

synergy

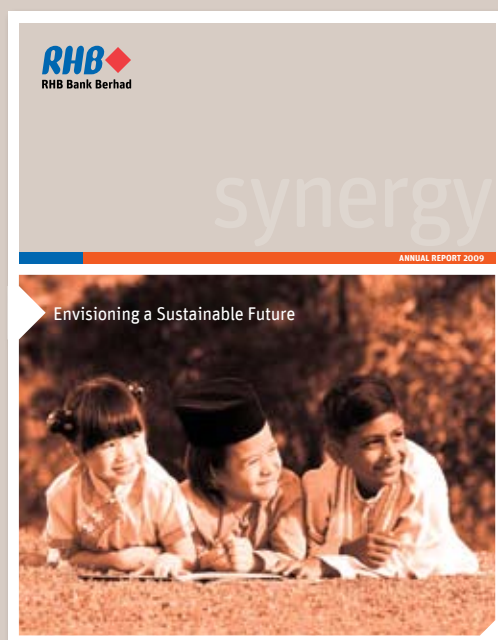
ANNUAL REPORT 2009

Envisioning a Sustainable Future



◆ Cover Rationale

At RHB, our goal is to ensure and pave the way to a better life for our customers. By bringing every entity together, thinking as one cohesive unit, and working together to develop our business holistically, we are ensuring that not only will our customers benefit in the here and now, but the generations to come will be able to look forward to a bigger and brighter future.





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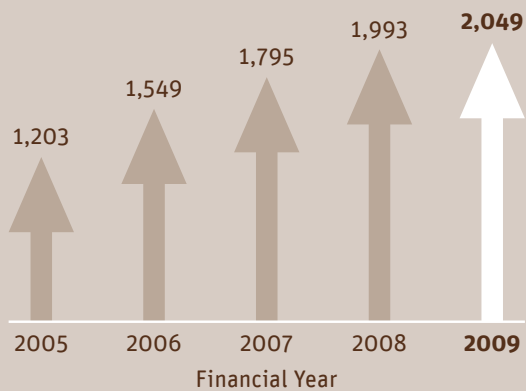
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Group Financial Highlights

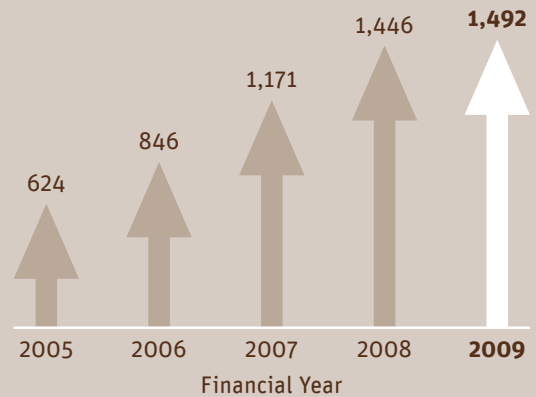
		RHB BANK GROUP			
	2009	2008	2007	2006	2005
INCOME (RM MILLION)					
1. Operating Profit	2,049.25	1,992.61	1,794.56	1,548.97	1,203.10
2. Profit Before INCPS dividends and taxation	1,491.77	1,445.82	1,170.69	845.56	624.06
BALANCE SHEET (RM MILLION)					
1. Total Assets	106,094	94,938	94,484	95,124	84,756
2. Gross Loans, Advances and Financing	69,846	62,639	55,898	55,366	50,312
3. Total Deposits	88,221	77,765	78,360	65,662	59,302
4. Paid-up Capital	3,318	3,318	1,950	1,950	1,950
5. INCPS and Shareholders' Equity	7,832	6,828	5,976	6,065	5,705
ORDINARY DIVIDENDS (PAID)					
1. Gross Dividend Rate (%)	6.24	7.58	60.70	8.60	11.50
2. Net Dividend (Paid) (RM Million)	155.29	185.87	863.45	120.26	161.46
Final gross dividend in respect of the current financial year 2009 of 1.89 sen less 25% tax amounting RM94,068,000 will be proposed for shareholder's approval at the forthcoming Annual General Meeting.					
3. Net Preference Dividends (Paid) (RM Million)	-	32.15	99.87	98.50	98.50
FINANCIAL RATIOS					
1. Net Tangible Assets Backing per 50 sen Ordinary Share (sen)	102.89	87.76	92.41	94.68	85.46
2. Return on Average Shareholders' Equity (%)	16.21	18.16	16.20	11.15	8.94
3. Earnings per 50 sen Ordinary Share (sen)	17.90	17.30	19.30	12.90	9.70

Group Financial Highlights

OPERATING PROFIT RM MILLION



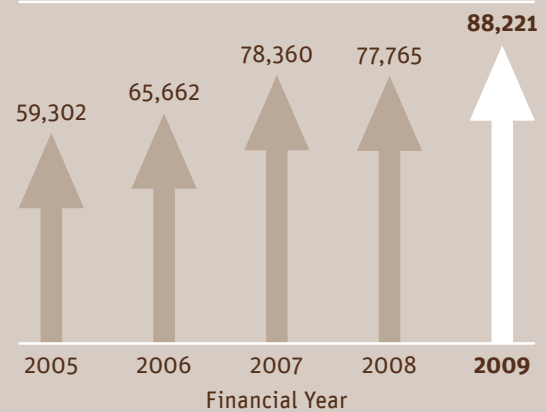
PROFIT BEFORE INCPS DIVIDENDS AND TAXATION RM MILLION



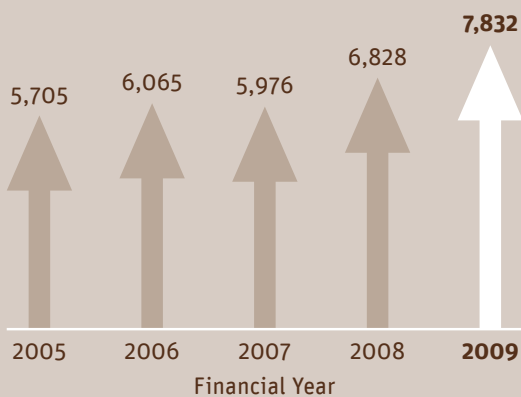
GROSS LOANS, ADVANCES AND FINANCING RM MILLION



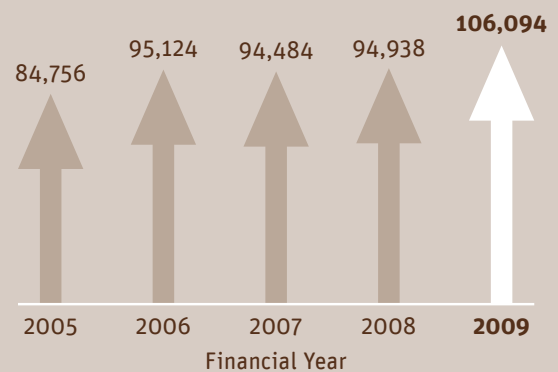
TOTAL DEPOSITS RM MILLION



INCPS AND SHAREHOLDERS' EQUITY RM MILLION



TOTAL ASSETS RM MILLION



Corporate Information

BOARD OF DIRECTORS

Tan Sri Azlan Zainol
Chairman
Non-Independent Non-Executive Director

Johari Abdul Muid
Non-Independent Non-Executive Director

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

Dato Abdullah Mat Noh
Independent Non-Executive Director

Haji Khairuddin Ahmad
Independent Non-Executive Director

Ong Seng Pheow
Independent Non-Executive Director

Choong Tuck Oon
Independent Non-Executive Director

Dato' Tajuddin Atan
Managing Director

SECRETARY

Azman Shah Md Yaman

BOARD COMMITTEES

GROUP AUDIT COMMITTEE*

Ong Seng Pheow
Chairman

Dato' Othman Jusoh

Patrick Chin Yoke Chung

Datuk Tan Kim Leong

Haji Md Ja'far Abdul Carrim

GROUP CREDIT COMMITTEE* (FORMERLY KNOWN AS CENTRAL LOANS COMMITTEE)

Dato Abdullah Mat Noh
Chairman

Johari Abdul Muid

Dato' Mohamed Khadar Merican

Haji Khairuddin Ahmad

GROUP RECOVERY COMMITTEE*

Haji Khairuddin Ahmad
Chairman

Tan Sri Azlan Zainol

Dato' Mohamed Khadar Merican

Dato Abdullah Mat Noh

GROUP RISK MANAGEMENT COMMITTEE#

Haji Khairuddin Ahmad
Chairman

Patrick Chin Yoke Chung

Datuk Tan Kim Leong

Johari Abdul Muid

Haji Md Ja'far Abdul Carrim

GROUP NOMINATING COMMITTEE#

Datuk Haji Faisal Siraj
Chairman

Tan Sri Azlan Zainol

Datuk Tan Kim Leong

Johari Abdul Muid

Dato' Mohamed Khadar Merican

GROUP REMUNERATION AND HUMAN RESOURCE COMMITTEE*

Datuk Tan Kim Leong
Chairman

Tan Sri Azlan Zainol

Datuk Haji Faisal Siraj

Johari Abdul Muid

Dato' Mohamed Khadar Merican

GROUP INFORMATION TECHNOLOGY STEERING COMMITTEE*

Ong Seng Pheow
Chairman

Johari Abdul Muid

Dato' Tajuddin Atan

Kellee Kam Chee Khiong

Ho Sin Kheong

SENIOR MANAGEMENT

Dato' Tajuddin Atan
Group Managing Director, RHB Capital Berhad/Managing Director, RHB Bank Berhad

Norazzah Sulaiman
Director, Group Corporate Services/ Group Human Resource

Kellee Kam Chee Khiong
Director, Group Finance

Chay Wai Leong
Director, Corporate & Investment Banking

Renzo Christopher Viegas
Director, Retail Banking/ Group Transaction Banking

Amy Ooi Swee Lian
Director, Business Banking

Michael Lim Kheng Boon
Director, Global Financial Banking

Datin Zaimah Zakaria
Director, Group Treasury

MANAGEMENT OF SUBSIDIARIES

RHB Islamic Bank Berhad

Khairuddin Jaflus
Chief Operating Officer

RHB Bank (L) Ltd

Toh Ay Leng
Head, Labuan

OVERSEAS LOCATIONS

SINGAPORE

Jason Wong Hon Lurn
Head, Singapore Operations

BRUNEI, BANDAR SERI BEGAWAN

Apandi Klompot
Head, Brunei Operations

THAILAND, BANGKOK

Lim Hun Joo
Head, Thailand Operations

VIETNAM

Leh Thiam Guan
Head, Vietnam Rep. Office

JAPANESE BUSINESS GROUP ADVISER

Akira Miyama
Head, Group Japanese Business

REGISTERED OFFICE

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

BUSINESS ADDRESS

Head Office
Towers Two & Three
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Tel : (603) 92878888
Fax : (603) 92879000 (General)
Telex : MA32813 RHBANK
MA31032 RHBANK
MA30437 RHBANK
Swift : RHBBMYKL
Call Centre : (603) 9206 8118
(Peninsular Malaysia – 24 hours)
: (082) 276 118
(Sabah & Sarawak – 7 a.m. to 7 p.m.)

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
Level 8-15, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia
Tel : (03) 2173 1188
Fax : (03) 2173 1288

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

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

Profile of the Board of Directors

TAN SRI AZLAN ZAINOL

(60 years of age – Malaysian)

Non-Independent Non-Executive Chairman

Tan Sri Azlan Zainol (“Tan Sri Azlan”) is currently the Chief Executive Officer of the Employees Provident Fund Board (“EPF”). He has more than 29 years of experience in the financial sector, having been appointed as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.

Tan Sri Azlan is a Fellow of the Institute of Chartered Accountants in England & Wales, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Azlan’s other directorships in public companies include RHB Capital Berhad, RHB Investment Bank Berhad, Rashid Hussain Berhad (In Member’s Voluntary Liquidation), Malaysian Resources Corporation Berhad (Chairman), Jardine Cycle & Carriage Limited (Singapore), MCL Land Limited (Singapore), ASIA Ltd (Singapore) and Commonwealth Africa Investments Limited.

Tan Sri Azlan 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 a Member of the Group Nominating Committee, Group Remuneration and Human Resource Committee and Group Recovery Committee.

JOHARI ABDUL MUID

(52 years of age - Malaysian)

Non-Independent Non-Executive Director

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

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

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 Group Credit Committee (formerly known as Central Loans Committee), Group Remuneration and Human Resource Committee, Group Nominating Committee, Group Risk Management Committee and Group Information Technology Steering Committee.

Profile of the Board of Directors

MOHAMED ALI AHMED HAMAD AL DHAHERI

(37 years of age – United Arab Emirates)

Non-Independent Non-Executive Director

Mohamed Ali Ahmed Hamad Al Dhaheri (“Mr Al Dhaheri”) is currently the Executive Director of Abu Dhabi Investment Council, responsible in overseeing the Accounting and Financial Services Department. He is also a Member of the Investment Committee and Administrative Committee of Abu Dhabi Investment Council. Prior to this, Mr Al Dhaheri has held various positions in the Treasury Department of Abu Dhabi Investment Authority since May 1997. His last position in Abu Dhabi Investment Authority was as a Chief Operating Officer of Treasury Department. Mr Al Dhaheri holds a Bachelor of Business Administration from the International University of America.

Mr Al Dhaheri’s other directorships in companies include RHB Capital Berhad, Abu Dhabi Commercial Bank, Abu Dhabi Investment Company and Al Hilal Takaful.

Mr Al Dhaheri was appointed as a Non-Independent Non-Executive Director of RHB Bank on 2 June 2009.

DATO ABDULLAH MAT NOH

(69 years of age – Malaysian)

Senior Independent Non-Executive Director

Dato Abdullah Mat Noh (“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. Dato Abdullah is a Member of the Chartered Institute of Bankers and Chartered Institute of Secretaries.

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

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. Dato Abdullah was re-designated as Independent Non-Executive Director of RHB Bank on 6 September 2007 after Utama Banking Group Berhad ceased to be a substantial shareholder of Rashid Hussain Berhad on 22 May 2007. Dato Abdullah had further relinquished his Deputy Chairmanship and remained as an Independent Non-Executive Director of RHB Bank on 1 January 2008. Dato Abdullah also serves as the Chairman of the Group Credit Committee (formerly known as Central Loans Committee) and a Member of Group Recovery Committee.

Profile of the Board of Directors

HAJI KHAIRUDDIN AHMAD

(67 years of age – Malaysian)

Independent Non-Executive Director

Haji Khairuddin Ahmad (“Haji Khairuddin”) began his career in the banking industry and was previously with Citibank N.A., Sourthern 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.

Haji Khairuddin’s other directorships in public companies include RHB Insurance Berhad.

Haji Khairuddin was appointed as a Director of RHB Bank on 6 September 2001, representing Danamodal Nasional Berhad (Danamodal). Haji Khairuddin was re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 18 March 2008, after Danamodal ceased to be a substantial Irredeemable Non-Cumulative Convertible Preference Shareholder of RHB Bank in January 2008. He also serves as the Chairman of Group Recovery Committee and Group Risk Management Committee as well as a Member of the Group Credit Committee (formerly known as Central Loans Committee).

ONG SENG PHEOW

(61 years of age – Malaysian)

Independent Non-Executive Director

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 RHB Insurance Berhad, Daiman Development Berhad, LCTH Corporation Berhad, George Kent (Malaysia) 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 the Group Audit Committee and Group Information Technology Steering Committee.

Profile of the Board of Directors

CHOONG TUCK OON

(51 years of age – Malaysian)

Independent Non-Executive Director

Choong Tuck Oon (“Mr Choong”) was with Accenture for 23 years until his retirement in January 2010 as Senior Partner in the Financial Services Asia-Pacific practice. Mr Choong has extensive experiences leading business transformation, organisation change, high performance strategy, process excellence, IT transformation and risk management for more than 20 large domestic, regional/global financial institutions across ASEAN and North Asia; including various national multi-banks collaborative initiatives. He has deep expertise in regional/global expansion including both in-country and cross-border Mergers and Acquisitions. He has also experiences with Oil & Gas, Telecommunication and Utilities industries. Mr Choong was also involved in voluntary non-governmental organization (NGO) activities, such as directing a core banking initiative to launch a bank-of-banks for micro-finance institutions across Indonesia for a consortium of international aid agencies and developing a new growth strategy across eleven countries in Asia Pacific for an international conservation fund. Prior to Accenture, Mr Choong was with Petronas for 7 years as a Management Executive.

Mr Choong holds a Bachelor of Science (First Class) from University of Malaya and a Masters of Science from the Asian Institute of Technology.

Mr Choong was appointed as a Director of RHB Bank on 1 April 2010."

DATO' TAJUDDIN ATAN

(50 years of age – Malaysian)

Managing Director

Dato' Tajuddin Atan (“Dato' Tajuddin”) commenced his career with Bank Bumiputra (M) Berhad (“BBMB”) holding various senior positions over a period of more than sixteen years including a stint at the bank's New York Branch. His last designation with Bumiputra Commerce Bank, the merged banking entities of Bank of Commerce Berhad and BBMB, was as Senior Vice President, Treasury Division. He spent the next few years in the corporate arena where he gained valuable experience in financial restructuring, corporate strategic management and improvement of operational efficiency in various public listed companies in the areas of shipping, property development and construction and electronics. Dato' Tajuddin was subsequently appointed as the Chief Executive Officer of Bank Simpanan Nasional (“BSN”) in October 2004 where he successfully led the transformation of BSN into a sustainable, profitable and efficiently governed community bank. Thereafter, Dato' Tajuddin joined Bank Pembangunan Malaysia Berhad as its President/Group Managing Director and initiated a business improvement process to bring about operational finesse.

Dato' Tajuddin holds a Bachelor's Degree in Science (Agribusiness) from Universiti Putra Malaysia and a Masters Degree in Business Administration from Ohio University, USA.

Dato' Tajuddin's other directorships in public companies include Bursa Malaysia Berhad, RHB Bank (L) Ltd and RHB International Trust (L) Ltd (Chairman). He is a Board Member of Amanah Ikhtiar Malaysia and he currently chairs the Special Committee for the Urban Poor Micro Finance Program. He is also a Corporate Member of SME Corporation Malaysia and is an Adjunct Professor in Universiti Putra Malaysia as well as Universiti Utara Malaysia. He is a Council Member of the Association of Banks in Malaysia and the Institut Bank-Bank Malaysia.

