabilities				
Recourse obligation on loans sold to				
Cagamas Berhad	3,356,992	3,365,638	2,006,549	2,018,200
Subordinated obligations	1,365,252	1,416,859	1,365,252	1,416,859
INCPS	1,368,099	2,376,880	1,368,099	2,376,880

[@] Loans, advances and financing are stated at cost and not at fair value but are subject to impairment in accordance with BNM/GP3. The Bank is of the view that there is no further impairment other than that already provided for.

[#] The carrying amount is not written down to the fair value, as the amount is deemed to be recoverable, as substantially, it relates to government guaranteed bonds.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

41 CAPITAL ADEQUACY

	Group		Bank	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Tier I Capital				
Paid-up ordinary share capital	1,949,986	1,949,986	1,949,986	1,949,986
Paid-up INCPS	1,368,099	1,368,099	1,368,099	1,368,099
Share premium	8,563	8,563	8,563	8,563
Retained profits	970,739	780,262	831,867	714,771
Other reserves	1,768,840	1,593,144	1,717,790	1,525,017
	6,066,227	5,700,054	5,876,305	5,566,436
Less: Goodwill	(1,004,017)	(1,004,017)	(905,519)	(892,012)
Deferred tax assets	(251,703)	(240,030)	(210,747)	(171,138)
Total Tier I capital	4,810,507	4,456,007	4,760,039	4,503,286
Tier II Capital				
Subordinated obligations	1,328,158	1,365,252	1,328,158	1,365,252
General allowance for bad and doubtful debts and financing	965,782	909,527	877,693	716,861
Total Tier II capital	2,293,940	2,274,779	2,205,851	2,082,113
Less: Investment in subsidiaries	–	–	(628,640)	(1,189,533)
Holdings of other financial institutions capital instruments	(39,998)	(43,710)	(39,998)	(43,710)
Total capital base	7,064,449	6,687,076	6,297,252	5,352,156
Capital ratios				
Before proposed dividends:				
Core capital ratio	8.2%	8.6%	8.8%	10.6%
Risk-weighted capital ratio	12.1%	12.9%	11.7%	12.6%
After proposed dividends:				
Core capital ratio	8.0%	8.4%	8.6%	10.4%
Risk-weighted capital ratio	11.8%	12.8%	11.5%	12.5%

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

41 CAPITAL ADEQUACY (CONTINUED)

Group	31.12.2006		31.12.2005	
	Principal RM'000	Risk weighted RM'000	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%	21,812,798	–	20,014,790	–
10%	785,414	78,541	1,265,392	126,539
20%	14,820,954	2,964,191	11,370,103	2,274,021
50%	11,779,164	5,889,582	11,279,456	5,639,728
100%	47,868,686	47,868,686	42,720,341	42,720,341
	97,067,016	56,801,000	86,650,082	50,760,629
(ii) Market Risk Capital Adequacy Framework #		1,457,462		1,021,505
Total risk-weighted assets		58,258,462		51,782,134

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

41 CAPITAL ADEQUACY (CONTINUED)

Bank	31.12.2006		31.12.2005	
	Risk		Risk	
	Principal RM'000	weighted RM'000	Principal RM'000	weighted RM'000
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:				
(i) Credit Risk				
0%	18,447,830	–	16,293,001	–
10%	724,972	72,497	1,124,844	112,484
20%	14,596,022	2,919,204	15,338,926	3,067,785
50%	10,468,915	5,234,458	10,123,747	5,061,874
100%	43,963,456	43,963,456	33,126,779	33,126,779
	88,201,195	52,189,615	76,007,297	41,368,922
(ii) Market Risk Capital Adequacy Framework #		1,406,004		985,499
Total risk-weighted assets		53,595,619		42,354,421

The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework which is effective from 1 April 2005.

The Bank figures include the operations of RHB Bank (L) Ltd.

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

42 SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segment and geographical 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.

(i) Primary reporting format – by business segment

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

(a) Wholesale banking

Wholesale banking caters to funding or lending needs of corporate customers including public listed corporations and its related entities, multinational corporations (including Japanese), Financial Institutions, Government and state owned entities and small and medium sized enterprises. Included under Wholesale Banking are offshore banking activities carried out by RHB Bank (L) Ltd whose borrowing and lending facilities are offered in major currencies mainly to corporate customers. This segment also includes lease financing activities carried out by RHB Leasing Sdn Bhd which is predominantly middle market customers.

(b) Retail banking

Retail banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, hire purchase financing, study loans and personal loans), credit cards, remittance services, deposit collection and investment products.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

42 SEGMENT INFORMATION (CONTINUED)

(i) Primary reporting format – by business segment (continued)

(c) Treasury and money market

Treasury and money market operations is involved in proprietary trading in fixed income and foreign exchange, derivatives trading and structuring, managing customer-based foreign exchange and money market transactions, funding and investment in ringgit and foreign currencies.

(d) Islamic Banking

Islamic Banking focuses on providing a full range of commercial banking products and services in accordance with the principles of Shariah to individual customers, corporate clients, Government and state owned entities and small and medium sized enterprises.

(e) Others

Other business segments in the Group include nominee services, property investment and rental, dormant operations and other related financial services, whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and have been reported in aggregate.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

42 SEGMENT INFORMATION (CONTINUED)

Group	Wholesale		Retail		Treasury	Islamic	Others	Elimination	Total
	Banking	Banking	Banking	Market	Banking				
31.12.2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,750,259	1,708,200	1,285,883	236,099	12,435	-	4,992,876		
Inter-segment revenue	10,952	-	24,246	-	3,934	(39,132)	-		
Total revenue	<u>1,761,211</u>	<u>1,708,200</u>	<u>1,310,129</u>	<u>236,099</u>	<u>16,369</u>	<u>(39,132)</u>	<u>4,992,876</u>		
Segment results	496,186	253,339	304,340	172,729	10,609	-	1,237,203		
Subordinated obligations							(91,815)		
Unallocated expenses							(300,318) ¹		
Profit from operations							845,070		
Share of results of an associate							485		
Profit before INCPs dividend and taxation							845,555		
INCPs dividend							(136,810)		
Taxation and zakat							(204,897)		
Net profit for the financial year							<u>503,848</u>		

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

42 SEGMENT INFORMATION (CONTINUED)

Group	Wholesale		Treasury		Others	Elimination	Total
	Banking	Retail	& Money	Islamic			
31.12.2005	Banking	Banking	Market	Banking	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	1,465,812	1,463,160	909,171	147,635	10,799	-	3,996,577
Inter-segment revenue	8,389	-	79,179	-	4,013	(91,581)	-
Total revenue	<u>1,474,201</u>	<u>1,463,160</u>	<u>988,350</u>	<u>147,635</u>	<u>14,812</u>	<u>(91,581)</u>	<u>3,996,577</u>
Segment results	358,955	247,604	265,868	107,123	7,948	-	987,498
Subordinated obligations							(92,549)
Unallocated expenses							<u>(271,208)¹</u>
Profit from operations							623,741
Share of results of an associate							<u>314</u>
Profit before INCPs dividend and taxation							624,055
INCPs dividend							(136,842)
Taxation and zakat							<u>(109,476)</u>
Net profit for the financial year							<u><u>377,737</u></u>