Dato' Tajuddin was appointed as the Managing Director of RHB Bank on 1 May 2009. Dato' Tajuddin currently also serves as the Group Managing Director of RHB Capital Berhad since July 2009.

RHB Banking Group Structure

As at 31 March 2010



COMMERCIAL BANKING GROUP

RHB Bank Berhad

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

INVESTMENT BANKING GROUP

RHB Investment Bank Berhad

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

OTHERS

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

Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant company

Associate company

Jointly Controlled Entity

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

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

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

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

Corporate Governance Statement

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

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

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

BOARD OF DIRECTORS

Duties and Responsibilities of the Board

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

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

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

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

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

The CMC is governed by its terms of reference.

Board Composition and Balance

The structure and composition of the Board comply with the Code as well as the Revised BNM/GP1. The Board currently comprises a Non-Independent Non-Executive Chairman, four (4) Independent Non-Executive Directors (“INEDs”), two (2) Non-Independent Non-Executive Directors (“NINEDs”) and the MD. As a financial services group, the Board recognises that its Members must have the appropriate mix of skills as well as the necessary knowledge, experience and commitment to effectively contribute towards the growth and expansion of the Bank. Furthermore, being on the Board of a bank, Board Members are required to be responsive to the constantly changing global financial landscape. The Board regularly reviews the composition of its own Board as well as the Boards of the major subsidiaries and the Group’s Board Committees to ensure the appropriate balance is maintained and that there is an adequate mix of skills and experience.

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

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

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

In addition to the above, the Chairman shall:

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

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

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

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

Corporate Governance Statement

- overseeing the internal control systems and the risk management processes and ensuring these are appropriate and effective;
- providing leadership and representing the Bank to major customers and industry organisations together with the involvement of the Chairman; and
- developing and maintaining strong communication programmes and dialogue with the stakeholders.

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

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

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

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

A brief profile of each Director is presented on pages 006 to 007 of this Annual Report.

Board Charter

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

Code of Ethics and Business Conduct

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

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

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

Board Meetings and Access to Information

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

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

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

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

Corporate Governance Statement

The Board had adopted the Standard Procedures for Directors to Have Access to Independent Advice which lay down the procedures for Directors seeking internal and/or external professional independent advice. The objectives of these guidelines are as follows:

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

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

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

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
Tan Sri Azlan Zainol	13/13	100
Johari Abdul Muid	12/13	92
Mohamed Ali Ahmed Hamad Al Dhaheri ^{(1)*}	6/7	86
Dato Abdullah Mat Noh	13/13	100
Haji Khairuddin Ahmad	13/13	100
Dato' Othman Jusoh	12/13	92
Ong Seng Pheow	11/13	85
Dato' Tajuddin Atan (MD) ^{(2)*}	8/8	100

Notes:-

(1) Appointed as a Director on 2 June 2009

(2) Appointed as a Director on 1 May 2009

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

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

Appointments and Re-election to the Board

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

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

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

Article 100 of the Bank's Articles of Association provides that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. Retiring Directors can offer themselves for re-election. Directors who are appointed during the financial year are subject to re-election by shareholders at the next Annual General Meeting held following their appointment.

Directors' Training

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

Corporate Governance Statement

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

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

Note:

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

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

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

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

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

Board Performance Evaluation

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

Corporate Governance Statement

Board Committees

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

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

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

The functions and terms of reference of the Group Board Committees are clearly defined and comply with the relevant governing laws, regulations and guidelines among others the Code and the Revised BNM/GP1. The members of the Group Board Committees comprise the Directors of the Bank and that of the operating entities within the Group to ensure a fair representation across the entities in pursuing the interests of the entities concerned.

The relevant minutes/extract minutes of meetings of all Group Board Committees are tabled before the Board for notation.

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

Group Nominating Committee

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

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

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

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

Notes:-

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

[^] Appointed on 1 December 2009 after which no meeting was held.

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

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

Corporate Governance Statement

Group Remuneration and Human Resource Committee

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

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

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

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

Notes:-

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

[^] Appointed on 1 December 2009 after which no meeting was held.

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

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

- to oversee and review the scope and quality of human resource projects/programs of the Group; and
- to oversee the disciplinary procedures, regulations and preventive measures as well as to ensure implementation and adherence to the disciplinary procedures.

Group Risk Management Committee

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

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

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

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

Notes:-

(1) Appointed as Chairman on 1 December 2009

(2) Appointed as Member on 1 June 2009

(3) Appointed as Member on 29 September 2009

(4) Resigned as Member on 1 June 2009

(5) Resigned as Chairman and Member on 18 November 2009

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

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

Corporate Governance Statement

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

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

Group Audit Committee

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

The Group Audit Committee meets regularly with the internal auditors. The Group Audit Committee together with the Senior Management of the respective companies in the Group meet with the external auditors in reviewing the 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. During the financial year, a total of twenty-nine (29) Group Audit Committee meetings were held.

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

The composition of the Group Audit Committee and the attendance of the Members thereof together with the terms of reference and activities of the Group Audit Committee during the financial year are set out in the Group Audit Committee Report at pages 023 to 027 of this Annual Report.

Group Credit Committee (formerly known as Central Loans Committee)

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

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

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

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

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

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

Group Recovery Committee

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

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

Corporate Governance Statement

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

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

Notes:-

(1) Appointed as Member on 1 December 2009

(2) Resigned as Member on 30 September 2009

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

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

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

- to affirm, veto or include additional conditions on credit applications under Non-Performing Loan (NPL)/Non-Performing Account (NPA) as well as all credit/renewal applications from Loan/Asset Recovery (including the equivalent unit from each of the entity within the RHB Banking Group) for amounts above the defined thresholds of the Central Credit Committee;
- to oversee the management of NPL/NPA as well as monitor the recovery of NPL/NPA to enhance the Committee's oversight of the loan/asset recovery functions;
- to oversee the performance of rescheduled and restructured accounts under NPL/NPA to minimize credit loss and maximize the recovery of such accounts;
- to endorse and recommend all write-offs to the respective Boards for approval; and
- to endorse all policy loans/financing and loans/financing required by BNM to be referred to the respective Boards for approval in relation to NPL/NPA.

DIRECTORS' REMUNERATION

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

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

i) Annual Fees

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

ii) Allowances

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

iii) Benefits-in-kind

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

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

Further details on Directors' remuneration are disclosed under Note 29 of the Notes to the Financial Statements in this Annual Report.



Corporate Governance Statement

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

Investor Relations

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

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

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

A Directors' Responsibility Statement for the Annual Audited Financial Statements of the Bank is set out on page O28 of this Annual Report.

Internal Control

An overview of the Bank's systems of internal control is contained in the Statement on Internal Control set out on pages O20 to O22 of this Annual Report.

Relationship with External Auditors

The Board maintains a formal and transparent professional relationship with the External Auditors via the Group Audit Committee. The role of the Group Audit Committee in relation to the External Auditors is disclosed in the Group Audit Committee Report set out on pages O23 to O27 of this Annual Report.

COMPLIANCE WITH THE CODE

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

This Statement of Corporate Governance was approved by the Board of Directors on 25 March 2010.

Statement on Internal Control

INTRODUCTION

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

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

RESPONSIBILITY

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

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

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

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

KEY INTERNAL CONTROL PROCESSES

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

- **Risk Management Framework**

The risk management process seeks to identify, measure, monitor and control risk in ensuring that risk exposures are adequately managed and the expected returns compensate the

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

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

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

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

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

Statement on Internal Control

- **Internal Audit**

The Group Internal Audit performs regular reviews of the Bank's operational processes and system of internal controls. Group Internal Audit adopts a risk-based approach in determining the auditable units and frequency of audits. The annual audit plan is reviewed and approved by the Group Audit Committee ("Group AC").

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

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

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

- **Compliance**

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

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

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

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

- **Board Committees**

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

- **Central Management Committee**

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

- **Authority Limits**

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

- **Internal Policies and Procedures**

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

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

- **Budgeting Process**

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

Statement on Internal Control

- **Performance Review**

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

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

- **Human Resource Policies and Procedures**

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

- **Code of Ethics and Conduct**

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

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

- **Incident Management Framework**

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

- **Suspicious Transaction Reporting and Whistle Blowing**

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

Group Audit Committee Report

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

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

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

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

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

Group Audit Committee Report

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

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

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

(a) Banking and Finance

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

(b) Board and Corporate Governance

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

Internal Audit Function

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

The Group AC approves the annual internal audit plan at the beginning of each financial year. The group internal auditors adopt a risk-based approach towards the planning and conduct of audits, which is consistent with the Group's framework in designing, implementing and monitoring its internal control system.

Upon completion of the audits, the group internal auditors have closely monitored the implementation progress of their audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by Management. All audit reports on the results of work undertaken together with the recommended action plans and their implementation status were presented to the Management and the Group AC.

The group internal auditors work closely with the external auditors to resolve any control issues as raised by them to ensure that significant issues are duly acted upon by the Management.

TERMS OF REFERENCE OF THE GROUP AUDIT COMMITTEE

Objectives

1. To provide independent oversight over the management of the financial reporting and internal control system and ensuring checks and balances for entities within RHB Banking Group (“the Group”), namely RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.
2. To review the financial condition and performance of the Group.
3. To assist the Boards of the respective entities in the discharge of their responsibilities by reviewing the effectiveness, adequacy and integrity of the Group’s internal control systems and management information systems, including systems for risk management, governance processes and compliance with applicable laws, regulations, rules, directives and guidelines.
4. To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit activities.
5. To provide, by way of regular meetings, a line of communication between the respective Boards and the external auditors.
6. To provide emphasis on the internal audit function by ensuring the objectivity and independence of the internal auditors and provide a forum for discussion that is among others independent of the management.
7. To review the quality of the audits conducted by the internal and external auditors.
8. To enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.
3. To review the effectiveness of internal controls and risk management processes, including the scope of the internal audit programme and the appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits.
4. To ensure that the reporting relationships of the internal audit staff do not impede the exercise of independent judgement by the internal auditors. In particular, the reports of internal auditors should not be subject to the clearance of the managing director / chief executive officer or any executive directors.
5. To ensure that all findings and recommendations are resolved effectively and in a timely manner.
6. To make appropriate public disclosure of the terms of reference and the activities of the Group AC in the respective licensed entities’ financial statements.
7. To review the respective entities’ quarterly results and year-end financial statements and to recommend the same to the respective Boards for approval whilst ensuring that they are prepared in a timely and accurate manner complying with all applicable accounting and regulatory requirements and are promptly published.
8. To review regularly the adequacy of provisions made and to recommend the same to the respective Boards for approval.
9. To review any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
10. To review with the external and internal auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.

Duties and Responsibilities

1. The Group AC is directly accountable to the Boards of the respective entities and the Boards will continue to be accountable for all matters relating to their respective entities.
2. To ensure that the internal audit department is distinct and has the appropriate status within the overall organizational structure for the internal auditors to effectively accomplish their audit objectives.
12. To review and approve the internal audit plan, audit charter and the budget for the audit plan.
13. To ensure that internal audit staff receives necessary training to perform audit work. There shall be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.

Group Audit Committee Report

14. To appraise the performance of the head of internal audit and to review the appraisals of senior staff members of the internal audit function.
15. To approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary.
16. To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of management, where necessary.
17. To recommend to the respective Boards on the appointment and the annual reappointment of the external auditors and assessing their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit.
18. To discuss and review with the external auditors any proposal from them to resign as auditors.
19. To investigate reasons for any request made by management to dismiss the external auditors, or any resignation by the external auditors. The results of the investigation shall be disclosed to the respective full Board together with the recommendations on proposed actions to be taken.
20. To review the non-audit services rendered by the external auditors together with the related fees and thereafter approving or recommending the same to the respective Boards for approval (whichever relevant), in accordance with the Group Policy on Non-Audit Fees payable to the external auditors.
21. To review the co-ordination of audit activities between the external and internal auditors.
22. To review the effectiveness of the infrastructure for ensuring Shariah compliance.
23. To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.
24. To review the following pertaining to RHB Insurance Berhad:-
 - (i) The Chairman's statement, interim financial reports and preliminary announcements;

(ii) Corporate governance disclosures made in the Directors' Report pursuant to the requirement in JPI/GPI25: Prudential Framework of Corporate Governance for Insurers; and

(iii) All representation letters signed by management, and be satisfied that the information provided is complete and appropriate.

25. To ensure that RHB Insurance Berhad complies with Section 95 of the Insurance Act which requires the Company to publish its accounts within fourteen (14) days of the laying of its accounts at its annual general meeting.
26. To perform any other functions as authorised by the respective Boards.

Authority

1. The Chairman of the Group AC should engage on a continuous basis with senior management, such as the managing director / chief executive officer, the chief operating officer, the chief financial officer, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.
2. The Group AC is authorised by the respective Boards to investigate any matter within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to relevant information. It is also authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Group AC.
3. The Group AC shall have direct communication channels with the external and internal auditors.
4. The Group AC is authorised by the respective Boards to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend meetings, if it considers this necessary.

Meetings

1. Meetings shall be held at least four (4) times a year and the frequency of meetings shall reflect the wider and increased responsibilities assumed. Meetings shall convene with a minimum quorum of two-thirds of the members and the majority of members present shall be independent non-executive directors.

Group Audit Committee Report

2. The Group AC should not convene any meeting to discuss specific issues of a particular entity without the presence of the representative of the said entity.
3. The head of internal audit shall be in attendance at meetings of the Group AC. The Group AC may invite the external auditors, the managing director / chief executive officer, the chief operating officer, the chief financial officer, any other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.
4. At least twice a year, the Group AC shall meet with the external auditors without the presence of the Management or any executive Board members and upon the request of the external auditors, the Chairman of the Group AC shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the respective Boards or shareholders.
5. The Company Secretary shall act as Secretary of the Group AC and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to Group AC members within a reasonable timeframe prior to each meeting.
6. The Company Secretary shall also be responsible for keeping the minutes of meetings of the Group AC, their timely circulation to Group AC members and other members of the Boards, and following up on outstanding matters in relation to the meetings.
7. The Chairman of the Group AC shall provide reports to the respective Boards on the deliberations of the Group AC on a regular basis. In addition, the Chairman shall also present summary of all significant matters (highlighting the risks and implications) and resolutions made by the Group AC at the Board meetings.
8. The minutes of each Group AC meeting shall be tabled to the respective Boards. Thereafter, a copy of the minutes of the Group AC meeting pertaining to RHB Investment Bank Berhad shall be submitted to Bursa Malaysia Securities Berhad within thirty (30) days from the date of the minutes having been adopted by the Board.
2. The Group AC shall comprise at least three (3) members and there should be a fair representation on the Group AC, from each entity within the Group. All members of the Group AC should be non-executive directors with majority of whom are independent.
3. The Chairman of the Group AC shall be an independent non-executive director.
4. No Group AC member shall be employed in an executive position in the Group, or otherwise have a relationship which in the opinion of the respective Boards will interfere with the exercise of independent judgment in carrying out the functions of the Group AC. In addition, members of the Group AC shall not be directly responsible for, or part of any committee involved in, the management functions within the Group.
5. No alternate director shall be appointed as a member of the Group AC.
6. Disclosure of customers information to the members of the Group AC to be strictly on need to know basis and the members are to provide undertaking to preserve the confidentiality of the customers' information.
7. Collectively, the Group AC shall have a wide range of necessary skills to undertake its duties and responsibilities and are expected to be familiar with the areas included in the scope of internal audit, including the area of risk management.
8. All members of the Group AC shall be financially literate and at least one member shall be a member of an accounting association or body.
9. Details of the activities of the Group AC, the number of audit meetings held in a year, details of attendance of each member in respect of meetings, and the details of relevant training attended by each member should be documented in an informative way.
10. The term of office and performance of the Group AC and each of its members must be reviewed by the respective Boards at least once every two (2) years.
11. If a member of the Group AC resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the respective Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

Membership

1. The membership of the Group AC, including the position of Chairman shall be approved by the respective Boards based on the recommendation made by the Group Nominating Committee.

Responsibility Statement by the Board of Directors

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

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

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

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

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 144 of the Audited Statutory Financial Statements.



STATUTORY FINANCIAL STATEMENTS

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and Critical Accounting Estimates
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Directors' Report

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

PRINCIPAL ACTIVITIES

RHB Bank Berhad ('the Bank'), is a limited liability bank incorporated and domiciled in Malaysia.

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic Banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

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

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	1,491,768	1,357,344
Taxation	(303,932)	(277,628)
Net profit for the financial year	1,187,836	1,079,716

DIVIDENDS

The dividends proposed and paid by the Bank since 31 December 2008 were as follows:

	RM'000
In respect of the financial year ended 31 December 2008:	
Final dividend of 3.12 sen less 25% tax paid on 29 June 2009	155,286

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 1.89 sen less 25% tax amounting to RM94,068,000 will be proposed for shareholder's approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2010 when approved by the shareholder.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

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

ISSUE OF DEBENTURES

On 31 March 2009, the Bank issued RM370.0 million nominal value of Hybrid Tier-1 Capital Securities ('HT1 Capital Securities') out of its RM600.0 million Hybrid Tier-1 Capital Securities Programme ('HT1 Programme') with a fixed coupon rate of 8.0% per annum payable semi-annually in arrears. On 17 December 2009, the Bank issued the remaining of RM230.0 million of HT1 Capital Securities with a fixed coupon rate of 6.75% per annum payable semi-annually in arrears.

The HT1 Capital Securities would mature in 2039 and is callable in 2019. The net proceeds arising from the issuance of the HT1 Capital Securities have been utilised for general working capital purposes.

BAD AND DOUBTFUL 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.

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 and financing 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 and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Bank, had been written down to an amount which they might be expected so to realise.

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

Directors’ Report

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 or inappropriate.

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group 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 44 to the financial statements.

DIRECTORS OF THE BANK

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

Tan Sri Azlan Zainol	Non-Independent Non-Executive Chairman
Mohamed Ali Ahmed Hamad Al Dhaheri	Non-Independent Non-Executive Director (appointed on 2 June 2009)
Johari Abdul Muid	Non-Independent Non-Executive Director
Dato Abdullah Mat Noh^	Senior Independent Non-Executive Director
Haji Khairuddin Ahmad	Independent Non-Executive Director
Dato’ Othman Jusoh	Independent Non-Executive Director
Ong Seng Pheow	Independent Non-Executive Director
Dato’ Tajuddin Atan	Managing Director (appointed on 1 May 2009)
Dato’ Mohd Salleh Haji Harun	Independent Non-Executive Director (resigned on 18 November 2009)
Michael Joseph Barrett	Managing Director (resigned on 1 May 2009)

^ Appointed as Senior Independent Non-Executive Director on 26 November 2009.

In accordance with Article 100 of the Bank’s Articles of Association, Dato Abdullah Mat Noh and Dato’ Othman Jusoh retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 104 of the Bank’s Articles of Association, Mohamed Ali Ahmed Hamad Al Dhaheri and Dato’ Tajuddin Atan who were appointed during the financial year, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SECURITIES

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

	Number of Ordinary Shares of RM1.00 each			
	As at 1.1.2009	Bought	Sold	As at 31.12.2009
Holding Company RHB Capital Berhad				
Haji Khairuddin Ahmad - Direct	22,000	-	(4,000)	18,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any 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 arrangements subsisted to which the Bank or its subsidiaries is a party, being arrangements with the object or objects of enabling the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

CORPORATE GOVERNANCE STATEMENT

Introduction

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

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

Directors' Report

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

The Board currently has eight (8) members, comprising a Non-Independent Non-Executive Chairman, two (2) Non-Independent Non-Executive Directors, four (4) Independent Non-Executive Directors and a Managing Director, details of which are as follows:

Name of Director	Designation
Tan Sri Azlan Zainol	Non-Independent Non-Executive Chairman
Mohamed Ali Ahmed Hamad Al Dhaheer	Non-Independent Non-Executive Director
Johari Abdul Muid	Non-Independent Non-Executive Director
Dato Abdullah Mat Noh	Senior Independent Non-Executive Director
Haji Khairuddin Ahmad	Independent Non-Executive Director
Dato' Othman Jusoh	Independent Non-Executive Director
Ong Seng Pheow	Independent Non-Executive Director
Dato' Tajuddin Atan	Managing Director

Mohamed Ali Ahmed Hamad Al Dhaheer was appointed as a Non-Independent Non-Executive Director on 2 June 2009.

Dato' Mohd Salleh Haji Harun resigned as an Independent Non-Executive Director on 18 November 2009.

Michael Joseph Barrett resigned as Managing Director on 1 May 2009.

Dato' Tajuddin Atan was appointed as the Managing Director on 1 May 2009.

Duties and responsibilities of the Board

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

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

Pursuant to the transformation exercise undertaken by the RHB Banking Group in November 2007, the MD of the Bank is also overseeing the day-to-day management of the Group in his capacity as the Group MD of RHB Banking Group. As the Group MD, he is further responsible in steering and leading the Group's Strategic Business Group ('SBG') and Strategic Functional Group ('SFG') towards achieving the Group's objectives and goals. In carrying out these tasks, the Group MD is supported by a Central Management Committee ('CMC') which comprises of key management personnel of the Group. The objectives of the CMC among others, are as follows:

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

The CMC is governed by its own terms of reference.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

BOARD MEETINGS

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

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

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

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

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

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
Tan Sri Azlan Zainol	13/13	100
Mohamed Ali Ahmed Hamad Al Dhaheri ^{(1)*}	6/7	86
Johari Abdul Muid	12/13	92
Dato Abdullah Mat Noh	13/13	100
Haji Khairuddin Ahmad	13/13	100
Dato' Othman Jusoh	12/13	92
Ong Seng Pheow	11/13	85
Dato' Tajuddin Atan (MD) ^{(2)*}	8/8	100

Notes:-

⁽¹⁾ Appointed on 2 June 2009

⁽²⁾ Appointed on 1 May 2009

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

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

Directors' Report

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

BOARD COMMITTEES

Group Audit Committee

The Board has established an Audit Committee ('AC') since 13 December 1984. On 1 July 2008, the Group Audit Committee ('Group AC') was formally established at RHB Bank Berhad to undertake the roles and responsibilities of the ACs within the RHB Banking Group. Accordingly, the AC of the Bank was dissolved on 18 July 2008.

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

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

Previous Member:

Dato' Mohd Salleh Haji Harun ^{(2)#}	24/26	92
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Notes:-

⁽¹⁾ Appointed on 29 September 2009

⁽²⁾ Resigned on 18 November 2009

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Group Nominating Committee

The Board has established the Nominating Committee ('NC') since 5 September 2002. On 1 January 2008, the Group Nominating Committee ('Group NC') was formally established at RHB Capital Berhad to undertake the roles and responsibilities of the NCs within the RHB Banking Group. Accordingly, the NC of the Bank was dissolved on the same date.

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

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

Notes:-

⁽¹⁾ Appointed on 1 December 2009

⁽²⁾ Resigned on 30 September 2009

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

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

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

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

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

Directors' Report

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Group Remuneration and Human Resource Committee

The Board has established the Remuneration and Human Resource Committee ('RHRC') since 4 May 2000. On 1 January 2008, the Group Remuneration and Human Resource Committee ('Group RHRC') has also been established at RHB Capital Berhad to undertake the roles and responsibilities of the RHRCs within the RHB Banking Group. Arising therefrom, the RHRC of the Bank has been dissolved.

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

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

Notes:-

⁽¹⁾ Appointed on 1 December 2009

⁽²⁾ Resigned on 30 September 2009

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

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Group Risk Management Committee

The Board has established the Risk Management Committee ('RMC') since 30 January 2001. The Group Risk Management Committee ('Group RMC') for RHB Capital Group was established at RHB Capital Berhad effective 1 November 2007. Accordingly, the RMC of the Bank has been dissolved on the same date.

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

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

Notes:-

⁽¹⁾ Appointed as the Chairman on 1 December 2009

⁽²⁾ Appointed on 1 June 2009

⁽³⁾ Appointed on 29 September 2009

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

⁽⁵⁾ Resigned on 1 June 2009

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

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

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

Directors' Report

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Group Credit Committee (formerly known as Central Loans Committee)

The Board has established the Loans Committee ('LC') since 4 July 2001. The LC has been renamed as Central Loans Committee ('CLC') in June 2007 to reflect its functions of affirming, imposing additional covenants or vetoing credits of RHB Banking Group which were duly approved by the Central Credit Committee. The CLC was subsequently renamed to Group Credit Committee ('GCC') on 1 May 2009.

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

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

Group Recovery Committee

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

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

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

Previous Member:

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

⁽¹⁾ Appointed on 1 December 2009

⁽²⁾ Resigned on 30 September 2009

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

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

(B) RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

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

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

The financial risk management objectives and policies of the Bank are set out in Note 40 to the Financial Statements.

Directors' Report

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(C) INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES

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

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

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

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

(D) MANAGEMENT REPORTS

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

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

IMMEDIATE AND ULTIMATE HOLDING COMPANY/BODY

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

2010 BUSINESS PLAN AND OUTLOOK

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

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

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

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

RATINGS ACCORDED BY THE RATING AGENCIES

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

Agencies	Date Accorded	Ratings
RAM Rating Services Berhad ('RAM')	5 November 2009	Long Term Financial Institution Rating – AA2 Short Term Financial Institution Rating – P1
Standard & Poor's	6 November 2009	Long Term Counterparty Credit Rating – BBB Short Term Counterparty Credit Rating – A-2 ASEAN-scale Long Term Rating – axA+ ASEAN-scale Short Term Rating – axA-1 Bank Fundamental Strength Rating – C
Moody's Investors Service	20 July 2009	Long Term Bank Deposits Rating – A3 Short Term Bank Deposits Rating – P-1 Bank Financial Strength – D

Directors' Report

RATINGS ACCORDED BY THE RATING AGENCIES (CONTINUED)

DESCRIPTION OF THE RATING ACCORDED

RAM Rating Services Berhad

Long term financial institution rating

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

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

In addition, RAM applies the suffixes (bg) or (s) to ratings which have been enhanced by a bank guarantee or other supports, respectively.

Short term financial institution rating

P1 A financial institution rated 'P1' has a strong capacity to meet its short term financial obligations. This is the highest short term financial institution rating assigned by RAM Ratings.

Standard and Poor's

Long term counterparty credit rating

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

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

Short term counterparty credit rating

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

ASEAN-scale Long Term Rating

axA An obligor rated 'axA' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. Still, the obligor has a moderately strong capacity to meet its financial commitments relative to that of other ASEAN (The Association of South-East Asian Nations) obligors.

The ratings from 'axAA' to 'axCCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative strength within the rating category.

ASEAN-scale Short Term Rating

axA-1 A short term obligation rated in the highest category on Standard & Poor's ASEAN regional scale. The obligor's capacity to meet its commitments on the obligation, relative to other ASEAN obligors, is strong.

The rating may be modified by the addition of a plus (+) or minus (-) sign to show relative strength within the rating category.

RATINGS ACCORDED BY THE RATING AGENCIES (CONTINUED)

DESCRIPTION OF THE RATING ACCORDED (CONTINUED)

Standard and Poor's (continued)

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.

Moody's Investors Service

Long term bank deposits rating

- A Obligations rated 'A' are considered upper-medium grade and are subject to low credit risk.

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

Short term bank deposits rating

- P-1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

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 the higher and lower ends, respectively, of the generic rating category.

AUDITORS

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

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

TAN SRI AZLAN ZAINOL
NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

DATO' TAJUDDIN ATAN
MANAGING DIRECTOR

Kuala Lumpur
1 March 2010

Balance Sheets

As at 31 December 2009

		Group		Bank		
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	
ASSETS						
Cash and short-term funds	2	15,308,992	13,451,945	12,790,568	11,963,560	
Securities purchased under resale agreements		1,594,210	106,565	1,594,210	106,565	
Deposits and placements with banks and other financial institutions	3	1,713,101	439,237	1,937,762	848,371	
Securities held-for-trading	4	123,681	2,634,600	92,749	2,230,136	
Securities available-for-sale	5	6,565,352	4,584,413	5,367,804	3,846,603	
Securities held-to-maturity	6	10,766,923	9,394,159	9,651,635	8,054,523	
Loans, advances and financing	7	67,127,117	60,127,875	59,116,696	52,600,047	
Other assets	8	454,096	421,244	621,862	494,535	
Derivative assets	9	203,868	344,916	198,913	344,595	
Tax recoverable		17,591	9,215	-	-	
Deferred tax assets	10	263,182	268,159	234,070	233,116	
Statutory deposits	11	282,865	1,521,442	213,525	1,321,902	
Investment in subsidiaries	12	-	-	822,982	828,956	
Property, plant and equipment	13	566,518	527,711	476,561	439,165	
Prepaid land lease	14	102,937	102,139	20,617	20,940	
Goodwill	15	1,004,017	1,004,017	905,519	905,519	
TOTAL ASSETS		106,094,450	94,937,637	94,045,473	84,238,533	
LIABILITIES AND EQUITY						
Deposits from customers	16	81,867,854	71,011,263	71,589,904	61,592,948	
Deposits and placements of banks and other financial institutions	17	6,353,224	6,753,576	5,466,744	6,255,207	
Bills and acceptances payable		3,802,522	4,935,512	3,777,294	4,900,726	
Recourse obligation on loans sold to Cagamas Berhad		1,168,826	1,173,754	1,168,826	1,173,754	
Other liabilities	18	1,270,753	1,150,268	1,073,407	974,138	
Derivative liabilities	9	206,137	338,011	199,477	331,809	
Provision for taxation		37,419	91,149	34,061	87,877	
Deferred tax liabilities	10	6	15	-	-	
Long term borrowings	19	958,720	655,975	958,720	655,975	
Subordinated obligations	20	2,000,000	2,000,000	2,000,000	2,000,000	
Hybrid capital securities	21	596,996	-	596,996	-	
TOTAL LIABILITIES		98,262,457	88,109,523	86,865,429	77,972,434	
Ordinary share capital	22	3,318,085	3,318,085	3,318,085	3,318,085	
Reserves	23	4,513,908	3,510,029	3,861,959	2,948,014	
TOTAL EQUITY		7,831,993	6,828,114	7,180,044	6,266,099	
TOTAL LIABILITIES AND EQUITY		106,094,450	94,937,637	94,045,473	84,238,533	
COMMITMENTS AND CONTINGENCIES		37	64,755,922	56,721,605	61,329,469	53,851,570

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

Income Statements

For the Financial Year Ended 31 December 2009

	Note	Group 2009 RM'000	2008 RM'000	Bank 2009 RM'000	2008 RM'000
Interest income	24	3,931,416	4,474,369	3,858,157	4,364,682
Interest expense	25	(1,492,485)	(2,192,859)	(1,467,667)	(2,134,199)
Net interest income		2,438,931	2,281,510	2,390,490	2,230,483
Other operating income	26	681,501	755,160	674,408	781,264
Income from Islamic Banking business	27	3,120,432 326,443	3,036,670 281,309	3,064,898 -	3,011,747 -
Other operating expenses	28	3,446,875 (1,397,625)	3,317,979 (1,325,367)	3,064,898 (1,242,554)	3,011,747 (1,199,452)
Operating profit before allowances		2,049,250	1,992,612	1,822,344	1,812,295
Allowance for losses on loans and financing	30	(586,586)	(536,463)	(491,490)	(484,862)
Reversal/(Impairment losses)	31	29,104	(10,364)	26,490	(10,283)
Share of results of an associate		1,491,768 -	1,445,785 38	1,357,344 -	1,317,150 -
Profit before Irredeemable Non-Cumulative Convertible Preference Shares ('INCPS') dividends and taxation		1,491,768	1,445,823	1,357,344	1,317,150
INCPS dividends	32	-	(32,146)	-	(32,146)
Profit after INCPS dividends but before taxation		1,491,768	1,413,677	1,357,344	1,285,004
Taxation	33	(303,932)	(375,524)	(277,628)	(348,548)
Net profit for the financial year		1,187,836	1,038,153	1,079,716	936,456
Earnings per share	34				
- Basic earnings per 50 sen share		17.9 sen	17.3 sen	16.3 sen	15.6 sen
- Diluted earnings per 50 sen share		17.9 sen	17.3 sen	16.3 sen	15.6 sen

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

Statements of Changes in Equity

For the Financial Year Ended 31 December 2009

GROUP	Note	Attributable to equity holders of the Bank						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 1 January 2009		3,318,085	8,563	2,286,753	(17,371)	16,219	1,215,865	6,828,114
Currency translation differences		-	-	-	3,553	-	-	3,553
Unrealised net loss on revaluation of securities available-for-sale ('AFS')		-	-	-	-	(24,622)	-	(24,622)
Net transfer to income statement on disposal or impairment of securities AFS		-	-	-	-	(18,445)	-	(18,445)
Deferred tax		-	-	-	-	10,843	-	10,843
Income and expenses recognised directly in equity		-	-	-	3,553	(32,224)	-	(28,671)
Net profit for the financial year		-	-	-	-	-	1,187,836	1,187,836
Total recognised income and expenses for the financial year		-	-	-	3,553	(32,224)	1,187,836	1,159,165
Transfer to statutory reserves		-	-	301,957	-	-	(301,957)	-
Ordinary dividends	35	-	-	-	-	-	(155,286)	(155,286)
Balance as at 31 December 2009		3,318,085	8,563	2,588,710	(13,818)	(16,005)	1,946,458	7,831,993
Balance as at 1 January 2008		1,949,986	8,563	2,010,114	(17,815)	16,770	640,223	4,607,841
Currency translation differences		-	-	-	444	-	-	444
Unrealised net loss on revaluation of securities AFS		-	-	-	-	(34,958)	-	(34,958)
Net transfer to income statement on disposal or impairment of securities AFS		-	-	-	-	32,315	-	32,315
Deferred tax		-	-	-	-	2,092	-	2,092
Income and expenses recognised directly in equity		-	-	-	444	(551)	-	(107)
Net profit for the financial year		-	-	-	-	-	1,038,153	1,038,153
Total recognised income and expenses for the financial year		-	-	-	444	(551)	1,038,153	1,038,046
Conversion of INCPS to ordinary shares	22	1,368,099	-	-	-	-	-	1,368,099
Transfer to statutory reserves		-	-	276,639	-	-	(276,639)	-
Ordinary dividends	35	-	-	-	-	-	(185,872)	(185,872)
Balance as at 31 December 2008		3,318,085	8,563	2,286,753	(17,371)	16,219	1,215,865	6,828,114

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

Statements of Changes in Equity

For the Financial Year Ended 31 December 2009

BANK	Note	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 1 January 2009		3,318,085	8,563	2,121,042	15,959	(3,484)	805,934	6,266,099
Currency translation differences		-	-	-	9,626	-	-	9,626
Unrealised net loss on revaluation of securities AFS		-	-	-	-	(20,444)	-	(20,444)
Net transfer to income statement on disposal or impairment of securities AFS		-	-	-	-	(6,308)	-	(6,308)
Deferred tax		-	-	-	-	6,641	-	6,641
Income and expenses recognised directly in equity		-	-	-	9,626	(20,111)	-	(10,485)
Net profit for the financial year		-	-	-	-	-	1,079,716	1,079,716
Total recognised income and expenses for the financial year		-	-	-	9,626	(20,111)	1,079,716	1,069,231
Transfer to statutory reserves		-	-	269,929	-	-	(269,929)	-
Ordinary dividends	35	-	-	-	-	-	(155,286)	(155,286)
Balance as at 31 December 2009		3,318,085	8,563	2,390,971	25,585	(23,595)	1,460,435	7,180,044
Balance as at 1 January 2008		1,949,986	8,563	1,886,928	31,023	19,473	289,464	4,185,437
Currency translation differences		-	-	-	(15,064)	-	-	(15,064)
Unrealised net loss on revaluation of securities AFS		-	-	-	-	(66,988)	-	(66,988)
Net transfer to income statement on disposal or impairment of securities AFS		-	-	-	-	35,605	-	35,605
Deferred tax		-	-	-	-	8,426	-	8,426
Expenses recognised directly in equity		-	-	-	(15,064)	(22,957)	-	(38,021)
Net profit for the financial year		-	-	-	-	-	936,456	936,456
Total recognised income and expenses for the financial year		-	-	-	(15,064)	(22,957)	936,456	898,435
Conversion of INCPS to ordinary shares	22	1,368,099	-	-	-	-	-	1,368,099
Transfer to statutory reserves		-	-	234,114	-	-	(234,114)	-
Ordinary dividends	35	-	-	-	-	-	(185,872)	(185,872)
Balance as at 31 December 2008		3,318,085	8,563	2,121,042	15,959	(3,484)	805,934	6,266,099