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

42 SEGMENT INFORMATION (CONTINUED)

Group	Wholesale	Retail	Treasury	Islamic	Others	Elimination	Total
31.12.2006	Banking	Banking	& Money	Banking			
	RM'000	RM'000	Market	RM'000	RM'000	RM'000	RM'000
			RM'000				
Other information							
Segment assets	29,721,650	22,801,820	34,453,028	8,122,541	158,016	(848,577)	94,408,478
Deferred taxation assets							251,720
Tax recoverable							65
Investment in an associate							4,683
Unallocated assets							459,451
Total assets							<u>95,124,397</u>
Segment liabilities	25,639,868	21,913,616	32,354,584	7,422,607	155,834	(974,221)	86,512,288
Deferred taxation liabilities							17
Taxation and zakat							79,425
Subordinated obligations							1,328,158
Unallocated liabilities							1,139,748
							<u>89,059,636</u>
INCPs							<u>1,368,099</u>
Other segment items							
Capital expenditure	18,009	43,980	3,614	1,448	210		67,261
Depreciation	16,315	61,257	6,554	783	828		85,737
Impairment loss	27,464	-	8,000	-	1,136		36,600
Other non-cash expense other than depreciation and impairment loss	424,224	322,856	19,278	22,177	77		788,612 ²

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

42 SEGMENT INFORMATION (CONTINUED)

Group	Wholesale Banking RM'000	Retail Banking RM'000	Treasury & Money Market RM'000	Islamic Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
31.12.2005							
Other information							
Segment assets	27,072,015	21,500,340	28,731,341	7,361,139	215,286	(1,064,989)	83,815,132
Deferred taxation assets							240,038
Tax recoverable							17,449
Investment in an associate							4,198
Unallocated assets							678,693
Total assets							84,755,510
Segment liabilities	24,321,773	18,069,763	28,873,186	7,057,030	161,501	(1,321,386)	77,161,867
Deferred taxation liabilities							8
Taxation and zakat							19,214
Subordinated obligations							1,365,252
Unallocated liabilities							503,973
							79,050,314
INCPS							1,368,099
Other segment items							
Capital expenditure	12,797	37,857	5,696	6,485	123		62,958
Depreciation	17,959	66,376	6,455	576	805		92,171
Impairment loss	93,742	-	(3)	-	(896)		92,843
Other non-cash expense other than depreciation and impairment loss	310,880	262,449	12,385	16,430	68		602,212 ²

Note:

1. Unallocated expenses are expenses incurred by Head Office Support Divisions which are not directly attributed to the business segments and cannot be allocated on a reasonable basis.
2. Included in other non-cash expense other than depreciation and impairment loss are loan loss and provisioning, interest-in-suspense and accretion of discount less amortisation of premium.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

42 SEGMENT INFORMATION (CONTINUED)

(ii) Secondary reporting format– by geographical segment

The geographical information is prepared based on the location of the assets.

	Group	
	Year ended	Year ended
	31.12.2006	31.12.2005
	RM'000	RM'000
Total revenue		
Malaysia	4,756,730	3,824,448
Outside Malaysia	236,146	172,129
Total	4,992,876	3,996,577
	As at	As at
	31.12.2006	31.12.2005
	RM'000	RM'000
Total assets		
Malaysia	90,186,313	80,207,414
Outside Malaysia	4,938,084	4,548,096
Total	95,124,397	84,755,510
	Year ended	Year ended
	31.12.2006	31.12.2005
	RM'000	RM'000
Capital expenditure		
Malaysia	63,639	60,623
Outside Malaysia	3,622	2,335
Total	67,261	62,958

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Merger of RHB Bank Berhad ('RHB Bank') and RHB Delta Sdn Bhd ('RHB Delta') operations ('the Merger')

Following the regulatory approvals and High Court order obtained in December 2005 for the Merger, with effect from 1 January 2006:

- (a) All assets and liabilities of RHB Delta with the exception of the Islamic assets and liabilities were transferred to RHB Bank;
- (b) All businesses and operations of RHB Delta are conducted through RHB Bank;
- (c) The Islamic assets and liabilities of RHB Delta were transferred to RHB Islamic Bank Berhad; and
- (d) RHB Leasing Sdn Bhd and RHB Delta Nominees (Tempatan) Sdn Bhd became direct subsidiaries of RHB Bank.

The assets and liabilities of RHB Delta which were transferred to the Bank are set out in the table below.

Assets transferred	RM'000
Cash and short-term funds	727,701
Securities purchased under resale agreement	50,000
Deposits and placements with banks and other financial institutions	50
Securities available-for-sale	3,149
Securities held-to-maturity	256,655
Gross loans, advances and financing	6,130,161
Less: – specific allowance	(142,534)
– general allowance	(107,790)
Other assets	13,920
Deferred tax assets	35,898
Tax recoverable	20,214
Statutory deposits with Bank Negara Malaysia	202,951
Investment in subsidiaries	63,976
Property, plant and equipment	13,557
	<u>7,267,908</u>

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

	RM'000
Liabilities transferred	
Deposits from customers	1,082,131
Deposits and placements of banks and financial institutions	4,151,474
Recourse obligation on loans sold to Cagamas Berhad	1,350,443
Other liabilities	90,433
	<u>6,674,481</u>
Net assets transferred	<u>593,427</u>
Cash and cash equivalents transferred	<u>727,701</u>

The banking licence of RHB Delta Finance was surrendered on 11 January 2006.

44 EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW FRS

FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of the following:

- (i) **Share of results of associates is now presented net of tax in the consolidated income statement.**

The presentation of comparative financial statements of the Group have been restated to conform with the presentation in the current financial year and the following have been restated:

	As restated 2005 RM'000	As previously reported 2005 RM'000
Income Statement		
Share of results of associates	314	542
Profit before INCPS dividends, taxation and zakat	624,055	624,283
Profit after INCPS dividends and before taxation and zakat	487,213	487,411
Share of taxation of associates	–	(228)

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

45 COMPARATIVE FIGURES

Certain presentation of comparative financial statements of the Group and the Bank have been restated to conform with the presentation in the current financial year and the following have been restated:

Income statement for year ended 31.12.2005	As previously reported RM'000	Reclassifications RM'000	As restated RM'000
Group			
Other operating income			
– Other income	144,016	28,094	172,110
Other operating expenses			
– Marketing expenses	124,465	25,530	149,995
Other operating expenses			
– Administration and general expenses	107,128	2,564	109,692
Bank			
Other operating income			
– Other income	140,472	28,094	168,566
Other operating expenses			
– Marketing expenses	66,765	25,530	92,295
Other operating expenses			
– Administration and general expenses	69,134	2,564	71,698

46 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 February 2007.