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

Cash Flow Statements

For the Financial Year Ended 31 December 2009

GROUP	2009 RM'000	2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after INCPS dividends but before taxation	1,491,768	1,413,677
Adjustments for:		
INCPS dividends	-	32,146
Share of results of an associate	-	(38)
Property, plant and equipment:		
- Depreciation	72,206	66,424
- Gain on disposal	(2,858)	(36)
- Written off	-	77
- Allowance for impairment losses	-	188
Allowance for impairment loss - foreclosed properties	571	-
Write-back of allowance for impairment loss - foreclosed properties	(313)	-
Gain on disposal of associate company	-	(2,068)
Amortisation of prepaid land lease	505	502
Net (gain)/loss on sale of securities available-for-sale	(8,677)	9,204
Interest income from securities available-for-sale	(219,838)	(169,709)
Investment income from securities available-for-sale	(41,185)	(14,066)
Interest income from securities held-to-maturity	(344,022)	(271,847)
Investment income from securities held-to-maturity	(39,653)	(21,495)
Allowance for impairment losses of securities available-for-sale	-	27,313
Write-back of allowance for impairment loss of securities available-for-sale	(9,767)	(4,201)
Write-back of allowance for impairment loss of securities held-to-maturity	(19,595)	(13,029)
Dividend income from securities available-for-sale	(7,285)	(9,277)
Allowance for losses on loans and financing	748,314	832,359
Interest suspended clawback	130,314	110,481
Accretion of discount less amortisation of premium	22,857	(26,276)
Amortisation of discount for subordinated obligations	-	1,039
Unrealised gain on revaluation of derivatives	(2,529)	(2,133)
Unrealised exchange loss/(gain)	15,208	(14,686)
	1,786,021	1,944,549
(Increase)/Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	(1,273,856)	2,852,675
Securities purchased under resale agreements	(1,485,858)	463,667
Securities held-for-trading	2,512,241	(777,446)
Loans, advances and financing	(7,817,138)	(7,287,676)
Other assets	4,751	129,844
Statutory deposits	1,240,428	86,666
	(6,819,432)	(4,532,270)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	10,781,704	(1,809,371)
Deposits and placements of banks and other financial institutions	(415,941)	1,068,752
Bills and acceptances payable	(1,133,137)	975,251
Recourse obligation on loans sold to Cagamas Berhad	(4,928)	(681,119)
Other liabilities	110,740	(161,933)
Long term borrowings	306,305	312,072
	9,644,743	(296,348)

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

Cash Flow Statements

For the Financial Year Ended 31 December 2009

GROUP	Note	2009 RM'000	2008 RM'000
Cash generated from/(used in) operations		4,611,332	(2,884,069)
Taxation paid		(361,874)	(403,000)
Net cash generated from/(used in) operating activities		4,249,458	(3,287,069)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(113,854)	(104,331)
Proceeds from disposal of property, plant and equipment		6,343	39
Proceeds from sale of an associate		-	7,069
Net (purchase)/sale of securities available-for-sale		(2,014,515)	2,449,372
Net purchase of securities held-to-maturity		(1,328,719)	(2,641,639)
Interest received from securities available-for-sale		207,861	166,324
Investment income received from securities available-for-sale		35,909	9,159
Interest received from securities held-to-maturity		334,554	258,022
Investment income received from securities held-to-maturity		38,237	15,046
Dividend income from securities available-for-sale		6,462	8,558
Net cash (used in)/generated from investing activities		(2,827,722)	167,619
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of Hybrid capital securities		596,996	-
Repayment of subordinated obligations		-	(479,100)
Dividends paid:			
- INCPS		-	(43,766)
- Ordinary shares		(155,286)	(185,872)
Net cash generated from/(used in) financing activities		441,710	(708,738)
Net increase/(decrease) in cash and cash equivalents		1,863,446	(3,828,188)
Effects of exchange rate differences		(6,399)	35,548
Cash and cash equivalents brought forward		13,451,945	17,244,585
Cash and cash equivalents carried forward		15,308,992	13,451,945
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	2	15,308,992	13,451,945

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

Cash Flow Statements

For the Financial Year Ended 31 December 2009

BANK	2009 RM'000	2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after INCPS dividends but before taxation	1,357,344	1,285,004
Adjustments for:		
INCPS dividends	-	32,146
Property, plant and equipment:		
- Depreciation	65,413	63,895
- Gain on disposal	(2,597)	(36)
- Written off	-	6
Amortisation of prepaid land lease	323	323
Allowance for impairment loss - foreclosed properties	571	-
Write-back of allowance for impairment loss - foreclosed properties	(313)	-
Gain on liquidation of subsidiaries	(1,625)	-
Net loss on sale of securities available-for-sale	845	12,386
Interest income from securities available-for-sale	(219,670)	(169,293)
Interest income from securities held-to-maturity	(336,533)	(267,140)
Allowance for impairment loss of securities available-for-sale	-	27,313
Write-back of allowance for impairment loss of securities available-for-sale	(7,153)	(4,094)
Write-back of allowance for impairment loss of securities held-to-maturity	(19,595)	(13,029)
Dividend income from securities available-for-sale	(7,285)	(9,277)
Dividend income from subsidiary companies	(10,516)	(39,725)
Allowance for losses on loans and financing	648,495	765,671
Interest suspended clawback	103,116	83,459
Accretion of discount less amortisation of premium	29,956	(8,747)
Amortisation of discount for subordinated obligations	-	1,039
Unrealised gain on revaluation of derivatives	(1,857)	(5,425)
Unrealised exchange loss/(gain)	15,208	(14,686)
	1,614,127	1,739,790
(Increase)/Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	(1,089,392)	2,116,129
Securities purchased under resale agreements	(1,485,858)	463,667
Securities held-for-trading	2,138,709	(861,177)
Loans, advances and financing	(7,207,528)	(5,898,724)
Other assets	(93,364)	332,865
Statutory deposits	1,110,229	98,177
	(6,627,204)	(3,749,063)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	9,922,069	(2,839,904)
Deposits and placements of banks and other financial institutions	(804,052)	949,710
Bills and acceptances payable	(1,123,579)	950,567
Recourse obligation on loans sold to Cagamas Berhad	(4,928)	(681,119)
Other liabilities	94,337	(127,871)
Long term borrowings	306,305	312,072
	8,390,152	(1,436,545)

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

Cash Flow Statements

For the Financial Year Ended 31 December 2009

BANK	Note	2009 RM'000	2008 RM'000
Cash generated from/(used in) operations		3,377,075	(3,445,818)
Taxation paid		(338,165)	(363,624)
Net cash generated from/(used in) operating activities		3,038,910	(3,809,442)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(104,539)	(82,104)
Proceeds from disposal of property, plant and equipment		4,695	39
Net (purchase)/sale of securities available-for-sale		(1,548,302)	2,999,620
Net purchase of securities held-to-maturity		(1,562,464)	(2,231,667)
Interest received from securities available-for-sale		207,693	165,908
Interest received from securities held-to-maturity		327,065	253,315
Dividend income from securities available-for-sale		6,462	8,558
Dividend income from subsidiary companies		7,275	34,641
Capital repayment upon liquidation of subsidiaries		7,599	-
Net cash (used in)/generated from investing activities		(2,654,516)	1,148,310
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of Hybrid capital securities		596,996	-
Repayment of subordinated obligations		-	(479,100)
Principal repayment of finance lease		(119)	(547)
Dividends paid:			
- INCPS		-	(43,766)
- Ordinary shares		(155,286)	(185,872)
Net cash generated from/(used in) financing activities		441,591	(709,285)
Net increase/(decrease) in cash and cash equivalents		825,985	(3,370,417)
Effects of exchange rate differences		1,023	24,156
Cash and cash equivalents brought forward		11,963,560	15,309,821
Cash and cash equivalents carried forward		12,790,568	11,963,560
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	2	12,790,568	11,963,560

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

- FRS 8 Operating Segments (effective for accounting periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated. The adoption of FRS 8 will require additional disclosure requirements in the Group's and the Bank's financial statements.
- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of IC Interpretation 10 does not have any significant financial impact on the results of the Group and the Bank.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- Amendments to FRS 101 Presentation of Financial Statement (effective for accounting periods beginning on or after 1 January 2010) separates owner and non-owner changes in equity and introduces the statement of comprehensive income. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of FRS 101 will require additional disclosure requirements for the Group's and the Bank's financial statements.
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2010) allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method and requires investors to present dividends as income in the separate financial statements. The amendments do not have any significant financial impact on the results of the Group and the Bank.
- IC Interpretation 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2010). IC Interpretation 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the revenue in respect of the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The adoption of IC Interpretation 13 does not have any significant financial impact on the results of the Group and the Bank.
- FRS 139 Financial Instruments: Recognition and Measurement (effective for accounting periods beginning on or after 1 January 2010). FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combination that are firmly committed to being completed within a reasonable timeframe. BNM has on 8 January 2010 issued the revised BNM Garis Panduan ('GP3') – "Classification and Impairment Provisions for Loans/Financing", which sets out the minimum requirements on the classifications of impaired loans/financing and allowances for loan/financing impairment effective for annual accounting period beginning on or after 1 January 2010. The guideline also prescribes the use of an alternative basis for collective assessment of impairment for a transitional period for purpose of complying with the collective assessment of impairment requirement in FRS 139. The Group and the Bank will apply this standard and BNM GP3 when effective. Nevertheless, the accounting policies of the Group and the Bank incorporate requirements of the Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8') which includes selected principles of FRS 139.
- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for accounting periods beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The improvement to IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- FRS 7 Financial Instruments: Disclosure (effective for accounting periods beginning on or after 1 January 2010). FRS 7 replaces the disclosures requirements currently in FRS 132 Financial Instruments: Disclosures and Presentation. FRS 7 requires disclosure of quantitative and qualitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, market risk and liquidity risk. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement.

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

2 BASIS OF CONSOLIDATION

(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 certain business combination which were accounted for using the merger method as follows:

- Internal group reorganisations, as defined in FRS 122₂₀₀₄, 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; and
- Business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2 BASIS OF CONSOLIDATION (CONTINUED)

(i) Subsidiaries (Continued)

The Group has taken advantage of the exemption provided by FRS 122₂₀₀₄ 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 deconsolidated 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.

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

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

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

(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 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, which includes goodwill identified at the date of acquisition, less accumulated impairment loss.

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.

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(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 accumulated impairment loss. At each balance sheet date, the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 24 on impairment of non-financial assets.

4 GOODWILL

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

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

Goodwill is allocated to cash-generating units ('CGU') for the purpose of impairment testing. The allocation is made to those 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 24 on impairment of non-financial assets.

5 SECURITIES

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

(i) Securities held-for-trading

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 measured at fair value at initial recognition and subsequently carried at fair value. Any gain or loss arising from a change in the fair value or arising from derecognition of such securities is recognised in the income statement.

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

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5 SECURITIES (CONTINUED)

(ii) Securities held-to-maturity

Securities held-to-maturity are securities with fixed or determinable payments and fixed maturity that the Group and the Bank have the positive intention and ability to hold to maturity. Securities held-to-maturity are measured at fair value at initial recognition and subsequently carried at amortised cost using the effective interest method less accumulated impairment loss. Any gain or loss is recognised in the income statement when the securities are derecognised or impaired and through the amortisation process. See accounting policy Note 23 on impairment of securities.

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

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

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

Securities AFS are financial assets that are not classified as held-for-trading or held-to-maturity securities. Securities AFS are measured at fair value at initial recognition and subsequently carried at fair value less accumulated impairment loss. Any gain or loss arising from a change in fair value, net of income tax, is recognised directly in equity, except for impairment losses and foreign exchange gains and losses. See accounting policy Note 23 on impairment of securities.

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

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

Interest calculated using the effective interest method is recognised in the income statement. Dividends on AFS equity instruments are recognised in the income statement when the right to receive payment 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 and the Bank establish fair values using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

For loans converted into debt or equity instrument/impaired securities, the Group and the Bank shall assess whether there is any objective evidence that the securities or group of securities arising from conversion scheme/other securities are impaired, and the impairment rules shall be applied. See accounting policy Note 23 on impairment of securities.

6 REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group and the Bank have 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 and the Bank have 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7 LOANS, ADVANCES AND FINANCING

Loans, advances and financing are recognised when cash is advanced to borrowers. They are initially recorded at fair value, which is the cash given to originate the loans and advances, and subsequently are carried at amortised cost, which is represented by the outstanding balance, net of allowances for bad and doubtful debts and unearned interest. They are derecognised when either borrowers repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. See accounting policy Note 22 on allowances for losses on loans, advances and financing.

8 OTHER RECEIVABLES

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

9 FORECLOSED PROPERTIES

Foreclosed properties are stated at lower of cost or net realisable value. 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 24 on impairment of non-financial assets.

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

Buildings	2% to 3 ⅓%
Renovations	7.5% to 10%
Office equipment and furniture	7.5% to 20%
Computer equipment and software	20% to 33 ⅓%
Motor vehicles	20%

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

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

At each balance sheet date, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable amount. See accounting policy Note 24 on impairment of non-financial assets.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

(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 assets or liabilities that are attributable to the hedged risk.

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

(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.

(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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12 BILLS AND ACCEPTANCES PAYABLE

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

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

In the normal course of banking operations, the Group and the Bank sell loans to Cagamas but undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective based on prudence. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the 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 netted off with the assets sold on the balance sheet and the obligations to buy back the loans are reflected as assets sold with recourse classified as commitments and contingencies.

14 LEASES – WHERE THE GROUP IS LESSEE

(i) Operating lease

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

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

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

(ii) Finance lease

Leases of assets where the Group and the Bank assume 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 and the fair value of the leased assets at the beginning of the lease term. Each lease payment is allocated between the liability and finance charges using effective yield basis. The corresponding rental obligations, net of finance charges, are included in 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 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15 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.

16 OTHER PROVISIONS

Provisions other than for non-performing debts are recognised when the Group and the Bank have a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

17 BORROWINGS

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

18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

19 DIVIDENDS PAYABLE

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

20 CASH AND CASH EQUIVALENTS

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21 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 are 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 business is recognised on an accruals basis in accordance with the principles of Shariah.

22 ALLOWANCE FOR LOSSES ON LOANS, ADVANCES 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, the Group's and the Bank's basis for specific allowance is also from default period of 3 months.

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

23 IMPAIRMENT OF SECURITIES

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

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

(ii) Securities carried at fair value

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

24 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

The recoverable amount is the higher of a non-financial asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there 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. Impairment losses on goodwill are not reversed. In respect of other non-financial assets, any subsequent increase in recoverable amount is recognised in the income statement.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

25 EMPLOYEE BENEFITS

(i) Short-term employee benefits

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

(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 and the Bank's contributions to defined contribution plans are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further legal or constructive obligations.

(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.

26 INCOME TAXES

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

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

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

27 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 transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

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

(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.

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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

For the Financial Year Ended 31 December 2009

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Allowance for losses on loans, advances and financing

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

(b) Impairment of goodwill

The Group and the Bank perform an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amount from the CGU 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.

(c) Impairment of securities

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

(d) Fair value of financial instruments

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

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

1 GENERAL INFORMATION

RHB Bank Berhad ('the Bank'), is a limited liability bank incorporated and domiciled in Malaysia.

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic Banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

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

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

2 CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	997,338	946,446	819,812	953,841
Money at call and deposit placements maturing within one month	14,311,654	12,505,499	11,970,756	11,009,719
	15,308,992	13,451,945	12,790,568	11,963,560

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Licensed banks/Islamic banks	1,465,331	139,237	1,689,992	548,371
Licensed investment banks	22,770	-	22,770	-
Bank Negara Malaysia	225,000	300,000	225,000	300,000
	1,713,101	439,237	1,937,762	848,371

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4 SECURITIES HELD-FOR-TRADING

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	-	845,487	-	845,487
Malaysian Government Investment Issues	-	96,011	-	-
Malaysian Government Treasury Bills	-	156,842	-	156,842
Bank Negara monetary notes	-	856,920	-	856,920
Singapore Government Treasury Bills	92,749	-	92,749	-
Unquoted securities:				
<u>In Malaysia</u>				
Private debt securities	30,932	600,489	-	292,036
<u>Outside Malaysia</u>				
Structured notes	-	78,851	-	78,851
	123,681	2,634,600	92,749	2,230,136

During the financial year, the Group and the Bank have reclassified certain securities held-for-trading to securities AFS and securities held-to-maturity category. The reclassifications have been accounted for based on the amendment to revised BNM/GP8 Guidelines dated 17 October 2008, which is effective from 1 July 2008 until 31 December 2009.

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At fair value				
Amount reclassified from securities:				
- held-for-trading to securities available-for-sale	1,755,624	-	1,735,674	-
- held-for-trading to securities held-to-maturity	8,663	129,322	8,663	-
	1,764,287	129,322	1,744,337	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4 SECURITIES HELD-FOR-TRADING (CONTINUED)

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At fair value				
Amount recognised to income statements:				
- held-for-trading to securities available-for-sale	-	4,646	-	4,652
- held-for-trading to securities held-to-maturity	468	(2,257)	468	(405)
	468	2,389	468	4,247

As at the date of reclassification, the effective interest rates on the reclassified securities held-for-trading, based on the new cost for the Group and the Bank, ranged from 2.63% to 5.84% per annum (2008: 3.71% to 5.44% per annum) and 2.63% to 3.30% per annum (2008: Nil) respectively. The expected recoverable cash flows for the Group and the Bank are approximately RM1,907,000,000 (2008: RM136,500,000) and RM1,903,000,000 (2008: Nil) respectively.

5 SECURITIES AVAILABLE-FOR-SALE

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	1,837,447	396,120	1,837,447	396,120
Malaysian Government Investment Issues	879,113	364,170	150,156	37,497
Cagamas bonds and Cagamas Mudharabah bonds	444,542	119,451	444,542	119,451
Negotiable instruments of deposits	109,672	112,912	109,672	112,912
Singapore Government Treasury Bills	134,262	143,996	134,262	143,996
Singapore Government Securities	83,610	263,894	83,610	263,894
Thailand Government Bonds	20,755	20,402	20,755	20,402
Quoted securities:				
<u>In Malaysia</u>				
Corporate loan stocks	14,678	17,328	14,678	17,328
Shares	5,659	5,266	3,326	4,149
<u>Outside Malaysia</u>				
Shares	11	5	-	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

5 SECURITIES AVAILABLE-FOR-SALE (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted securities:				
<u>In Malaysia</u>				
Corporate loan stocks	112,604	90,654	112,604	84,548
Shares	166,272	166,299	165,697	165,724
Private debt securities	2,680,680	2,660,602	2,215,008	2,257,268
<u>Outside Malaysia</u>				
Private debt securities	53,318	60,783	53,318	60,783
Structured notes	22,729	162,531	22,729	162,531
	6,565,352	4,584,413	5,367,804	3,846,603

During the financial year, the Group and the Bank have reclassified certain securities AFS to securities held-to-maturity category. The fair value of the reclassified securities available-for-sale as of the date of reclassification for the Group and the Bank was RM148,733,000 (2008: Nil).

The carrying value of securities AFS as at 31 December 2009, which was transferred from securities held-for-trading, for the Group and the Bank are RM1,520,236,000 (2008: Nil) and RM1,499,951,000 (2008: Nil) respectively.

6 SECURITIES HELD-TO-MATURITY

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At amortised cost				
Money market instruments:				
Malaysian Government Securities	2,343,020	1,868,393	2,343,020	1,868,393
Malaysian Government Investment Issues	1,327,616	592,585	761,045	35,648
Cagamas bonds and Cagamas Mudharabah bonds	779,550	848,571	604,350	633,449
Khazanah bonds	34,935	281,839	-	-
Negotiable instruments of deposits	1,800,000	2,116,307	1,800,000	2,116,307
Singapore Government Securities	121,748	119,660	121,748	119,660
Thailand Government Securities	237,187	225,603	237,187	225,603
Sukuk (Brunei) Incorporation	41,538	-	41,538	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

6 SECURITIES HELD-TO-MATURITY (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted securities:				
<u>In Malaysia</u>				
Bonds	25,013	27,178	860	860
Prasarana bonds	1,753,591	1,756,730	1,753,591	1,756,730
Private debt securities	2,290,801	1,503,756	2,025,155	1,304,131
Corporate loan stocks	60,507	70,589	60,507	70,589
Shares	500	500	500	500
<u>Outside Malaysia</u>				
Private debt securities	20,364	20,601	-	-
Floating rate notes	28,419	39,194	-	-
Structured notes	33,059	74,964	33,059	74,964
	10,897,848	9,546,470	9,782,560	8,206,834
Accumulated impairment losses	(130,925)	(152,311)	(130,925)	(152,311)
	10,766,923	9,394,159	9,651,635	8,054,523

Included in unquoted shares in Malaysia 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.

The carrying value of securities held-to-maturity as at 31 December 2009, which was transferred from securities held-for-trading for the Group and the Bank are RM28,806,000 (2008: RM126,767,000) and RM8,442,000 (2008: Nil) respectively. The fair value of these securities as at 31 December 2009 for the Group and the Bank are RM29,011,000 (2008: RM127,162,000) and RM8,442,000 (2008: Nil) respectively.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

7 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Overdrafts	5,989,096	6,463,296	5,905,150	6,426,766
Term loans/financing				
- housing loans/financing	15,510,118	13,578,913	13,635,744	11,874,758
- syndicated term loans/financing	2,899,403	2,766,425	1,183,871	1,030,237
- hire purchase receivables	11,360,314	10,853,474	10,096,440	9,926,434
- lease receivables	191,548	240,857	-	-
- other term loans/financing	21,512,808	14,300,222	19,396,822	12,550,499
Bills receivable	1,238,462	1,576,790	1,126,324	1,491,722
Trust receipts	381,389	504,201	348,602	467,721
Claims on customers under acceptance credits	4,909,187	6,074,079	4,421,097	5,397,021
Staff loans/financing	367,261	373,149	354,103	359,899
Credit card receivables	2,247,498	2,104,609	2,247,498	2,104,609
Revolving credit	4,913,737	5,399,751	4,266,950	4,643,821
Floor stocking	2,609	4,374	2,609	4,374
	71,523,430	64,240,140	62,985,210	56,277,861
Unearned interest and income	(1,677,729)	(1,600,817)	(1,487,135)	(1,442,495)
Gross loans, advances and financing	69,845,701	62,639,323	61,498,075	54,835,366
Allowance for bad and doubtful debts and financing:				
- general	(953,855)	(1,098,400)	(829,732)	(956,085)
- specific	(1,764,729)	(1,413,048)	(1,551,647)	(1,279,234)
Net loans, advances and financing	67,127,117	60,127,875	59,116,696	52,600,047

Included in term loans are housing loans and hire purchase receivables sold to Cagamas with recourse amounting to RM1,168,826,000 (2008: RM1,173,754,000) for the Group and the Bank.

The remaining maturities of gross loans, advances and financing are as follows:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Maturing within one year	20,765,504	18,368,965	18,636,326	16,520,278
One year to three years	4,831,983	6,330,855	3,689,914	4,606,517
Three years to five years	8,217,166	5,690,198	7,024,373	4,620,298
Over five years	36,031,048	32,249,305	32,147,462	29,088,273
	69,845,701	62,639,323	61,498,075	54,835,366

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(i) Loans, advances and financing analysed by type of customers are as follows:				
Domestic non-bank financial institutions				
- Others	377,356	528,718	356,703	497,642
Domestic business enterprises				
- Small medium enterprises	11,342,280	10,559,463	10,470,732	9,560,564
- Others	20,019,990	20,875,322	16,285,728	17,320,831
Government and statutory bodies	3,764,664	109,406	3,652,478	8,156
Individuals	29,493,939	25,969,287	26,805,244	23,717,135
Other domestic entities	12,609	29,320	11,933	19,100
Foreign entities				
- Malaysian operations	1,190,059	1,151,371	326,119	301,662
- Singapore operations	3,068,090	2,968,173	3,012,448	2,968,173
- Thailand operations	414,566	301,795	414,542	295,634
- Brunei operations	162,148	146,468	162,148	146,469
	69,845,701	62,639,323	61,498,075	54,835,366
(ii) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:				
Fixed rate				
- Housing loans/financing	1,501,691	1,737,043	84,512	116,054
- Hire purchase receivables	9,703,885	9,419,595	8,621,200	8,497,153
- Other fixed rate loans/financing	8,067,170	4,295,830	6,274,183	2,369,673
Variable rate				
- Base Lending Rate plus	27,386,891	22,895,096	26,045,031	22,895,096
- Cost plus	18,468,875	18,712,232	17,388,631	17,454,158
- Other variable rates	4,717,189	5,579,527	3,084,518	3,503,232
	69,845,701	62,639,323	61,498,075	54,835,366

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(iii) Loans, advances and financing analysed by purpose are as follows:				
Purchase of securities	2,350,804	1,944,316	2,310,777	1,839,928
Purchase of transport vehicles	8,225,293	7,504,410	6,953,525	6,525,374
Purchase of landed property:				
- Residential	15,999,626	14,086,086	14,151,162	12,379,831
- Non-residential	3,943,025	3,000,602	3,875,849	2,970,408
Purchase of property, plant and equipment other than land and building	3,757,180	4,039,641	2,592,594	2,918,576
Personal use	2,081,904	1,998,890	2,068,113	1,978,539
Credit card	2,247,498	2,104,609	2,247,498	2,104,609
Purchase of consumer durables	61,414	74,568	61,305	74,409
Construction	2,218,554	1,967,084	1,568,295	1,338,606
Working capital	22,489,695	24,313,036	19,696,768	21,344,787
Other purposes	6,470,708	1,606,081	5,972,189	1,360,299
	69,845,701	62,639,323	61,498,075	54,835,366
(iv) Movement in non-performing loans, advances and financing are as follows:				
Balance as at the beginning of financial year	2,773,693	3,041,710	2,439,233	2,768,072
Amount vested over from RHB Investment Bank Berhad	75,958	-	75,958	-
Classified as non-performing during the financial year	3,868,086	3,203,130	3,395,364	2,818,950
Reclassified as performing during the financial year	(2,502,944)	(2,515,683)	(2,256,431)	(2,278,804)
Amount recovered	(395,205)	(499,884)	(346,827)	(453,070)
Amount written off	(559,943)	(458,658)	(522,607)	(418,145)
Exchange difference	1,350	3,078	1,951	2,230
Balance as at the end of financial year	3,260,995	2,773,693	2,786,641	2,439,233
Specific allowance	(1,764,729)	(1,413,048)	(1,551,647)	(1,279,234)
Net non-performing loans, advances and financing	1,496,266	1,360,645	1,234,994	1,159,999
Ratio of net non-performing loans, advances and financing as % of gross loans, advances and financing less specific allowances	2.2%	2.2%	2.1%	2.2%

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(v) Non-performing loans, advances and financing analysed by purpose are as follows:				
Purchase of securities	4,476	16,926	4,476	16,926
Purchase of transport vehicles	180,867	225,721	173,430	223,391
Purchase of landed property:				
- Residential	1,088,996	1,048,348	899,216	870,154
- Non-residential	167,975	139,558	165,285	135,379
Purchase of property, plant and equipment other than land and building	114,830	81,098	95,190	57,739
Personal use	92,830	105,419	90,620	99,459
Credit card	69,677	56,368	69,677	56,368
Purchase of consumer durables	3,745	4,402	3,745	4,402
Construction	105,533	113,195	93,176	100,130
Working capital	1,384,067	974,908	1,143,851	867,535
Other purposes	47,999	7,750	47,975	7,750
	3,260,995	2,773,693	2,786,641	2,439,233
(vi) Movement in allowance for bad and doubtful debts and financing accounts are as follows:				
General allowance				
Balance as at the beginning of financial year	1,098,400	984,181	956,085	861,815
Net (reversal)/allowance made during the financial year	(144,722)	111,705	(127,095)	93,173
Exchange difference	177	2,514	742	1,097
Balance as at the end of financial year	953,855	1,098,400	829,732	956,085
As % of gross loans, advances and financing less loans exempted from general allowance by Bank Negara Malaysia and specific allowance	1.5%	1.8%	1.5%	1.8%
Specific allowance				
Balance as at the beginning of financial year	1,413,048	1,210,801	1,279,234	1,096,365
Allowance made during the financial year	1,161,868	933,490	1,013,223	872,515
Amount vested over from RHB Investment Bank Berhad	22,882	-	22,882	-
Amount recovered	(268,832)	(212,836)	(237,633)	(200,017)
Amount written off	(563,488)	(519,960)	(526,889)	(489,704)
Exchange difference	(749)	1,553	830	75
Balance as at the end of financial year	1,764,729	1,413,048	1,551,647	1,279,234

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

8 OTHER ASSETS

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Other debtors, deposits and prepayments		275,038	249,227	240,458	164,537
Accrued interest receivable		173,273	168,018	147,020	146,082
Amount due from subsidiaries	(i)	-	-	228,599	179,917
Amount due from related companies	(i)	5,785	3,999	5,785	3,999
		454,096	421,244	621,862	494,535

(i) Amounts due from subsidiaries/related companies are unsecured, interest free and have no fixed terms of repayment.

9 DERIVATIVE ASSETS/(LIABILITIES)

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group and the Bank for economic hedges and also transacted in these instruments for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the stringent requirements of hedge accounting mentioned in the Group's and Bank's accounting policies.

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Derivative assets	203,868	344,916	198,913	344,595
Derivative liabilities	(206,137)	(338,011)	(199,477)	(331,809)
	(2,269)	6,905	(564)	12,786

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

9 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

Group	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
2009			
Foreign exchange related contracts:			
- forwards/swaps	9,967,871	54,823	(64,269)
- options	167,251	701	(660)
- cross currency interest rate swaps	1,378,209	22,534	(20,695)
Interest rate related contracts:			
- swaps	9,392,976	125,810	(120,513)
		203,868	(206,137)
2008			
Foreign exchange related contracts:			
- forwards/swaps	9,222,647	155,679	(150,776)
- options	121,636	3,076	(2,175)
- cross currency interest rate swaps	1,390,364	23,660	(21,172)
Interest rate related contracts:			
- swaps	7,954,451	162,501	(163,888)
		344,916	(338,011)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

9 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
2009			
Foreign exchange related contracts:			
- forwards/swaps	9,966,524	54,823	(64,269)
- options	167,251	701	(660)
- cross currency interest rate swaps	1,378,209	22,534	(20,695)
Interest rate related contracts:			
- swaps	9,372,432	120,855	(113,853)
		198,913	(199,477)
2008			
Foreign exchange related contracts:			
- forwards/swaps	9,222,647	155,679	(150,776)
- options	121,636	3,076	(2,175)
- cross currency interest rate swaps	1,390,364	23,660	(21,172)
Interest rate related contracts:			
- swaps	7,829,211	162,180	(157,686)
		344,595	(331,809)

10 DEFERRED TAX ASSETS/LIABILITIES

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax assets	263,182	268,159	234,070	233,116
Deferred tax liabilities	(6)	(15)	-	-
	263,176	268,144	234,070	233,116

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

10 DEFERRED TAX ASSETS/LIABILITIES (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	Leasing business RM'000	Tax losses RM'000	General allowance on loans, advances and financing RM'000	Provision for liability RM'000	Other temporary differences RM'000	Total RM'000
2009								
Balance as at the beginning of the financial year	(17,996)	(5,285)	13,584	4,744	264,807	-	8,290	268,144
Transfer (to)/from income statement	(4,454)	-	(2,414)	-	(39,307)	30,347	(62)	(15,890)
Transfer from equity	-	10,843	-	-	-	-	-	10,843
Exchange difference	-	-	-	79	-	-	-	79
Balance as at the end of the financial year	(22,450)	5,558	11,170	4,823	225,500	30,347	8,228	263,176
2008								
Balance as at the beginning of the financial year	(11,941)	(7,377)	15,469	4,535	238,067	-	9,082	247,835
Transfer (to)/from income statement	(6,055)	-	(1,885)	-	26,740	-	(792)	18,008
Transfer from equity	-	2,092	-	-	-	-	-	2,092
Exchange difference	-	-	-	209	-	-	-	209
Balance as at the end of the financial year	(17,996)	(5,285)	13,584	4,744	264,807	-	8,290	268,144

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

10 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Deferred tax assets/(liabilities) (Continued)

Bank	Property, plant & equipment RM'000	Securities available- for-sale RM'000	Tax losses RM'000	General allowance on loans, advances and financing RM'000	Provision for liability RM'000	Other temporary differences RM'000	Total RM'000
2009							
Balance as at the beginning of the financial year	(17,793)	1,224	4,744	239,022	-	5,919	233,116
Transfer (to)/from income statement	(4,454)	-	-	(31,588)	30,347	(71)	(5,766)
Transfer from equity	-	6,641	-	-	-	-	6,641
Exchange difference	-	-	79	-	-	-	79
Balance as at the end of the financial year	(22,247)	7,865	4,823	207,434	30,347	5,848	234,070
2008							
Balance as at the beginning of the financial year	(11,738)	(7,202)	4,535	215,454	-	6,173	207,222
Transfer (to)/from income statement	(6,055)	-	-	23,568	-	(254)	17,259
Transfer from equity	-	8,426	-	-	-	-	8,426
Exchange difference	-	-	209	-	-	-	209
Balance as at the end of the financial year	(17,793)	1,224	4,744	239,022	-	5,919	233,116

Deferred income tax assets have not been recognised on the following as it is not probable that the relevant subsidiaries will generate sufficient future taxable profits available against which the deductible temporary differences can be utilised:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unabsorbed tax losses carried forward	2,495,384	2,551,226	223,311	279,154
Unabsorbed capital allowances carried forward	38,691	38,691	-	-
	2,534,075	2,589,917	223,311	279,154

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

11 STATUTORY DEPOSITS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Statutory deposits with BNM	150,960	1,410,940	81,720	1,211,500
Statutory deposits with Monetary Authority of Singapore	122,924	104,064	122,924	104,064
Statutory deposits with Ministry of Finance, Brunei	8,881	6,338	8,881	6,338
Statutory deposits with Labuan Offshore Financial Services Authority	100	100	-	-
	282,865	1,521,442	213,525	1,321,902

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, with the Monetary Authority of Singapore in compliance with Banking Act, Cap. 19, Singapore Finance Companies Act, Cap. 108 and with Labuan Offshore Financial Services Authority in accordance with the Labuan Trust Companies (Amendment) Act 2002. The amounts are determined by the respective authorities.

12 INVESTMENT IN SUBSIDIARIES

	Bank	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost		
- in Malaysia	810,919	817,212
- outside Malaysia	12,807	12,807
	823,726	830,019
Accumulated impairment losses	(744)	(1,063)
	822,982	828,956

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The following are the subsidiaries of the Bank:

	Paid-up capital	Effective interest		Principal activities
		2009	2008	
		%	%	
RHB Bank (L) Ltd.	US\$54,000,000	100	100	Offshore banking
- RHB International Trust (L) Ltd.	US\$40,000	100	100	Offshore trust company
- RHB Corporate Services Sdn Bhd	RM150,000	100	100	Corporate secretarial services
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
UMBC Sdn Bhd	RM499,999,818	100	100	Dormant company
RHB Delta Sdn Bhd	RM175,000,000	100	100	Dormant company
RHB Leasing Sdn Bhd	RM10,000,000	100	100	Leasing
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
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
RHB Trade Services Limited #	HK\$2.00	100	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Delta Nominees (Tempatan) Sdn Bhd+	RM10,000	100	100	Dormant company
USB Nominees Sdn Bhd @	RM10,000	-	100	Dormant company
USB Nominees (Tempatan) Sdn Bhd @	RM10,000	-	100	Dormant company
USB Nominees (Asing) Sdn Bhd @	RM10,000	-	100	Dormant company
INFB Jaya Sdn Bhd @	RM50,000,000	-	100	Dormant company
U.B. Nominees (Tempatan) Sdn Bhd @	RM10,000	-	100	Dormant company

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

Subsidiary not audited by PricewaterhouseCoopers.

* The Company has commenced Member's Voluntary Winding-Up on 13 July 2009.

@ The Company has commenced Members' Voluntary Winding-Up on 25 March 2008 and has accordingly been dissolved on 22 January 2009.