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Azlan Zainol and Dato Abdullah Mat Noh, being two of the directors of RHB Bank Berhad state that, in the opinion of the directors, the financial statements set out on pages 76 to 221 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2006 and of the results and cash flows of the Group and 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, together with the directives and guidelines issued by Bank Negara Malaysia and the provisions of the Companies Act, 1965.

On behalf of the Board in accordance with a resolution of the Board of Directors dated 28 February 2007.

DATUK AZLAN ZAINOL
CHAIRMAN

DATO ABDULLAH MAT NOH
DEPUTY CHAIRMAN

Kuala Lumpur

Statutory Declaration

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

I, Rupert Koh Hock Joo, the officer primarily responsible for the financial management of RHB Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 76 to 221 are, in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

RUPERT KOH HOCK JOO

Subscribed and solemnly declared by the abovenamed Rupert Koh Hock Joo at Kuala Lumpur in Wilayah Persekutuan on

before me:

COMMISSIONER FOR OATHS
Kuala Lumpur

Report of the Auditors

to the Members of RHB Bank Berhad

We have audited the financial statements set out on pages 76 to 221. These financial statements are the responsibility of the Bank's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and the MASB approved accounting standards in Malaysia for entities other than private entities so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and the Bank as at 31 December 2006 and of the results and cash flows of the Group and the Bank for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

Report of the Auditors

to the Members of RHB Bank Berhad (continued)

The names of the subsidiaries of which we have not acted as auditors are indicated in note 11 of the financial statements. We have considered the financial statements of these subsidiaries and the auditor's reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

PRICEWATERHOUSECOOPERS

(No. AF-1146)

Chartered Accountants

SOO HOO KHOON YEAN

(No. 2682/10/07 (J))

Partner of the firm

Kuala Lumpur

28 February 2007

RHB Bank branches

as at 31 March 2007

KLANG VALLEY SOUTH RCB (CONSUMER)

1) Ampang Point

37 & 38, Jalan Memanda 7
Taman Dato' Ahmad Razali
Jalan Ampang
68000 Ampang, Selangor
Tel : (03) 4252 1753, 4252 1907

2) Bahau

Ground & First Floor
Lot 982 & 983, Wisma UMNO Jempol
Jalan Gurney
72100 Bahau, Negeri Sembilan
Tel : (06) 454 1305, 454 2722

3) Bandar Baru Ampang, Selangor

27G - 29G Ground Floor &
29A First Floor, Jalan Wawasan Ampang 2/3
Bandar Baru Ampang
68000 Ampang, Selangor
Tel : (03) 4270 2069, 4270 2068

4) Bandar Baru Nilai

PT 7460 & 7461
Jalan Bandar Baru Nilai 1/1A
Putra Point, Bandar Baru Nilai
71800 Nilai, Negeri Sembilan
Tel : (06) 794 1009,1006,1007,1011,1010
794 1008,1014,1015, 1017 (Ops)

5) Jenjarom

M38 & M40, Jalan Besar
42600 Jenjarom, Selangor
Tel : (03) 3191 3422, 3191 3433, 3191 3477

6) Kajang

25, Jalan Raja Harun
Taman Hijau
43000 Kajang, Selangor
Tel : (03) 8736 0599, 8736 0177, 8736 2050
8736 0225

7) KLIA

Unit 2A & 2B Block D3, Jalan KLIA S3
Southern Common Facilities
KLIA Selatan
64000 Kuala Lumpur International Airport
Selangor
Tel : (03) 8787 4799, 8787 4801

8) Mines Shopping Fair, Selangor

G20, The Mines Shopping Fair
Jalan Dulang, Off Jalan Balakong
Mines Resort City
43300 Seri Kembangan, Selangor
Tel : (03) 8942 5055, 8942 5157

9) Pandan Indah, Selangor

Ground & Mezzanine Floor
7 & 9, Jalan Pandan Indah 4/2
55100 Pandan Indah, Selangor
Tel : (03) 4295 0981, 4295 2260

RHB Bank branches

as at 31 March 2007 (continued)

10) Kuala Pilah

Lots P.T. 9 & 10, Jalan Melewar
72000 Kuala Pilah, Negeri Sembilan
Tel : (06) 481 1442, 481 1513, 481 3995

11) Putrajaya (Precinct 8)

Blok C - T.00 - U.02 & U.03
1, Jalan P 8 D
62250 Putrajaya
Tel : (03) 8889 2546, 8889 2548, 8889 2549

12) Rantau

158 & 159, Jalan Besar
71200 Rantau
Negeri Sembilan
Tel : (06) 694 1969, 694 1589

13) Salak South, KL

178-180, Main Street
Salak South
57100 Kuala Lumpur
Tel : (03) 7983 9177, 9458, 9306

14) Seremban

10 & 11, Jalan Dato' Abdul Rahman
70000 Seremban, Negeri Sembilan
Tel : (06) 763 8623, 8555, 762 5249

including :-

Giant Senawang (Service Center)
Lot B42 - B44, Giant Hypermarket Senawang
1571, Jalan Senawang
70450 Senawang, Negeri Sembilan
Tel : (06) 678 1320, 678 1318, 677 9277

15) Seri Kembangan, Selangor

Lot 1484A & B, Jalan Besar
43300 Seri Kembangan, Selangor
Tel : (03) 8943 1455, 8943 1357, 8943 0276

16) Simpang Pertang

42 & 43, Taman Sri Pertang
72300 Simpang Pertang, Negeri Sembilan
Tel : (06) 492 9520, 492 9550, 492 9540

17) Sungai Pelek

76 & 77, Jalan Besar
43950 Sungai Pelek, Selangor
Tel : (03) 3141 1176, 3141 1394

18) Taman Indah, Selangor

7 & 9, Jalan SS 2/1
Off Jalan Balakong
Taman Indah, Batu 11
43200 Cheras, Selangor
Tel : (03) 9074 0998, 9074 0997, 9074 1000

19) Taman Midah, KL

18 & 20, Jalan Midah Satu
Taman Midah
56000 Kuala Lumpur
Tel : (03) 9131 2826, 9131 2898, 9130 0991

20) Taman Permata, Selangor

Lot 6 & 7, Ground Floor
Giant Hypermarket Complex
Jalan Changkat Permata, Taman Permata
53300 Selangor
Tel : (03) 4106 9726, 9308, 9832

RHB Bank branches

as at 31 March 2007 (continued)

21) Taman Shamelin, KL

38-1-5, Shamelin Business Center
Jalan 4/91, Taman Shamelin Perkasa
56100 Kuala Lumpur
(Located right in front of the existing premise.)
Tel : (03) 9282 7385, 7386, 7382

22) Taman Sungai Besi, KL

30, Ground & First Floor, Jalan 7/ 108C
Taman Sungai Besi
57100 Kuala Lumpur
Tel : (03) 7983 2105, 2794, 7984 3014, 3016

23) Taman Suntex, Selangor

5 & 6, Jalan Kijang 1
Taman Suntex, Batu 9
43200 Cheras, Selangor
Tel : (03) 9074 7888, 9074 7804