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 2009

13 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	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
2009							
Cost							
Balance as at the beginning of financial year	86,271	254,344	173,915	184,077	776,932	11,130	1,486,669
Additions	-	2,238	27,192	3,663	80,728	33	113,854
Disposals/written off	(3,343)	(3,671)	(28)	(811)	(1,145)	(642)	(9,640)
Reclassification	-	-	(6,438)	6,438	-	-	-
Exchange difference	26	846	165	227	278	40	1,582
Balance as at the end of financial year	82,954	253,757	194,806	193,594	856,793	10,561	1,592,465
Accumulated depreciation							
Balance as at the beginning of financial year	-	52,234	108,158	174,367	609,557	8,971	953,287
Charge for the year	-	5,044	10,909	5,832	49,461	960	72,206
Disposals/written off	-	(912)	(25)	(810)	(1,137)	(642)	(3,526)
Exchange difference	-	223	121	219	346	24	933
Balance as at the end of financial year	-	56,589	119,163	179,608	658,227	9,313	1,022,900
Impairment loss							
Balance as at the beginning of financial year	1,324	4,347	-	-	-	-	5,671
Disposals	(1,324)	(1,304)	-	-	-	-	(2,628)
Exchange difference	-	4	-	-	-	-	4
Balance as at the end of financial year	-	3,047	-	-	-	-	3,047
Net book value as at the end of financial year	82,954	194,121	75,643	13,986	198,566	1,248	566,518

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	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
2008							
Cost							
Balance as at the beginning of financial year	86,204	252,381	147,751	182,289	705,426	11,039	1,385,090
Additions	-	44	27,308	2,814	73,708	457	104,331
Disposals/written off	-	-	(372)	(2,610)	(2,710)	(354)	(6,046)
Reclassification	-	(379)	(1,257)	1,257	-	-	(379)
Exchange difference	67	2,298	485	327	508	(12)	3,673
Balance as at the end of financial year	86,271	254,344	173,915	184,077	776,932	11,130	1,486,669
Accumulated depreciation							
Balance as at the beginning of financial year	-	46,695	101,144	169,444	565,447	8,366	891,096
Charge for the year	-	5,072	7,012	7,150	46,238	952	66,424
Disposals/written off	-	-	(371)	(2,533)	(2,708)	(354)	(5,966)
Reclassification	-	(106)	-	-	-	-	(106)
Exchange difference	-	573	373	306	580	7	1,839
Balance as at the end of financial year	-	52,234	108,158	174,367	609,557	8,971	953,287
Impairment loss							
Balance as at the beginning of financial year	1,136	4,313	-	-	-	-	5,449
Charge for the year	188	-	-	-	-	-	188
Exchange difference	-	34	-	-	-	-	34
Balance as at the end of financial year	1,324	4,347	-	-	-	-	5,671
Net book value as at the end of financial year	84,947	197,763	65,757	9,710	167,375	2,159	527,711

Included in buildings of the Group are assets held-for-sale amounting to Nil (2008: RM1,356,626). The fair value of these assets as at 31 December 2009 is Nil (2008: RM2,578,002).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Freehold land RM'000	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
2009							
Cost							
Balance as at the beginning of financial year	82,917	209,137	162,199	178,289	734,804	9,532	1,376,878
Additions	-	2,238	22,716	2,444	77,132	9	104,539
Net transfer to a subsidiary company	-	-	-	-	(39)	-	(39)
Disposals/written off	(929)	(3,119)	(28)	(547)	(1,080)	(638)	(6,341)
Reclassification	-	-	(4,174)	4,174	-	-	-
Exchange difference	24	377	169	203	441	40	1,254
Balance as at the end of financial year	82,012	208,633	180,882	184,563	811,258	8,943	1,476,291
Accumulated depreciation							
Balance as at the beginning of financial year	-	46,051	106,513	170,326	604,814	8,315	936,019
Charge for the year	-	4,627	9,725	4,566	45,849	646	65,413
Net transfer to a subsidiary company	-	-	-	-	(46)	-	(46)
Disposals/written off	-	(649)	(25)	(547)	(1,081)	(638)	(2,940)
Exchange difference	-	176	134	196	362	26	894
Balance as at the end of financial year	-	50,205	116,347	174,541	649,898	8,349	999,340
Impairment loss							
Balance as at the beginning of financial year	-	1,694	-	-	-	-	1,694
Disposals	-	(1,304)	-	-	-	-	(1,304)
Balance as at the end of financial year	-	390	-	-	-	-	390
Net book value as at the end of financial year	82,012	158,038	64,535	10,022	161,360	594	476,561

Included in the net book value of office equipment and furniture of the Bank is an amount of Nil (2008: RM80,920) which is acquired under finance lease from subsidiaries.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Freehold land RM'000	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
2008							
Cost							
Balance as at the beginning of financial year	82,854	208,105	141,089	177,804	678,620	9,898	1,298,370
Additions	-	44	21,258	2,446	58,352	4	82,104
Disposals/written off	-	-	(372)	(2,359)	(2,640)	(354)	(5,725)
Reclassification	-	-	(205)	205	-	-	-
Exchange difference	63	988	429	193	472	(16)	2,129
Balance as at the end of financial year	82,917	209,137	162,199	178,289	734,804	9,532	1,376,878
Accumulated depreciation							
Balance as at the beginning of financial year	-	40,947	99,748	165,864	561,822	7,981	876,362
Charge for the year	-	4,663	6,817	6,635	45,097	683	63,895
Disposals/written off	-	-	(371)	(2,352)	(2,639)	(354)	(5,716)
Exchange difference	-	441	319	179	534	5	1,478
Balance as at the end of financial year	-	46,051	106,513	170,326	604,814	8,315	936,019
Impairment loss							
Balance as at the beginning of financial year	-	1,694	-	-	-	-	1,694
Balance as at the end of financial year	-	1,694	-	-	-	-	1,694
Net book value as at the end of financial year	82,917	161,392	55,686	7,963	129,990	1,217	439,165

Included in buildings of the Bank are assets held-for-sale amounting to Nil (2008: RM1,356,626). The fair value of these assets as at 31 December 2009 is Nil (2008: RM2,578,002).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Accumulated depreciation and impairment loss				
Balances as at the beginning of financial year	958,958	896,545	937,713	878,056
Balances as at the end of financial year	1,025,947	958,958	999,730	937,713

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cost				
Renovations	17,258	34,773	13,565	27,242
Computer equipment and software	46,059	55,869	34,395	21,332
	63,317	90,642	47,960	48,574

14 PREPAID LAND LEASE

Group	Leasehold land		Total RM'000
	Less than 50 years RM'000	50 years or more RM'000	
2009			
Cost			
Balance as at the beginning of financial year	1,426	129,186	130,612
Exchange difference	-	1,655	1,655
Balance as at the end of financial year	1,426	130,841	132,267
Accumulated amortisation			
Balance as at the beginning of financial year	609	5,036	5,645
Charge for the financial year	35	470	505
Exchange difference	-	5	5
Balance as at the end of financial year	644	5,511	6,155

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

14 PREPAID LAND LEASE (CONTINUED)

	Less than 50 years RM'000	Leasehold land 50 years or more RM'000	Total RM'000
Impairment loss			
Balance as at the beginning of financial year	-	22,828	22,828
Exchange difference	-	347	347
Balance as at the end of financial year	-	23,175	23,175
Net book value as at the end of financial year	782	102,155	102,937

2008

Cost

Balance as at the beginning of financial year	1,047	124,846	125,893
Exchange difference	-	4,340	4,340
Reclassification	379	-	379
Balance as at the end of financial year	1,426	129,186	130,612

Accumulated amortisation

Balance as at the beginning of financial year	467	4,561	5,028
Charge for the financial year	36	466	502
Exchange difference	-	9	9
Reclassification	106	-	106
Balance as at the end of financial year	609	5,036	5,645

Impairment loss

Balance as at the beginning of financial year	-	21,919	21,919
Exchange difference	-	909	909
Balance as at the end of financial year	-	22,828	22,828
Net book value as at the end of financial year	817	101,322	102,139

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

14 PREPAID LAND LEASE (CONTINUED)

Bank	Less than 50 years RM'000	Leasehold land 50 years or more RM'000	Total RM'000
2009			
Cost			
Balance as at the beginning of financial year	879	26,005	26,884
Balance as at the end of financial year	879	26,005	26,884
Accumulated amortisation			
Balance as at the beginning of financial year	401	3,383	3,784
Charge for the financial year	23	300	323
Balance as at the end of financial year	424	3,683	4,107
Impairment loss			
Balance as at the beginning of financial year	-	2,160	2,160
Balance as at the end of financial year	-	2,160	2,160
Net book value as at the end of financial year	455	20,162	20,617
2008			
Cost			
Balance as at the beginning of financial year	879	26,005	26,884
Balance as at the end of financial year	879	26,005	26,884
Accumulated amortisation			
Balance as at the beginning of financial year	378	3,083	3,461
Charge for the financial year	23	300	323
Balance as at the end of financial year	401	3,383	3,784
Impairment loss			
Balance as at the beginning of financial year	-	2,160	2,160
Balance as at the end of financial year	-	2,160	2,160
Net book value as at the end of financial year	478	20,462	20,940

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

14 PREPAID LAND LEASE (CONTINUED)

Future amortisation of prepaid land lease are as follows:

	2009		2008	
	Less than 50 years RM'000	50 years or more RM'000	Less than 50 years RM'000	50 years or more RM'000
Group				
- Not later than 1 year	35	470	35	466
- Later than 1 year and not later than 5 years	141	1,879	141	1,866
- Later than 5 years	606	99,806	641	98,990
	782	102,155	817	101,322
Bank				
- Not later than 1 year	23	300	24	300
- Later than 1 year and not later than 5 years	95	1,198	94	1,198
- Later than 5 years	337	18,664	360	18,964
	455	20,162	478	20,462

15 GOODWILL

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Balance as at the beginning/end of financial year	1,004,017	1,004,017	905,519	905,519

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CGUs				
Corporate and Investment Banking	200,859	200,859	182,461	182,461
Retail banking	482,696	482,696	467,614	467,614
Treasury and money market	268,600	268,600	255,444	255,444
Islamic banking business	51,862	51,862	-	-
	1,004,017	1,004,017	905,519	905,519

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

15 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 four-year (2008: three-year) period. Cash flows beyond the four-year period are assumed to grow at 3.0% (2008: 3.0%) to perpetuity.

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 8.5% (2008: 8.1%). The discount rate used is pre-tax and is computed based on industry information to reflect the risks of the CGUs.

Impairment was not required for goodwill arising from all the business segments. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount of all the business segments to be lower than its carrying amount.

16 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Demand deposits	18,643,096	17,269,380	16,586,285	15,340,752
Savings deposits	5,663,371	5,393,710	5,099,883	4,851,104
Fixed/investment deposits	57,244,978	47,984,789	49,592,081	41,097,558
Negotiable instrument of deposits	316,409	363,384	311,655	303,534
	81,867,854	71,011,263	71,589,904	61,592,948

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Due within six months	48,803,931	40,132,861	41,874,203	33,893,501
Six months to one year	8,105,949	7,514,137	7,394,931	6,819,106
One year to three years	645,883	693,983	629,956	683,335
Three years to five years	5,382	7,192	4,646	5,150
Over five years	242	-	-	-
	57,561,387	48,348,173	49,903,736	41,401,092

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

16 DEPOSITS FROM CUSTOMERS (CONTINUED)

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Government and statutory bodies	6,421,045	4,999,837	4,659,229	3,172,030
Business enterprises	47,692,150	38,624,834	40,535,823	32,638,830
Individuals	25,372,763	24,644,304	24,454,489	23,785,076
Others	2,381,896	2,742,288	1,940,363	1,997,012
	81,867,854	71,011,263	71,589,904	61,592,948

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Licensed banks/Islamic banks	5,214,833	5,216,204	4,676,253	4,737,405
Licensed investment banks	100,000	628,850	100,000	628,850
BNM	690,006	888,472	690,006	888,472
Other financial institutions	348,385	20,050	485	480
	6,353,224	6,753,576	5,466,744	6,255,207

18 OTHER LIABILITIES

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Accrued interest payable		289,333	377,684	258,194	328,966
Amount due to holding company	(i)	1,882	786	1,716	660
Amount due to subsidiaries	(i)	-	-	16,886	29,251
Amount due to related companies	(i)	4,658	5,701	4,471	5,652
Amount due to Danaharta	(ii)	1,824	1,782	1,824	1,782
Finance lease	(iii)	-	-	-	119
Prepaid instalment		76,602	82,327	76,602	82,327
Lessee deposits		73,941	79,244	-	-
Short term employee benefits		147,867	154,332	139,762	140,163
Other creditors and accruals		674,646	448,412	573,952	385,218
		1,270,753	1,150,268	1,073,407	974,138

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

18 OTHER LIABILITIES (CONTINUED)

- (i) Amounts due to holding company, subsidiaries and related companies are unsecured, interest free and have no fixed terms of repayment.
- (ii) 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	
	2009 RM'000	2008 RM'000
Not later than 1 year	-	120
Later than 1 year and not later than 5 years	-	-
	-	120
Future finance charges	-	(1)
Present value	-	119

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 Nil (2008: 7.67%) per annum.

19 LONG TERM BORROWINGS

	Group and Bank	
	2009 RM'000	2008 RM'000
Unsecured:		
Term loans	958,720	655,975
Scheduled repayment of long term borrowings are as follows:		
Repayable within one year	51,360	34,525
One year to three years	201,160	120,838
Three years to five years	333,840	138,100
Over five years	372,360	362,512
	958,720	655,975

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. Disbursement of USD50 million and USD30 million were done on 29 June 2006 and 20 October 2006 respectively. Final disbursement of USD20 million was done on 31 January 2007. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing on 8 March 2008 until 8 September 2017 and bears a floating interest rate of British Bankers Association Interest Settlement Rate in USD (BBA LIBOR) plus 0.395% per annum. The average interest rates range from 1.11% to 3.51% (2008: 3.29% to 5.96%) per annum.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

19 LONG TERM BORROWINGS (CONTINUED)

On 24 March 2008, the Bank entered into another agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 10 years. Disbursement of USD100 million was done on 30 May 2008. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing 8 September 2010 to 8 March 2020 and bears a floating interest rate of BBA LIBOR plus 0.315% per annum. The average interest rate range from 1.03% to 3.43% (2008: 3.17% to 3.43%) per annum.

On 28 May 2009, the Bank entered into the third agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 8 years. Disbursement of USD100 million was done on 28 July 2009. The said loan is repayable on 10 April and 10 October each year for 16 equal instalments commencing 10 October 2011 to 10 April 2019 and bears a floating interest rate of BBA LIBOR plus 0.80% per annum. The average interest rate range from 1.40% to 1.75% per annum.

20 SUBORDINATED OBLIGATIONS

	Group and Bank	
	2009 RM'000	2008 RM'000
5.0% RM1,300 million Subordinated Notes 2007/2017	1,300,000	1,300,000
5.5% RM700 million Subordinated Notes 2007/2022	700,000	700,000
	2,000,000	2,000,000

On 30 November 2007, the Bank issued redeemable unsecured subordinated notes amounting to RM2,000 million in nominal value as follows:

Tranche	Principal (RM'million)	Maturity Date	Interest Rate	Interest Payment
2007/2017	1,300	30 November 2017 (Callable with step-up on 2012)	5.0 % per annum chargeable to 30 November 2012 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears
2007/2022	700	30 November 2022 (Callable with step-up on 2017)	5.5% per annum chargeable to 30 November 2017 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears

The RM Subordinated Notes constitute direct unsecured obligations of the Bank, subordinated in right and priority of payment, to the extent and in the manner provided for in the RM Subordinated Notes, to all deposit liabilities and other liabilities of the Bank except all other present and future unsecured and subordinated obligations of the Bank which by their terms rank *pari passu* in right of and priority of payment with or subordinated to the RM Subordinated Notes.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

21 HYBRID CAPITAL SECURITIES

		Group and Bank	
		2009 RM'000	2008 RM'000
RM370 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(i)	366,996	-
RM230 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(ii)	230,000	-
		596,996	-

- (i) On 31 March 2009, the Bank had completed the first issuance of RM370 million nominal value of Hybrid Tier-1 Capital Securities ('HT1 Capital Securities') out of its RM600 million Hybrid Tier-1 Capital Securities Programme. The RM370 million HT1 Capital Securities will mature in 2039 and is callable in 2019. The HT1 Capital Securities bears interest at the rate of 8.0% per annum commencing from the first issue date and thereafter at a stepped up rate of 9.0% per annum from 2019 if not called. The interest is payable semi-annually in arrears.
- (ii) On 17 December 2009, the Bank issued the remaining RM230 million nominal value of HTI Capital Securities which will mature in 2039 and is callable in 2019. The second issuance of HTI Capital Securities bears interest at the rate of 6.75% per annum commencing from the first issue date and thereafter at a stepped up rate of 7.75% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

22 ORDINARY SHARE CAPITAL

Bank	Note	Number of shares		2009 RM'000	2008 RM'000
		2009 '000	2008 '000		
Ordinary shares of 50 sen each					
Authorised:					
Balance as at the beginning/end of financial year		8,000,000	8,000,000	4,000,000	4,000,000
Issued and fully paid:					
Balance as at the beginning of financial year		6,636,170	3,899,972	3,318,085	1,949,986
Issued during the financial year	(i)	-	2,736,198	-	1,368,099
Balance as at the end of financial year		6,636,170	6,636,170	3,318,085	3,318,085

- (i) These ordinary shares were issued upon conversion of 1,368,099,145 INCPS of RM1.00 each to new ordinary shares of RM0.50 each. The newly issued shares rank *pari passu* in all respects with the existing ordinary shares of the Bank.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

23 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.

The translation reserves comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and subsidiaries.

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

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

The Bank has elected to use its Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013. The Section 108 balance of the Bank as at 31 December 2007 will be frozen and can only be adjusted downwards for any tax discharged, remitted or refunded during the 6 years period.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act 1999 to pay dividends out of its entire retained profits as at 31 December 2009.