24) Taman Taming Jaya, Selangor

1, Jalan Taming Kanan 2
Taman Taming Jaya
43300 Balakong, Selangor
Tel : (03) 8961 1194, 8961 1195, 8961 1164

25) Tanjung Sepat

1 & 3, Jalan Senangin Satu
Taman Tanjung
P. O. Box No 201
42809 Tanjung Sepat, Selangor
Tel : (03) 3197 4035, 3197 4235, 3197 4788

KLANG VALLEY CENTRAL RCB (CONSUMER)

1) `1' Utama, Petaling Jaya

Lot F38 & F39 (1st Floor)
`1' Utama Shopping Centre
Lebuh Bandar Utama
47800 Petaling Jaya, Selangor
Tel : (03) 7728 3454, 7728 3470

2) 11,13 & 15, Jalan Niaga, Shah Alam

11, 13 & 15, Jalan Niaga 16/3A
Section 16
40000 Shah Alam, Selangor
Tel : (03) 5510 3131, 5510 3135, 5510 6289
5510 3931, 5510 3849

3) 48-50, Jalan SS15/4D, Subang Jaya

Lot 48-50, Jalan SS15/4D
Subang Jaya
47500 Selangor
Tel : (03) 5634 4970, 5634 4976, 5634 4973

4) Bandar Baru Sungai Buloh

391 & 392, Jalan 1A/1
Bandar Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : (03) 6156 1712, 6156 1713, 6156 1711
6156 4034, 6156 5707

RHB Bank branches

as at 31 March 2007 (continued)

5) Bandar Sri Damansara

1 & 2, Jalan Tanjung SD 13/1
52200 Bandar Sri Damansara, Selangor
Tel : (03) 6274 5287, 6274 5532, 6274 5576

6) Damansara Jaya

22 & 24, Jalan SS 22/25
Damansara Jaya
47400 Petaling Jaya, Selangor
Tel : (03) 7729 5132, 7729 5137, 7729 3853

7) IOI Mall, Puchong

Lot G18A (Ground Floor), IOI Mall
Batu 9, Jalan Puchong
Bandar Puchong Jaya
47100 Puchong, Selangor
Tel : (03) 5882 0870, 5882 0874, 5882 0875
5882 0879

including :-

TESCO PUCHONG (Service Centre)
Lot 4A, Tingkat 1
Tesco Puchong, Jalan Bandar 3
Pusat Bandar Puchong
47100 Selangor
Tel : (03) 8075 7980, 8075 8196

8) Jalan Meru, Kelang

147 & 149
1 1/2 Miles, Jalan Meru
41050 Kelang, Selangor
Tel : (03) 3344 2751, 3344 2750

9) Jalan SS21/39, Damansara Utama

2M & 2G Jalan SS 21/39
Damansara Utama
47400 Petaling Jaya, Selangor
Tel : (03) 7726 2306, 7726 2307, 7726 2308

10) Jalan Stesen, Kelang

24 & 26, Jalan Stesen
41000 Kelang, Selangor
Tel : (03) 3371 9669, 3371 9652, 3372 7242

11) Jln T. Amp Zabedah, Shah Alam

16 & 18, Ground & First Floor
Jalan T. Amp Zabedah D9/D, Section 9
40100 Shah Alam, Selangor
Tel : (03) 5510 0559, 5511 4127, 5511 4128
5512 9829

including :-

Giant Shah Alam (Service Center)
Lot B26 - B27
Giant Hypermarket, Shah Alam
2, Persiaran Sukan, Seksyen 13
40100 Shah Alam, Selangor
Tel : (03) 5511 9085

12) Kampung Baru Sungai Buloh

25, Jalan Public
Kampung Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : (03) 6156 9301, 6156 9302, 6156 9344

RHB Bank branches

as at 31 March 2007 (continued)

13) Meru

1, Lorong Pepauh 1A
Taman Pekan Meru
41050 Kelang, Selangor
Tel : (03) 3392 4501, 3392 4502, 3392 4503

14) New Town, Petaling Jaya

1, 3 & 5, Jalan 52/18
New Town Centre
46200 Petaling Jaya, Selangor
Tel : (03) 7956 9611, 7956 9612, 7956 1994

15) Persiaran Sultan Ibrahim, Kelang

33, Persiaran Sultan Ibrahim
41300 Kelang, Selangor
Tel : (03) 3342 0433, 3342 0434, 3342 0435

16) Section 14, Petaling Jaya

1, Jalan 14/20
46100 Petaling Jaya, Selangor
Tel : (03) 7957 4742, 7957 4460

17) Port Klang

Persiaran Raja Muda Musa
42000 Pelabuhan Kelang, Selangor
Tel : (03) 3168 7142, 3168 7143, 3168 0337
3168 0349, 3165 6720

including :-

Giant Bukit Tinggi, (Service Centre)
(Formerly Pandamaran Branch)
Lot A22 & A2, Persiaran Batu Nilam
Bandar Bukit Tinggi 1, Jalan Langat
41200 Klang
Operations Tel: (03) 3324 1892, 3324 3581

18) SS2, PJ

157 & 159, Jalan SS2/24
Sungai Way / Subang
47300 Petaling Jaya, Selangor
Tel : (03) 7875 3724, 7875 7895, 7875 3259
7874 2994

including:-

Giant Kelana Jaya (Service Centre) (25-3-2004)
Lot F1, F2 and F3
Tingkat 1, Giant Hypermarket
No. 33 Jalan SS 6/12
SS 6 Kelana Jaya
47301 Petaling Jaya, Selangor Darul Ehsan
Tel : (03) 7804 3658

19) Taman Megah, Petaling Jaya

11 - 15, Jalan SS 24/11
Taman Megah
47301 Petaling Jaya, Selangor
Tel : (03) 7804 1258, 7804 7481, 7804 7090
7804 9040

20) Tanjong Karang

Lot 1 & 3, Jalan Satu
Taman Tanjong Karang Baru
45500 Tanjong Karang, Selangor
Tel : (03) 3269 5039, 3269 8171, 3269 1812

21) UEP Subang Jaya

47 & 49, Jalan USJ 10/1
UEP Subang Jaya
47620 Petaling Jaya, Selangor
Tel : (03) 5637 3592, 5637 3593, 5637 3594

RHB Bank branches

as at 31 March 2007 (continued)

KLANG VALLEY NORTH 1 RCB (CONSUMER)

1) 75 Jalan Tun H.S. Lee, KL (KVN 1)

75, Jalan Tun H.S. Lee
50000 Kuala Lumpur
Tel : (03) 2070 0233, 2072 9072, 2053 1485
2070 6869, 2053 1486, 2053 1480

2) Bangsar Shopping Complex, KL (KVN 1)

G129 Ground Floor
Bangsar Shopping Centre
285, Jalan Ma'arof
Bangsar, 59100 Kuala Lumpur
Tel : (03) 2284 6870, 2284 6872, 2284 6875

3) Damansara Heights, KL (KVN 1)

Lots C9 - C12, Block C
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : (03) 2095 7068, 2095 7069, 2095 7088

4) Jalan Bukit Bintang, KL (KVN 1)

58 - 60, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : (03) 2148 0901, 2144 0875, 2142 3604
2143 1857, 2142 3396

5) Jalan Maharajalela, KL (KVN 1)

Unit 1, Ground Floor
Bangunan Cheong Wing Chan
41 - 51, Jalan Maharajalela
50150 Kuala Lumpur
Tel : (03) 2274 9820, 2274 0475, 2273 0993

KL Sentral (Service Center) (KVN 1)

Unit 7, Level 1 (Arrival Hall)
City Air Terminal
KL Sentral Station
50470 Kuala Lumpur
Tel : (03) 2273 5000

6) Jalan Pasar, KL (KVN 1)

50 - 52, Jalan Pasar
55100 Kuala Lumpur
Tel : (03) 2141 4167, 2148 7301

7) KLCC (KVN 1)

Lot G 34, Ground Level
Petronas Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : (03) 2164 4423, 2164 4125/128

RHB Bank branches

as at 31 March 2007 (continued)

8) Kuala Lumpur Main (KVN 1)

Level 1, Tower Two
RHB Centre
426, Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9281 3030, Ext: 101(ABM)
103-106(Remt), 110-116(CA/SA)
117(CDC), 118-121(PB), 108-109
(Adms & Acct)122(SDB), 9280 6010

Including:-

Menara Yayasan Tun Razak, Kuala Lumpur
Service Centre
Ground Floor, Menara Yayasan Tun Razak
200, Jalan Bukit Bintang, 55100 Kuala Lumpur
W.P.
Tel : (03) 2162 5068

9) Plaza OSK, KL (KVN 1)

Ground and Mezzanine Floor
Podium Block, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel : (03) 2164 4326, 2164 4315, 2164 4339

including :-

Ampang Park (Sales Kiosk)
114 - 116, Ampang Park Complex
Jalan Ampang
50450 Kuala Lumpur
Tel : (03) 2163 2121

KLANG VALLEY NORTH 2 RCB (CONSUMER)

1) 53 & 55, Pasar Borong, Selayang KL (KVN 2)

53 & 55, Jalan 2/3A
Off KM 12, Jalan Ipoh
68100 Batu Caves, Kuala Lumpur
Tel : (03) 6136 3284, 6136 3169, 6136 8975

2) Desa Sri Hartamas, KL (KVN 2)

6, Jalan 24/ 70A
Desa Sri Hartamas
50480 Kuala Lumpur
Tel : (03) 2300 2360, 2300 1754

3) Jalan Ipoh, KL (KVN 2)

14 - 16, Jalan Ipoh
51200 Kuala Lumpur
Tel : (03) 4042 8068, 4042 8601, 4042 2573

4) Jinjang Utara, KL(KVN 2)

3472 & 3473, Jalan Besar
Jinjang Utara
52000 Kuala Lumpur
Tel : (03) 6257 7053, 6257 7808

5) Kepong, KL(KVN 2)

321, Batu 7
Jalan Kepong
Kepong Baru
52100 Kuala Lumpur
Tel : (03) 6274 0022, 6274 0593, 6274 0463

RHB Bank branches

as at 31 March 2007 (continued)

6) Mid Valley, KL (KVN 2)

17-G and 17-1, The Boulevard
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Tel : (03) 2284 4339, 2284 4360, 2284 4353

7) Overseas Union Garden, KL (KVN 2)

140 & 142 Jalan Mega Mendung
Bandar Complex, Batu 41/2
Jalan Kelang Lama
58200 Kuala Lumpur (wef 29/8/05)
Tel : (03) 7983 9863, 7983 9864, 7983 9861

8) Rawang (KVN 2)

Ground, First & Second Floor
10 & 11, Jalan Maxwell
48000 Rawang, Selangor
Tel : (03) 6092 5035, 6092 5036

9) Segambut, KL (KVN 2)

42 & 42A, Jalan Segambut Tengah
Segambut, 51200 Kuala Lumpur
Tel : (03) 6257 8777, 6257 8999, 6257 6888

10) Setapak, KL (KVN 2)

257 & 259, Jalan Genting Kelang
53300 Setapak Kuala Lumpur
Tel : (03) 4023 7444, 4023 7476, 4025 4905

11) Taman Tun Dr. Ismail, KL (KVN 2)

15 & 17, Jalan Tun Mohd Fuad 3
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : (03) 7722 1284, 7726 8995

12) Wisma UOA (KVN 2)

Unit 50-G-02, Wisma UOA Damansara
50 Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel : (03) 2094 9840, 2094 2643

NORTHERN RCB (CONSUMER)

1) 2784 & 2785, Jln Chain Ferry, Prai

Ground Floor, 2784 & 2785
Jalan Chain Ferry
Taman Inderawasih
13600 Prai, Pulau Pinang
Tel : (04) 390 9255, 390 9257, 9258

2) Ayer Itam

15, Jalan Pasar
11500 Ayer Itam, Pulau Pinang
Tel : (04) 828 3522, 828 5168

3) Bayan Baru

42 A, B, C, Jalan Tengah
11950 Bayan Baru, Pulau Pinang
Tel : (04) 642 1880, 642 1882

RHB Bank branches

as at 31 March 2007 (continued)

4) Bukit Mertajam

1244 & 1246, Jalan Padang Lallang
Taman Desa Damai
14000 Bukit Mertajam, Pulau Pinang
Tel : (04) 539 1171, 539 1176

5) Burmah House, Penang

Ground & Mezzanine Floor
Suite G-02, Burmah House
405, Jalan Burmah, Pulau Tikus
10350 Pulau Pinang
Tel : (04) 227 4367, 227 4364

6) Jalan Raja Uda, Penang

Ground & Mezzanine Floor
6957 & 6958, Jalan Raja Uda
Raja Uda Light Industrial Park
12300 Butterworth, Pulau Pinang
Tel : (04) 332 4937, 332 4860, 332 4837

7) Jalan Tunku Ibrahim, Alor Setar

1519, Jalan Tunku Ibrahim
P.O. Box No. 3
05700 Alor Setar, Kedah
Tel : (04) 731 6066 , 731 6144

8) Jelutong

112 & 114, Jalan Tan Sri Teh Ewe Lim
11600, Pulau Pinang
Tel : (04) 282 6922, 282 6921

9) Kangar

41 & 43, Persiaran Jubli Emas
Taman Suriani
01000 Kangar, Perlis
Tel : (04) 977 6864, 977 6867

10) Padang Serai

11 & 12, Lorong Berkat Satu
Taman Berkat
09400 Padang Serai, Kedah
Tel : (04) 485 5951, 485 5952

11) Pulau Langkawi

13 & 15, Jalan Pandak Mayah Satu
07000 Langkawi, Kedah
Tel : (04) 966 7511, 966 7512

12) Sungai Bakap

1433-1434, Jalan Besar
Sungai Bakap, Seberang Prai Selatan
14200 Sungai Jawi, Pulau Pinang
Tel : (04) 582 3629, 582 3594, 582 3630