24 INTEREST INCOME

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Loans, advances and financing				
- Interest income other than recoveries from NPLs	3,064,496	3,140,779	2,984,168	3,031,066
- Recoveries from NPLs	146,517	182,982	144,895	181,095
Money at call and deposit placements				
with banks and other financial institutions	263,053	687,712	275,623	693,926
Securities purchased under resale agreement	6,040	37,932	6,040	37,932
Securities held-for-trading	16,917	52,057	16,917	48,847
Securities available-for-sale	219,838	169,709	219,670	169,293
Securities held-to-maturity	344,022	271,847	336,533	267,140
Others	7,383	10,095	7,383	10,095
	4,068,266	4,553,113	3,991,229	4,439,394
Accretion of discount less amortisation of premium	(32,119)	6,135	(29,956)	8,747
Interest suspended	(104,731)	(84,879)	(103,116)	(83,459)
	3,931,416	4,474,369	3,858,157	4,364,682

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

25 INTEREST EXPENSE

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits and placements of banks and other financial institutions	61,114	169,554	62,526	161,157
Deposits from customers	1,206,451	1,798,586	1,180,219	1,748,291
Subordinated obligations	103,500	106,989	103,500	106,989
Recourse obligation on loans sold to Cagamas	43,572	72,982	43,572	72,982
Hybrid capital securities	23,182	-	23,182	-
Borrowings	16,624	19,500	16,624	19,500
Others	38,042	25,248	38,044	25,280
	1,492,485	2,192,859	1,467,667	2,134,199

26 OTHER OPERATING INCOME

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fee income:				
Commission	120,533	120,929	116,175	118,290
Service charges and fees	147,847	162,382	142,626	152,285
Guarantee fees	36,709	48,867	36,709	48,867
Commitment fees	48,702	46,383	48,702	46,383
Underwriting fees	286	784	286	784
Other fees	11,443	10,291	11,927	10,771
	365,520	389,636	356,425	377,380
Gain arising from sale/redemption of securities and derivatives:				
Net gain/(loss) from sale of:				
- Securities held-for-trading	36,339	43,319	36,339	43,319
- Securities available-for-sale	(845)	(12,386)	(845)	(12,386)
Derivatives	-	2,431	-	-
	35,494	33,364	35,494	30,933

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

26 OTHER OPERATING INCOME (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unrealised gain/(loss) on revaluation of securities and derivatives:				
Securities held-for-trading	17,354	(15,605)	17,354	(13,753)
Derivatives	2,529	2,133	1,857	5,425
	19,883	(13,472)	19,211	(8,328)
Gross dividend income from:				
Securities available-for-sale	7,285	9,277	7,285	9,277
Subsidiaries	-	-	10,516	39,725
	7,285	9,277	17,801	49,002
Other income:				
Foreign exchange gain/(loss)				
- realised	202,154	260,979	201,136	262,334
- unrealised	(15,208)	14,686	(15,208)	14,686
Gain from disposal of an associate	-	2,068	-	-
Gain on liquidation of subsidiaries	-	-	1,625	-
Gain on disposal of property, plant and equipment	2,858	36	2,597	36
Other operating income	48,890	44,077	43,801	43,315
Other non-operating income	14,625	14,509	11,526	11,906
	253,319	336,355	245,477	332,277
	681,501	755,160	674,408	781,264

27 INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2009 RM'000	2008 RM'000
Income derived from investment of depositors' funds	434,256	399,972
Income derived from investment of shareholder's funds	48,449	55,266
Transfer from profit equalisation reserve	1,409	2,163
Total distributable income	484,114	457,401
Income attributable to depositors	(157,671)	(176,092)
	326,443	281,309

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

28 OTHER OPERATING EXPENSES

Note	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Personnel cost				
- Salaries, allowances and bonuses	598,806	619,472	545,806	572,886
- Contributions to EPF	90,944	91,125	82,523	84,053
- Other staff related cost	60,868	61,106	53,974	56,619
	750,618	771,703	682,303	713,558
Establishment cost				
- Property, plant and equipment				
- Depreciation	72,206	66,424	65,413	63,895
- Written off	-	77	-	6
- Amortisation of prepaid land lease	505	502	323	323
- Rental of premises	50,613	45,147	48,236	43,818
- Rental equipment	11,853	12,627	11,446	12,290
- Insurance	34,261	18,113	28,675	17,637
- Water and electricity	18,608	17,334	17,066	16,044
- Repair and maintenance	41,242	43,677	39,562	40,402
- Information technology expenses	80,497	82,903	70,735	77,043
- Others	808	1,841	-	-
	310,593	288,645	281,456	271,458
Marketing expenses				
- Sales commission	31,130	39,070	30,267	38,964
- Advertisement and publicity	36,707	34,293	30,406	30,963
- Dealers' handling and warranty fees	14,486	6,244	12,506	5,176
- Others	60,533	42,324	54,943	43,232
	142,856	121,931	128,122	118,335
Administration and general expenses				
- Communication expenses	77,490	68,148	71,946	63,559
- Auditors' remuneration (i)	2,318	2,330	1,975	1,903
- Legal and professional fee	18,466	7,734	16,448	6,324
- Others	95,284	64,876	60,304	24,315
	193,558	143,088	150,673	96,101
	1,397,625	1,325,367	1,242,554	1,199,452

Included in the personnel cost of the Group and the Bank are Managing Director's remuneration (exclude benefits-in-kind) totalling RM3,803,000 (2008: RM3,944,000), as disclosed in Note 29.

Included in administration and general expenses of the Group and the Bank are other directors' remuneration (exclude benefits-in-kind) totalling RM1,124,000 (2008: RM1,608,000) and RM1,030,000 (2008: RM936,000) respectively, as disclosed in Note 29.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

28 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(i) Auditors' remuneration				
- Statutory audit				
- Malaysia	927	932	730	730
- Overseas	591	517	510	462
- Limited reviews	250	285	250	250
- Non-audit				
- Malaysia	550	450	485	357
- Overseas	-	146	-	104
	2,318	2,330	1,975	1,903

29 DIRECTORS REMUNERATION

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Managing Director				
- Salary and other remuneration, including meeting allowance	1,868	2,009	1,868	2,009
- Benefits-in-kind (based on an estimated money value)	132	222	132	222
- Bonus	1,935	1,935	1,935	1,935
	3,935	4,166	3,935	4,166
Non-Executive Directors				
- Fees	683	1,023	650	643
- Benefits-in-kind (based on an estimated money value)	25	17	25	17
- Others	441	585	380	293
	1,149	1,625	1,055	953
	5,084	5,791	4,990	5,119

The Managing Director's remuneration, including benefits-in-kind, attributable to the former Managing Director was at RM3,123,000 (2008: RM4,166,000).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

29 DIRECTORS REMUNERATION (CONTINUED)

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

Managing Director

Dato' Tajuddin Atan	(Appointed on 1 May 2009)
Michael Joseph Barrett	(Resigned on 1 May 2009)

Non-Executive Directors

Tan Sri Azlan Zainol	(Chairman)
Mohamed Ali Ahmed Hamad Al Dhaheri	(Appointed on 2 June 2009)
Johari Abdul Muid	
Dato Abdullah Mat Noh	
Haji Khairuddin Ahmad	
Dato' Othman Jusoh	
Ong Seng Pheow	
Dato' Mohd Salleh Haji Harun	(Resigned on 18 November 2009)
Eirvin Bee Knox	(Resigned on 2 March 2009)

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

RM	Group		Bank	
	2009 Number of Directors	2008 Number of Directors	2009 Number of Directors	2008 Number of Directors
Managing Director and CEO				
3,100,001 – 3,150,000	1	1	1	1
800,001 – 850,000	1	-	1	-
Non-Executive				
0 – 50,000	1	2	1	3
50,001 – 100,000	1	-	1	-
100,001 – 150,000	4	2	5	6
150,001 – 200,000	3	1	2	1
200,001 – 250,000	-	4	-	-
250,001 – 300,000	-	1	-	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

30 ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Allowance for losses on loans and financing				
Specific allowance				
- Made during the financial year	1,161,868	933,490	1,013,223	872,515
- Written back	(268,832)	(212,836)	(237,633)	(200,017)
General allowance	893,036	720,654	775,590	672,498
- (Reversal)/Made during the financial year	(144,722)	111,705	(127,095)	93,173
Bad debts on loans and financing				
- Recovered	(161,728)	(295,896)	(157,005)	(280,809)
	586,586	536,463	491,490	484,862

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 RM50,372,000 (2008: RM130,064,000) and RM42,596,000 (2008: RM127,974,000) for the Group and the Bank respectively.

31 IMPAIRMENT LOSSES

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Charged for the financial year				
- Securities available-for-sale	-	27,313	-	27,313
- Foreclosed property	571	93	571	93
- Property, plant and equipment	-	188	-	-
Reversal for the financial year				
- Securities available-for-sale	(9,767)	(4,201)	(7,153)	(4,094)
- Securities held-to-maturity	(19,595)	(13,029)	(19,595)	(13,029)
- Foreclosed property	(313)	-	(313)	-
	(29,104)	10,364	(26,490)	10,283

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

32 INCPS DIVIDENDS

	Group and Bank	
	2009 RM'000	2008 RM'000
INCPS dividends paid 10% per annum (gross)	-	32,146

The INCPS dividends are paid in accordance with the terms of the INCPS.

The Bank has converted 1,368,099 INCPS of RM1.00 each to new ordinary shares of RM0.50 each in 2008.

33 TAXATION

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Malaysian income tax:				
- Current year	351,319	388,354	334,261	359,049
- (Over)/Under provision in prior years	(67,275)	3,656	(66,284)	3,253
Overseas taxation:				
- Current year	4,363	4,116	3,950	3,756
- Over provision in prior years	(365)	(2,594)	(65)	(251)
Deferred taxation (Note 10)	15,890	(18,008)	5,766	(17,259)
	303,932	375,524	277,628	348,548

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current tax				
Current year	355,682	392,470	338,211	362,805
(Over)/Under provision in prior years	(67,640)	1,062	(66,349)	3,002
	288,042	393,532	271,862	365,807
Deferred tax				
Origination and reversal of temporary differences	15,890	(18,008)	5,766	(17,259)
	15,890	(18,008)	5,766	(17,259)
	303,932	375,524	277,628	348,548

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

33 TAXATION (CONTINUED)

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

	Group		Bank	
	2009 %	2008 %	2009 %	2008 %
Tax at Malaysia statutory tax rate	25.0	26.0	25.0	26.0
Tax effects in respect of:-				
Non allowable expenses	1.1	1.1	1.1	1.4
Non-taxable income	(0.1)	(0.1)	(0.3)	(0.4)
Effect of different tax rates in Labuan/other countries	(1.0)	(0.7)	(0.2)	(0.1)
Utilisation of unabsorbed business losses				
brought forward previously not recognised	(0.6)	(0.2)	(0.7)	(0.2)
Other temporary differences not recognised	0.5	0.3	0.4	0.2
(Over)/under provision in prior years	(4.5)	0.1	(4.9)	0.2
Effective tax rate	20.4	26.5	20.4	27.1

	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	9,620	2,701	9,620	2,701

34 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group		Bank	
	2009	2008	2009	2008
Net profit for the financial year (RM'000)	1,187,836	1,038,153	1,079,716	936,456
Weighted average number of ordinary shares in issue ('000)	6,636,170	5,998,973	6,636,170	5,998,973
Basic earnings per share (sen)	17.9	17.3	16.3	15.6

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2009 and 31 December 2008.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

35 ORDINARY DIVIDENDS

Dividend declared and proposed are as follows:

	2009		2008	
	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	-	-	3.79	185,872
Final dividend - proposed	1.89	94,068	3.12	155,286
	1.89	94,068	6.91	341,158

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 1.89 sen less 25% tax amounting to RM94,068,000 will be proposed for shareholder's approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2010 when approved by the shareholder.

Dividend recognised as distribution to ordinary equity holders of the Bank:

	2009		2008	
	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	-	-	3.79	185,872
Final dividend for 2008	3.12	155,286	-	-
	3.12	155,286	3.79	185,872

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

36 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
EPF	Ultimate holding body
RHB Capital Berhad	Immediate holding company
Subsidiaries and associates of EPF as disclosed in its financial statements	Subsidiaries and associates of the ultimate holding body
Subsidiaries and an associate of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries and an associate of the holding company
Subsidiaries of the Bank as disclosed in Note 12	Subsidiaries
Key management personnel	<p>The key management personnel of the Group and the Bank consists of:</p> <ul style="list-style-type: none"> - All Directors of the Bank, its key subsidiaries and RHB Capital Berhad - RHB Capital Berhad Central Management Committee members - Key management personnel of EPF who are in charge of the RHB Capital Group
Related parties of key management personnel (deemed as related to the Bank)	<p>(i) Close family members and dependents of key management personnel</p> <p>(ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members</p>

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Notes 8 and 18, set out below are other significant related party transactions and balances.

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group	Ultimate holding body RM'000	Immediate holding company RM'000	Key management personnel RM'000	Other related companies RM'000
2009				
Income				
Interest on deposits and placements with other financial institutions	-	-	-	348
Interest on loans, advances and financing	-	9,724	219	-
Other income	-	-	-	10,089
	-	9,724	219	10,437
Expenditure				
Interest on deposits and placements of banks and other financial institutions	-	-	-	2,584
Interest on deposits from customers	57,252	452	956	3,265
Rental of premises	-	-	-	11,064
Management fee	-	-	-	1,123
Other expenses	-	-	-	19,183
	57,252	452	956	37,219
Amount due from				
Deposits and placements of banks and other financial institutions	-	-	-	22,770
Derivative assets	-	-	-	3,377
Loans, advances and financing	-	264,184	5,713	54
Other assets	-	-	-	5,785
	-	264,184	5,713	31,986
Amount due to				
Deposits from customers	3,003,687	102,606	12,574	172,450
Derivative liabilities	-	-	-	5,048
Other liabilities	-	1,882	-	4,658
Hybrid capital securities	-	-	-	5,000
	3,003,687	104,488	12,574	187,156

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group	Ultimate holding body RM'000	Immediate holding company RM'000	Key management personnel RM'000	Other related companies RM'000
2008				
Income				
Interest on deposits and placements with other financial institutions	-	-	-	5,143
Interest on loans, advances and financing	-	-	124	1
Other income	-	-	-	(5,643)
	-	-	124	(499)
Expenditure				
Interest on deposits and placements of banks and other financial institutions	-	-	-	3,125
Interest on deposits from customers	110,976	1,423	113	3,253
Rental of premises	-	-	-	10,492
Management fee	-	-	-	3,192
Other expenses	-	-	-	17,730
	110,976	1,423	113	37,792
Amount due from				
Money at call and deposits placements	-	-	-	24,168
Derivative assets	-	-	-	2,839
Loans, advances and financing	-	-	5,593	293
Other assets	-	-	-	3,999
	-	-	5,593	31,299
Amount due to				
Deposits from customers	2,563,698	20,802	9,809	151,486
Deposits and placements of banks and other financial institutions	-	-	-	366,200
Derivative liabilities	-	-	-	12,645
Other liabilities	-	786	-	5,701
	2,563,698	21,588	9,809	536,032

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank	Ultimate holding body RM'000	Immediate holding company RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
2009					
Income					
Interest on deposits and placements with other financial institutions	-	-	16,630	-	348
Interest on loans, advances and financing	-	9,724	4,265	219	-
Other income	-	-	7,920	-	9,661
	-	9,724	28,815	219	10,009
Expenditure					
Interest on deposits and placements of banks and other financial institutions	-	-	4,211	-	2,584
Interest on deposits from customers	57,215	452	177	929	3,265
Interest on finance lease	-	-	1	-	-
Rental of premises	-	-	3,922	-	10,975
Management fee	-	-	-	-	1,123
Reimbursement of operating expenses from a subsidiary	-	-	(50,322)	-	-
Other expenses	-	-	263	-	18,641
	57,215	452	(41,748)	929	36,588
Amount due from					
Deposits and placements with banks and other financial institutions	-	-	1,077,752	-	22,770
Derivative assets	-	-	3,252	-	3,377
Loans, advances and financing	-	264,184	207,631	5,713	54
Other assets	-	-	228,599	-	5,785
	-	264,184	1,517,234	5,713	31,986
Amount due to					
Deposits from customers	2,786,229	102,606	42,711	10,026	170,627
Deposits and placements of banks and other financial institutions	-	-	470,620	-	-
Derivative liabilities	-	-	-	-	5,048
Other liabilities	-	1,716	16,886	-	4,471
Hybrid capital securities	-	-	-	-	5,000
Bank guarantee	-	-	61,345	-	-
	2,786,229	104,322	591,562	10,026	185,146

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank	Ultimate holding body RM'000	Immediate holding company RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
2008					
Income					
Interest on deposits and placements with other financial institutions	-	-	20,509	-	5,143
Interest on loans, advances and financing	-	-	11,139	120	1
Other income	-	-	45,010	-	(6,190)
	-	-	76,658	120	(1,046)
Expenditure					
Interest on deposits and placements of banks and other financial institutions	-	-	3,529	-	3,125
Interest on deposits from customers	110,967	1,423	279	96	3,253
Interest on finance lease	-	-	32	-	-
Rental of premises	-	-	3,687	-	10,362
Management fee	-	-	-	-	3,192
Reimbursement of operating expenses from a subsidiary	-	-	(51,009)	-	-
Other expenses	-	-	433	-	17,693
	110,967	1,423	(43,049)	96	37,625
Amount due from					
Money at call and deposit placements	-	-	103,575	-	24,168
Deposits and placements with banks and other financial institutions	-	-	548,370	-	-
Derivative assets	-	-	5,581	-	2,839
Loans, advances and financing	-	-	322,846	5,469	293
Other assets	-	-	179,917	-	3,999
	-	-	1,160,289	5,469	31,299
Amount due to					
Deposits from customers	2,350,478	20,802	26,169	8,228	149,893
Deposits and placements of banks and other financial institutions	-	-	211,542	-	366,200
Finance lease	-	-	119	-	-
Derivative liabilities	-	-	-	-	12,645
Other liabilities	-	660	29,251	-	5,652
Bank guarantee	-	-	60,000	-	-
	2,350,478	21,462	327,081	8,228	534,390

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group and Bank	
	2009 RM'000	2008 RM'000
The approved limit on loans, advances and financing for key management personnel	8,664	7,979

(c) Key management personnel

The remuneration of key management personnel are as follows:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short-term employee benefits				
- Fees	683	1,023	650	643
- Salary and other remuneration	9,742	8,184	7,972	6,411
- Benefits-in-kind	219	275	187	239
	10,644	9,482	8,809	7,293

(d) Credit exposures arising from transactions with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

	Group		Bank	
	2009	2008	2009	2008
Outstanding credit exposure with connected parties (RM'000)	4,158,898	5,858,767	3,781,226	5,089,711
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	5.22%	8.13%	5.39%	8.10%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.05%	0.04%	0.05%	0.03%

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

37 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:

	Principal Amount RM'000	2009 Credit Equivalent Amount * RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	2008 Credit Equivalent Amount * RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	2,251,758	2,251,758	2,014,053	2,227,027	2,227,027	1,956,620
Transaction-related contingent items	2,197,336	1,098,668	842,297	1,979,017	989,509	758,306
Short-term self-liquidating trade-related contingencies	1,671,689	334,338	222,581	1,694,141	338,828	221,319
Obligations under underwriting agreements	283,240	141,620	141,620	283,240	141,620	141,620
Irrevocable commitments to extend credit:						
- maturity more than one year	5,496,800	2,654,036	2,039,726	4,757,666	2,378,834	2,150,746
- maturity less than one year	29,417,909	310,873	310,873	25,712,205	237,865	237,865
Foreign exchange related contracts:						
- less than one year	10,094,034	143,085	46,885	9,344,283	229,785	82,948
- one year to less than five years	1,419,297	185,127	63,620	9,364	1,063	396
- more than five years	-	-	-	1,381,000	204,225	71,014
Interest rate related contracts:						
- less than one year	1,618,766	8,798	1,759	1,009,714	2,617	669
- one year to less than five years	7,023,858	319,373	74,014	6,715,522	350,977	73,415
- more than five years	750,352	74,978	18,838	229,215	23,487	5,444
Miscellaneous	2,530,883	-	-	1,379,211	3,718	3,718
Total	64,755,922	7,522,654	5,776,266	56,721,605	7,129,555	5,704,080

The credit equivalent amount ('CE') and risk weighted amount ('RWA') of the Group are an aggregate of CE and RWA of the Bank, which is computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market (Basel I), and the CE and RWA of its Islamic bank subsidiary, which is computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIIB): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

37 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk weighted exposures of the Bank are as follows:

	Principal Amount RM'000	2009 Credit Equivalent Amount * RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	2008 Credit Equivalent Amount * RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	2,047,701	2,047,701	1,809,996	1,950,898	1,950,898	1,680,491
Transaction-related contingent items	2,012,509	1,006,255	770,343	1,829,817	914,909	683,706
Short-term self-liquidating trade-related contingencies	1,567,375	313,475	201,718	1,575,968	315,194	197,685
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	4,849,471	2,424,736	1,818,450	4,003,353	2,001,677	1,773,589
- maturity less than one year	27,267,721	-	-	24,353,813	-	-
Foreign exchange related contracts:						
- less than one year	10,092,687	142,875	46,679	9,344,283	229,785	82,948
- one year to less than five years	1,419,297	185,127	63,620	9,364	1,063	396
- more than five years	-	-	-	1,381,000	204,225	71,014
Interest rate related contracts:						
- less than one year	1,618,766	8,798	1,759	905,659	2,357	539
- one year to less than five years	7,023,858	318,280	72,149	6,715,148	350,645	70,849
- more than five years	729,808	70,087	16,392	208,404	22,239	4,820
Miscellaneous	2,487,036	-	-	1,360,623	-	-
Total	61,329,469	6,623,954	4,907,726	53,851,570	6,099,612	4,672,657

* 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.