13) Sungai Dua

4H & 4J, Desa Universiti Comm Complex
Jalan Sungai Dua
11700 Gelugor, Pulau Pinang
Tel : (04) 658 5617, 658 5620, 5621

14) Taman Pekan Baru, Sg Petani

104, 105 & 106, Jalan Pengkalan
Tmn Pekan Baru, Sg Petani Baru
08000 Sungai Petani, Kedah
Tel : (04) 421 0786, 422 1600, 421 9090

RHB Bank branches

as at 31 March 2007 (continued)

15) Butterworth

6774, 6775 & 6776, Jalan Kg Gajah
12200 Butterworth, Pulau Pinang
Tel : (04) 331 5871, 331 5872

16) Jalan Bakar Arang, Sungai Petani

27 & 28, Jalan Bakar Arang
08000 Sungai Petani, Kedah
Tel : (04) 422 2151, 422 2152

17) Kuala Kedah

Ground & First Floor
262 & 263, Block C, Bangunan Peruda
06600 Kuala Kedah, Kedah
Tel : (04) 762 5367, 762 5366

18) Lebu Pantai, Penang

44, Lebu Pantai
Georgetown, 10300 Pulau Pinang
Tel : (04) 262 1144, 262 1109

19) Mergong, Alor Setar

97J, Seberang Jalan Putra
05150 Alor Setar, Kedah
Tel : (04) 733 9279, 733 9304

20) Taman Semarak, Kulim

43, Lorong Semarak 1
Taman Semarak
09000 Kulim, Kedah
Tel : (04) 491 5912, 491 5913

JOHOR RCB (CONSUMER)

1) Jalan Bandar, Pasir Gudang

10A, Pusat Perdagangan
Jalan Bandar
81700 Pasir Gudang, Johor
Tel : (07) 251 1578, 251 1573, 252 7717
251 6292

2) Jalan Dedap, Taman Johor Jaya

7 & 9, Jalan Dedap 18
Taman Johor Jaya
81100 Johor Bahru, Johor
Tel : (07) 355 5226, 355 5327, 355 0844
355 3277

3) Jln Bendahara 12, Taman Ungku Tun Aminah

62, 64 & 66, Jalan Bendahara 12
Taman Ungku Tun Aminah
81300 Sekudai, Johor
Tel : (07) 557 1477, 557 1097, 554 9926
554 1790

4) Johor Bahru City Square

Lot J1-22 & J2-31
Level 1 & 2, Johor Bahru City Square
106 & 108, Jalan Wong Ah Fook
80000 Johor Bahru, Johor
Tel : (07) 224 5333, 224 0333, 223 0573

RHB Bank branches

as at 31 March 2007 (continued)

5) Kulai

4 & 5, Taman Seraya
Kulai Besar
81000 Kulai, Johor
Tel : (07) 663 1911, 663 1912

6) Permas Jaya, Johor

Ground Floor
35 & 37, Jalan Permas 10/2
Bandar Baru Permas Jaya
81750 Johor Bahru, Johor
Tel : (07) 388 6741, 388 6744, 388 6746

7) Plentong, Johor

Lot A17, Ground Floor
Giant Hypermarket
3, Jalan Masai Lama
Plentong
81750 Johor Bahru, Johor
Tel : (07) 352 7684, 358 2715, 358 2716

8) Pontian Kechil

192, Jalan Bakek
Pontian Kechil
82000 Pontian, Johor
Tel : (07) 687 8368, 687 8369, 687 8123

9) Senai

180 & 181, Jalan Belimbing 1
81400 Senai, Johor
Tel : (07) 599 6960, 599 6546, 599 7154

10) Simpang Renggam

8 & 9, Jalan Kijang
86200 Simpang Renggam, Johor
Tel : (07) 755 8531, 755 8532, 755 7366

11) Taman Molek, Johor

56 & 58, Jalan Molek 2/2
Taman Molek
81100 Johor Bahru, Johor
Tel : (07) 351 4641, 351 4642, 351 4643

12) Taman Pelangi, Johor

Suite 1-2, Level 1
Menara Pelangi
2, Jalan Kuning
Taman Pelangi
80400 Johor Bahru, Johor
Tel : (07) 334 3476, 334 3481

13) Taman Sentosa, Johor

9 & 11, Jalan Sutera
Taman Sentosa
80150 Johor Bahru, Johor
Tel : (07) 332 2243, 332 2244, 332 2246
332 7251

14) Tampoi

3, 3-01, 5, 5-01, Jalan Pembangunan
Desa Rahmat, Tampoi
81200 Johor Bahru, Johor
Tel : (07) 234 0678, 234 0729

RHB Bank branches

as at 31 March 2007 (continued)

15) Ulu Tiram

1 & 2, Jalan Raya
81800 Ulu Tiram, Johor
Tel : (07) 861 3002, 861 7609
861 3003,3001

MELAKA RCB (CONSUMER)

1) 9, Jalan Abdullah, Muar

9, Jalan Abdullah
84000 Muar, Johor
Tel : (06) 952 2234, 951 9080

2) Batu Pahat

89, Jalan Rahmat
83000 Batu Pahat, Johor
Tel : (07) 431 7011, 431 7022

3) Bekok

G34 & G36, Jalan Wijaya
86500 Bekok, Johor
Tel : (07) 922 1639, 922 1643

4) Bukit Baru, Melaka

Ground Floor, 5 & 6, Jalan DR 1
Taman Delima Raya
Bukit Baru, 75150 Melaka
Tel : (06) 232 1302, 232 1298

5) Jalan Dato' Rauf, Kluang

18 & 20, Jalan Dato' Rauf
86000 Kluang, Johor
Tel : (07) 772 4111, 772 4112

6) Jalan Hang Tuah, Melaka

477, Plaza Melaka
Jalan Hang Tuah
75300 Melaka
Tel : (06) 284 0473, 284 0476

including :-

Tesco Melaka (Sales Kiosk)
Lot 7, Tingkat Bawah
No. 1, Jalan Tun Razak
75400 Peringgit Melaka
Tel : (06) 283 5533

7) Jementah

Ground Floor, MCA Building
Jalan Muar
85200 Jementah, Johor
Tel : (07) 947 1578, 947 1353

8) Kota Melaka

No. 57&59, Prime Square
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 5030, 282 5029

9) Segamat

110 & 111, Jalan Genuang
85000 Segamat, Johor
Tel : (07) 931 1366, 931 1367
931 5442, 931 5379

RHB Bank branches

as at 31 March 2007 (continued)

10) Tangkak

351 & 352, Jalan Muar
84900 Tangkak, Johor
Tel : (06) 978 6588, 978 6591

11) Yong Peng

106, Jalan Besar
83700 Yong Peng, Johor
Tel : (07) 467 1006, 467 1146

PERAK RCB (CONSUMER)

1) Air Tawar

33A & B, Jalan Besar
32400 Air Tawar, Perak
Tel : (05) 672 2385, 672 4148

2) Bagan Serai

243, Jalan Besar
34300 Bagan Serai, Perak
Tel : (05) 721 5715, 721 5716

3) Gopeng

Ground Floor
67 & 69, High Street
31600 Gopeng, Perak
Tel : (05) 359 1169, 359 4524

4) Gunung Rapat

57 & 59, Medan Gopeng 1
Jalan Gopeng, Gunung Rapat
31350 Ipoh, Perak
Tel : (05) 312 3599, 312 3851

5) Jalan Tun Sambanthan, Ipoh

Lot 2, 4, 6 & 8, Jalan Tun Sambanthan
30000 Ipoh, Perak
Tel : (05) 254 2135, 254 2136

6) Ipoh Garden South

12 & 14 Tingkat, Taman Ipoh 6
Ipoh Garden South
31400 Ipoh, Perak
Tel : (05) 548 2532, 547 7888

7) Jelapang

433 & 435, Jalan Silibin
Taman Silibin, P. O Box No. 585
30760 Ipoh, Perak
Tel : (05) 526 6515, 526 8518

8) Kampar

81, 83 & 85, Jalan Gopeng
31900 Kampar, Perak
Tel : (05) 466 6202, 466 6203
465 1592, 465 1599

9) Kuala Kangsar

6 & 7, Jalan Daeng Selili
33000 Kuala Kangsar, Perak
Tel : (05) 776 3772, 776 1762

10) Kuala Kurau

Ground & First Floor
19, Jalan Besar
34350 Kuala Kurau, Perak
Tel : (05) 727 7953, 727 0939

RHB Bank branches

as at 31 March 2007 (continued)

11) Menglembu

Ground & First Floor
50 & 52, Jalan Besar
31450 Menglembu, Perak
Tel : (05) 281 6011, 281 6017

12) Parit Buntar

44, Jalan Teh Peh Kong
34200 Parit Buntar, Perak
Tel : (05) 716 1626, 716 1627

13) Persiaran Greenhill, Ipoh

62, Persiaran Greenhill
30450 Ipoh, Perak
Tel : (05) 253 3355, 255 4195

14) Simpang Empat, Hutan Melintang

Lots P.T 1374 & 1375, Jalan Hutan Melintang
Taman Seri Perak, Simpang Empat
36400 Hutan Melintang, Perak
Tel : (05) 641 2363, 641 2362

15) Sitiawan

25C, Jalan Datuk Ahmad Yunus
32000 Sitiawan, Perak
Tel : (05) 691 1411, 691 4669

16) Sungai Siput

139 & 140, Jalan Besar
31100 Sungai Siput, Perak
Tel : (05) 598 2233, 598 2234, 598 8922

17) Sungkai

18 & 19, Jalan Besar
35600 Sungkai, Perak
Tel : (05) 438 6708, 438 6710

18) Taiping

68 & 70, Jalan Kota
34000 Taiping, Perak
Tel : (05) 807 3276, 807 3257
808 3350

19) Tasek

699 & 701, Jalan Tasek
Taman Musim Bunga
31400 Ipoh, Perak
Tel : (05) 546 7363, 546 7386, 546 7370

20) Teluk Intan

31 & 33, Jalan Intan 2
Bandar Baru Teluk Intan
36000 Teluk Intan, Perak
Tel : (05) 622 1654, 622 1655

EAST COAST RCB (CONSUMER)

1) Bentong

Lot 13 & 14, Jalan Loke Yew
28700 Bentong, Pahang
Tel : (09) 222 1648, 222 1649

2) Jerantut

Lot 4360 & 4361, Jalan Kuantan
27000 Jerantut, Pahang
Tel : (09) 266 5900, 266 5901

RHB Bank branches

as at 31 March 2007 (continued)

3) Kemaman

K-156C, Jalan Sulaimani
24000 Chukai, Terengganu
Tel : (09) 859 2825, 859 2824

4) Kerteh

10B, Bandar Baru Kerteh
24300 Kerteh, Terengganu
Tel : (09) 826 1644, 826 1645

5) Ketereh

Lot PT 383 & PT 384
Kedai Ketereh, Bandar Ketereh
16450 Ketereh, Kelantan
Tel : (09) 788 6377, 788 6376

6) Jln Kebun Sultan, Kota Bharu

Lot 1182-1183, Jalan Kebun Sultan
15350 Kota Bharu, Kelantan
Tel : (09) 748 1792, 748 1793
744 1744, 744 1776, 744 1654

7) Kuala Dungun

K231, Jalan Besar, Kuala Dungun
23000 Dungun, Terengganu
Tel : (09) 848 1416, 848 1575

8) Kuala Terengganu

59, Jalan Sultan Ismail
20200 Kuala Terengganu, Terengganu
Tel : (09) 622 1478, 622 6478

9) Jalan Telok Sisek, Kuantan

45, Jalan Telok Sisek
25000 Kuantan, Pahang
Tel : (09) 516 4475, 516 4517, 516 3763

10) Mentakab

Lot 94 & 95, Jalan Temerloh
28400 Mentakab, Pahang
Tel : (09) 278 1976, 278 1971

11) Pasir Mas

18A, Jalan Tengku Ahmad
17000 Pasir Mas, Kelantan
Tel : (09) 790 9088

12) Raub

Lot PT 16477 & 16478
Pusat Perniagaan Indrapura, Jalan Tras
27600 Raub, Pahang
Tel : (09) 355 5077, 355 5515

SARAWAK RCB (CONSUMER)

1) 31, Jln Tunku Osman, Sibul

No 31, Jalan Tuanku Osman
P O Box 26
96007 Sibul, Sarawak
Tel : (084) 314455

RHB Bank branches

as at 31 March 2007 (continued)

2) Boulevard Centre, Miri

Ground Floor
Lot 2469 & 2470
Boulevard Commercial Centre
Jalan Boulevard Utama
98000 Miri, Sarawak
Tel : (085) 429880

3) Dalat, Sarawak

Ground Floor
Pejabat Daerah Dalat
96300 Dalat, Sarawak
Tel : (084) 864841, 864842

4) Jalan Kulas, Kuching

Ground Floor Lot 363
Section Jalan Kulas
P O Box 2049
93740 Kuching, Sarawak
Tel : (082) 419050, 426586

5) Jalan Masjid, Bintulu

Ground Floor & 1st Floor
258 Taman Sri Dagang
Jalan Masjid
97000 Bintulu, Sarawak
Tel : (086) 331133

6) Jalan Nakhoda Gampar, Miri

Lot 362, Block 9
Jalan Nakhoda Gampar
P O Box 1142
98008 Miri, Sarawak
Tel : (085) 411882

7) Jalan Padungan, Kuching

256, Jalan Padungan
93100 Kuching, Sarawak
Tel : (082) 423216, 252088

8) Kanowit, Sarawak

Lots 127 & 128
No 65-66 Jalan Kubu
Kanowit Town District
96700 Kanowit, Sarawak
Tel : (084) 752700

9) Lawas, Sarawak

Lot No 355
Jalan Punang
98850 Lawas
Tel : (085) 285657, 285659

10) Lundu, Sarawak

Lot 249-250
Jalan Blacksmith
Pekan Lundu
94500 Lundu, Sarawak
Tel : (082) 735611

11) Medan Raya, Kuching (w.e.f. 01-07-2004)

Lot 4, Tingkat Bawah
Bangunan MASJA
Medan Raya, Petrajaya
93050 Kuching, Sarawak
Tel : (082) 442741, 449135, 445611

RHB Bank branches

as at 31 March 2007 (continued)

12) Sarikei, Sarawak

Lot 1468
Repok Road
P O Box 738
96108 Sarikei, Sarawak
Tel : (084) 657030

13) Siburan, Sarawak

No 2, Siburan Bazaar
17th Mile, Kuching Serian Road
94200 Siburan, Sarawak
Tel : (082) 862808

14) Simpang Tiga, Kuching

No 11, Jalan Simpang Tiga
P O Box 3000
93758 Kuching, Sarawak
Tel : (082) 417817, 411817

15) Tabuan Jaya, Sarawak

891-892
Lorong Bayor Bukit 2A
Tabuan Jaya, Shopping Centre
Jalan Wan Alwi
93350 Kuching, Sarawak
Tel : (082) 366823, 366828

16) UNIMAS

Bangunan Hal Ehwal Pelajar
Campus Tetap Unimas, KM 17, Kuching
Kota Samarahan Expressway, 94300
Kota Samarahan, Sarawak
Tel : (082) 665622, 665288

17) Wisma Mahmud, Kuching

Level 1
Wisma Mahmud
Jalan Sungei Sarawak
93100 Kuching, Sarawak
Tel : (082) 345345, 345610

18) Batu Kawah , Kuching (wef Dec. 2004)

Bd 104/204 & 105/205
Batu Kawah New Township
Jalan Batu Kawa, 93250 Kuching
Sarawak
Tel : (082) 455650, 450487

19) Limbang, Sarawak

Lot 1563 Jalan Buangsiol
98700 Limbang, Sarawak
Tel : (085) 212398, 212399

20) Sri Aman, Sarawak

Lot 839, Jalan Sabu, 95000
Sri Aman, Sarawak
Tel : (083) 320979, 320980

21) Kapit, Sarawak

Lot 504 Jalan Temenggong Jugah
96800, Kapit, Sarawak
Tel : (084) 797771

22) Marudi, Sarawak

Lot 29, Jalan Kapitan Lim Ching Kiat, Marudi
98050, Baram, Sarawak
Tel : (085) 756721, 756722

RHB Bank branches

as at 31 March 2007 (continued)

SABAH RCB (CONSUMER)

1) Bandar Pasaraya, Sandakan

Lot 59 Ground Floor
Bandar Pasaraya, Mile 4
90000 Sandakan, Sabah
Tel : (089) 208101, 208102, 208104, 208100

2) Inanam, Sabah

Ground & First Floor
Lot 20 & 22, Block E
Inanam New Township, Phase II
89350 Inanam, Sabah
Tel : (088) 422883

3) Jalan Gaya, Kota Kinabalu

81 / 83, Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : (088) 216188, 213982

4) Jalan Tun Mustapha, Labuan

Lot 1 & 2, Jati Shop Houses
Off Jalan Tun Mustapha
87007 Labuan
Wilayah Persekutuan Labuan
Tel : (087) 414822, 414810

5) Lahad Datu, Sabah

Lot 1 & 2, Block A
Metro Commercial Complex
91100 Lahad Datu, Sabah
Tel : (089) 886159, 886418

6) Tawau, Sabah

Ground & First Floor
Lot 5 Block 27
Fajar Complex, Jalan Mahkamah
Town Extension II
91000 Tawau, Sabah
Tel : (089) 777355, 777233

7) Wisma Khoo, Sandakan

Sub Lot 1 - 7, Ground Floor
Wisma Khoo Siak Chiew
Lebuh Tiga, Jalan Sim Sim
Mail Bag No 4
90009 Sandakan, Sabah
Tel : (089) 218777

RHB BUREAU DE CHANGE

1) KL International Airport (Departure)

Lot 13a Departure Level
Main Terminal Building
Kuala Lumpur
International Airport
64000, Selangor
Tel : (03) 8787 3257

Open 24 hours daily.

RHB Bank branches

as at 31 March 2007 (continued)

2) **KL International Airport (Arrival)**

Lot No. ARR 5A
Arrival Level
Main Terminal Building
Kuala Lumpur
International Airport
64000, Selangor
Tel : (03) 8787 1562

Open 24 hours daily.

3) **KL Sentral**

Unit 7, Level 1 (Arrival Hall) City Air
Terminal KL Sentral Station
50470, Kuala Lumpur
Tel : (03) 2273 5000

Monday to Sunday 10.00 AM to 6.00 PM

4) **Penang International Airport**

Lot CM 18
Penang International Airport
11900, Bayan Lepas
Pulau Pinang
Tel : (04) 643 4769

Monday to Sunday 6.30 AM to 11.30 PM

5) **Kuching International Airport**

Arrival Hall
Peti Surat 1070
93722, Kuching
Sarawak
Tel : (082) 463 768

Monday to Sunday 8.30 AM to 7.30 PM

6) **Kota Raya Complex**

Lot G17, Ground Floor
Kota Raya Complex
Jalan Cheng Lock
50000, Kuala Lumpur
Tel : (03) 2072 0881

Monday to Friday 11.00 AM to 7.00 PM
Saturday to Sunday 10.30 AM to 7.00 PM

RHB OVERSEAS BRANCHES NEGARA BRUNEI DARUSSALAM

1) **Bandar Seri Begawan**

Unit G.02, Ground Floor, Block D
Kompleks Yayasan Sultan
Haji Hassanal Bolkiah
Jalan Pretty
Bandar Seri Begawan BS 8711
Negara Brunei Darussalam
Tel : (673) 223 1325

RHB Bank branches

as at 31 March 2007 (continued)

SINGAPORE

90 Cecil Street #05-00
Singapore 069531
Tel : (02) 6220 2736

SINGAPORE OPERATIONS

1) Cecil Street Branch

90 Cecil Street #01-00
Singapore 069531
Tel : (02) 6222 1059

2) Bukit Timah Branch

440 / 442, Upper Bt Timah Road
The Rail Mall
Singapore 678064
Tel : (02) 6765 1678

3) Geylang Branch

537 Geylang Road
Singapore 389492
Tel : (02) 6747 8969

4) Katong Branch

14 – 18 East Coast Rd
Singapore 428741
Tel : (02) 6344 5353

5) Bukit Merah Branch

Blk 131, Jalan Bukit Merah
#01-1577 / 1579
Singapore 160131
Tel : (02) 6273 9168

6) Upper Serangoon Branch

1 Yio Chu Kang Road
Singapore 545506
Tel : (02) 6282 6778

7) Jalan Besar Branch

10, Jalan Besar #01-03
Sim Lim Tower
Singapore 208787
Tel : (02) 6296 5842

THAILAND

1) Country Head

Bangkok

Level 10, Liberty Square
287, Silom Road, Bangrak
Bangkok 10500
Thailand
Tel : (662) 631 2000