The CE and RWA of the Bank are computed in accordance with Basel I.

The Bank has 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.

The Bank has also given a guarantee to Ministry of Finance of Negara Brunei Darussalam to undertake any liabilities which may be incurred in respect of its branch in Brunei. In addition, the Bank has issued a guarantee to Bank of Thailand to provide support to meet any legal liabilities which may be incurred in respect of its branch in Bangkok.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

38 OPERATING LEASE COMMITMENTS

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Within one year	38,225	33,653	41,289	36,328
Between one to five years	53,133	25,650	50,219	19,764
More than five years	2,798	3,415	2,798	3,415
	94,156	62,718	94,306	59,507

39 CAPITAL COMMITMENTS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Capital expenditure for property, plant and equipment:				
Authorised and contracted for	58,308	53,282	46,421	49,476
Authorised but not contracted for	102,660	68,660	89,136	47,830
	160,968	121,942	135,557	97,306

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

OVERVIEW AND ORGANISATION

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

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

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

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

Overriding Objectives of the GRMC:

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

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

Major Areas of Risk

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

- (i) *Market risk* - the risk of potential loss resulting from adverse movements in the level of market prices, interest rate and foreign currency exchange.
- (ii) *Liquidity risk* - the risk of the Bank being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.
- (iii) *Credit risk* - the risk of potential loss due to changes in the quality of counter-parties and the market price for credit risk (collateral).
- (iv) *Operational risk* - the risk of loss resulting from inadequate or failed internal processes, people, systems or external events as well as the risk of breaches of applicable laws and regulatory requirements.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

OVERVIEW AND ORGANISATION (CONTINUED)

Major Areas of Risk (Continued)

To counter the following business risks the Bank faces, it has put in place the following:

(a) Market Risk

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (Continued)

Interest/Profit Rate Risk

The table below summarises the Group's 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						Non-interest sensitive	Trading book	Total	Effective interest/profit rate %
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years					
	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	
2009										
Assets										
Cash and short-term funds	14,311,654	-	-	-	-		997,338	-	15,308,992	2.06
Securities purchased under resale agreements	739,922	854,288	-	-	-		-	-	1,594,210	1.97
Deposits and placements with banks and other financial institutions	-	1,712,850	251	-	-		-	-	1,713,101	2.11
Securities held-for-trading	-	-	-	-	-		-	123,681	123,681	2.39
Securities available-for-sale	156,167	134,835	403,775	3,981,684	1,716,949		171,942	-	6,565,352	4.33
Securities held-to-maturity	764,362	1,316,542	284,254	6,547,139	1,985,051		(130,425)#	-	10,766,923	3.57
Loans, advances and financing										
- performing	39,304,613	7,552,005	5,279,954	7,719,228	6,728,906		-	-	66,584,706	5.80
- non-performing	-	-	-	-	-		542,411*	-	542,411	-
Other assets	-	-	-	-	-		454,096	-	454,096	-
Derivative assets	-	-	-	-	-		-	203,868	203,868	-
Tax recoverable	-	-	-	-	-		17,591	-	17,591	-
Deferred tax assets	-	-	-	-	-		263,182	-	263,182	-
Statutory deposits	-	-	-	-	-		282,865	-	282,865	-
Property, plant and equipment	-	-	-	-	-		566,518	-	566,518	-
Prepaid land lease	-	-	-	-	-		102,937	-	102,937	-
Goodwill	-	-	-	-	-		1,004,017	-	1,004,017	-
Total assets	55,276,718	11,570,520	5,968,234	18,248,051	10,430,906		4,272,472	327,549	106,094,450	

Consist of equity instruments less impairment loss.

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (Continued)

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			
2009									
Liabilities									
Deposits from customers	41,784,222	8,254,429	13,658,559	639,356	-	17,531,288	-	81,867,854	1.91
Deposits and placements of banks and other financial institutions	2,740,129	2,918,395	32,482	658,101	3,450	667	-	6,353,224	2.25
Bills and acceptances payable	1,245,497	1,620,189	742,833	-	-	194,003	-	3,802,522	2.38
Recourse obligation on loans sold to Cagamas Berhad	-	-	333,544	835,282	-	-	-	1,168,826	4.88
Other liabilities	-	-	-	-	-	1,270,753	-	1,270,753	-
Derivative liabilities	-	-	-	-	-	-	206,137	206,137	-
Provision for taxation	-	-	-	-	-	37,419	-	37,419	-
Deferred tax liabilities	-	-	-	-	-	6	-	6	-
Long term borrowings	-	616,320	342,400	-	-	-	-	958,720	1.18
Subordinated obligations	-	-	-	1,300,000	700,000	-	-	2,000,000	5.18
Hybrid capital securities	-	-	-	-	596,996	-	-	596,996	7.52
Total equity	45,769,848	13,409,333	15,109,818	3,432,739	1,300,446	19,034,136	206,137	98,262,457	
	-	-	-	-	-	7,831,993	-	7,831,993	
Total liabilities and equity	45,769,848	13,409,333	15,109,818	3,432,739	1,300,446	26,866,129	206,137	106,094,450	
On-balance sheet interest sensitivity gap	9,506,870	(1,838,813)	(9,141,584)	14,815,312	9,130,460				
Off-balance sheet interest sensitivity gap	(200,030)	407,717	433,308	993,134	249,264				
Total interest-sensitivity gap	9,306,840	(1,431,096)	(8,708,276)	15,808,446	9,379,724				

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (Continued)

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			
2008								
Assets								
Cash and short-term funds	12,505,499	-	-	-	-	-	13,451,945	3.30
Securities purchased under resale agreements	106,565	-	-	-	-	-	106,565	0.81
Deposits and placements with banks and other financial institutions	-	439,237	-	-	-	-	439,237	3.32
Securities held-for-trading	-	-	-	-	-	2,634,600	2,634,600	3.68
Securities available-for-sale	542,617	120,167	260,947	2,486,988	1,002,124	-	4,584,413	4.92
Securities held-to-maturity	1,313,696	726,877	1,971,412	3,466,595	2,067,390	-	9,394,159	4.03
Loans, advances and financing								
- performing	36,074,137	7,709,285	5,107,229	6,158,062	4,816,917	-	59,865,630	6.64
- non-performing	-	-	-	-	-	262,245*	262,245	-
Other assets	-	-	-	-	-	-	421,244	-
Derivative assets	-	-	-	-	-	344,916	344,916	-
Tax recoverable	-	-	-	-	-	-	9,215	-
Deferred tax assets	-	-	-	-	-	-	268,159	-
Statutory deposits	-	-	-	-	-	-	1,521,442	-
Property, plant and equipment	-	-	-	-	-	-	527,711	-
Prepaid land lease	-	-	-	-	-	-	102,139	-
Goodwill	-	-	-	-	-	-	1,004,017	-
Total assets	50,542,514	8,995,566	7,339,588	12,111,645	7,886,431	2,979,516	94,937,637	

Consist of equity instruments less impairment loss.

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (Continued)

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			
2008									
Liabilities									
Deposits from customers	32,916,641	7,108,661	14,098,778	701,175	-	16,186,008	-	71,011,263	2.99
Deposits and placements of banks and other financial institutions	4,279,585	1,305,302	577,394	568,137	22,037	1,121	-	6,753,576	3.26
Bills and acceptances payable	1,724,912	2,165,463	825,119	-	-	220,018	-	4,935,512	3.70
Recourse obligation on loans sold to Cagamas Berhad	87,146	-	372,367	714,241	-	-	-	1,173,754	4.87
Other liabilities	-	-	-	-	-	1,150,268	-	1,150,268	-
Derivative liabilities	-	-	-	-	-	-	338,011	338,011	-
Provision for taxation	-	-	-	-	-	91,149	-	91,149	-
Deferred tax liabilities	-	-	-	-	-	15	-	15	-
Long term borrowings	-	655,975	-	-	-	-	-	655,975	3.47
Subordinated obligations	-	-	-	1,300,000	700,000	-	-	2,000,000	5.18
Total equity	39,008,284	11,235,401	15,873,658	3,283,553	722,037	17,648,579	338,011	88,109,523	
	-	-	-	-	-	6,828,114	-	6,828,114	
Total liabilities and equity	39,008,284	11,235,401	15,873,658	3,283,553	722,037	24,476,693	338,011	94,937,637	
On-balance sheet interest sensitivity gap	11,534,230	(2,239,835)	(8,534,070)	8,828,092	7,164,394				
Off-balance sheet interest sensitivity gap	74,741	392,237	262,502	252,554	127,592				
Total interest-sensitivity gap	11,608,971	(1,847,598)	(8,271,568)	9,080,646	7,291,986				

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (Continued)

Interest Rate Risk (Continued)

Bank	Non-trading book						Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
2009							
Assets							
Cash and short-term funds	11,970,756	-	-	-	-	819,812	2.04
Securities purchased under resale agreements	739,922	854,288	-	-	-	-	1.97
Deposits and placements with banks and other financial institutions	-	1,081,762	-	342,400	513,600	-	2.11
Securities held-for-trading	-	-	-	-	-	-	1.98
Securities available-for-sale	156,167	134,835	403,775	3,011,107	1,492,897	169,023	4.44
Securities held-to-maturity	729,386	1,238,172	204,262	5,944,105	1,666,135	(130,425)#	3.47
Loans, advances and financing							
- performing	37,567,924	5,930,204	4,763,966	6,449,358	3,999,982	-	5.80
- non-performing	-	-	-	-	-	405,262*	-
Other assets	-	-	-	-	-	621,862	-
Derivative assets	-	-	-	-	-	198,913	-
Deferred tax assets	-	-	-	-	-	234,070	-
Statutory deposits	-	-	-	-	-	213,525	-
Investment in subsidiaries	-	-	-	-	-	822,982	-
Property, plant and equipment	-	-	-	-	-	476,561	-
Prepaid land lease	-	-	-	-	-	20,617	-
Goodwill	-	-	-	-	-	905,519	-
Total assets	51,164,155	9,239,261	5,372,003	15,746,970	7,672,614	4,558,808	94,045,473

Consist of equity instruments less impairment loss.

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (Continued)

Interest Rate Risk (Continued)

Bank	Non-trading book						Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
2009							
Liabilities							
Deposits from customers	33,047,334	7,994,082	13,381,047	634,602	-	16,532,839	2.02
Deposits and placements of banks and other financial institutions	1,854,126	2,917,918	32,482	658,101	3,450	667	2.39
Bills and acceptances payable	1,245,497	1,620,189	737,610	-	-	173,998	2.38
Recourse obligation on loans sold to Cagamas Berhad	-	-	333,544	835,282	-	-	4.88
Other liabilities	-	-	-	-	-	1,073,407	-
Derivative liabilities	-	-	-	-	-	199,477	-
Provision for taxation	-	-	-	-	-	-	-
Long term borrowings	-	616,320	342,400	-	-	-	1.18
Subordinated obligations	-	-	-	1,300,000	700,000	-	5.18
Hybrid capital securities	-	-	-	-	596,996	-	7.52
Total equity	36,146,957	13,148,509	14,827,083	3,427,985	1,300,446	17,814,972	
	-	-	-	-	-	7,180,044	
Total liabilities and equity	36,146,957	13,148,509	14,827,083	3,427,985	1,300,446	24,995,016	
						199,477	94,045,473
On-balance sheet interest sensitivity gap	15,017,198	(3,909,248)	(9,455,080)	12,318,985	6,372,168		
Off-balance sheet interest sensitivity gap	(314,560)	323,877	105,753	1,107,519	269,808		
Total interest-sensitivity gap	14,702,638	(3,585,371)	(9,349,327)	13,426,504	6,641,976		

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (Continued)

Interest Rate Risk (Continued)

Bank	Non-trading book						Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
2008							
Assets							
Cash and short-term funds	11,009,719	-	-	-	-	953,841	3.30
Securities purchased under resale agreements	106,565	-	-	-	-	-	0.81
Deposits and placements with banks and other financial institutions	-	330,496	-	-	517,875	-	3.32
Securities held-for-trading	-	-	-	-	-	-	3.58
Securities available-for-sale	542,617	120,167	260,947	2,081,692	671,307	169,873	4.77
Securities held-to-maturity	1,313,696	693,070	1,484,189	3,023,301	1,692,078	(151,811) [#]	4.00
Loans, advances and financing							
- performing	34,794,172	6,164,960	4,230,145	5,462,603	1,744,253	-	6.72
- non-performing	-	-	-	-	-	203,914 [*]	-
Other assets	-	-	-	-	-	-	-
Derivative assets	-	-	-	-	-	494,535	-
Deferred tax assets	-	-	-	-	-	344,595	-
Statutory deposits	-	-	-	-	-	233,116	-
Investment in subsidiaries	-	-	-	-	-	1,321,902	-
Property, plant and equipment	-	-	-	-	-	828,956	-
Prepaid land lease	-	-	-	-	-	439,165	-
Goodwill	-	-	-	-	-	20,940	-
	-	-	-	-	-	905,519	-
Total assets	47,766,769	7,308,693	5,975,281	10,567,596	4,625,513	5,419,950	84,238,533

[#] Consist of equity instruments less impairment loss.

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market Risk (Continued)

Interest Rate Risk (Continued)

Bank	Non-trading book						Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
2008							
Liabilities							
Deposits from customers	28,085,483	5,929,545	11,605,331	688,485	-	15,284,104	3.05
Deposits and placements of banks and other financial institutions	4,196,047	1,205,040	262,825	568,137	22,037	1,121	3.25
Bills and acceptances payable	1,724,912	2,165,463	821,303	-	-	189,048	3.70
Recourse obligation on loans sold to Cagamas Berhad	87,146	-	372,367	714,241	-	-	4.87
Other liabilities	-	-	-	-	-	974,138	-
Derivative liabilities	-	-	-	-	-	-	-
Provision for taxation	-	-	-	-	-	331,809	-
Long term borrowings	-	655,975	-	-	-	87,877	-
Subordinated obligations	-	-	-	1,300,000	700,000	-	3.47
							5.18
Total equity	34,093,588	9,956,023	13,061,826	3,270,863	722,037	16,536,288	
	-	-	-	-	-	6,266,099	
Total liabilities and equity	34,093,588	9,956,023	13,061,826	3,270,863	722,037	22,802,387	
On-balance sheet interest sensitivity gap	13,673,181	(2,647,330)	(7,086,545)	7,296,733	3,903,476		
Off-balance sheet interest sensitivity gap	(87,623)	308,066	(21,911)	414,772	148,403		
Total interest-sensitivity gap	13,585,558	(2,339,264)	(7,108,456)	7,711,505	4,051,879		

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity Risk

- ALCO plays a fundamental role in the asset/liability management of the Bank, and establishes strategies that assist in controlling and reducing any potential exposures to liquidity risk.
- Limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities are set to ensure adequate cover for withdrawals at unexpected levels of demand.
- Defined liquidity management ratios are maintained and monitored on an active basis.
- The Bank's liquidity framework is subject to periodic stress tests and the results are constantly reviewed to ensure constant compliance with BNM's Liquidity Framework.
- The Bank has established a comprehensive Group Liquidity Policy Statement. In addition, detailed plans to manage any potential adverse liquidity incidences have also been put in place; and can be implemented on a timely basis so that appropriate actions can be taken to remedy any unexpected market developments.

(c) Credit Risk

- The Bank abides strictly by the Board's approved credit policy which supports the development of a strong credit culture with the objectives of maintaining a well diversified, evaluated and current portfolio, that is fully satisfied for credit risk, and which gives no concern for unexpected losses, and which ensures a reliable and satisfactory risk weighted return. Market best practices are incorporated into this policy.
- The Bank ensures that stringent measures and processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being independently evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Group Credit Committee sanction credits beyond well established prudential threshold. The strict adherence to the discretionary powers sanctioned by the Board is monitored by the Central Compliance function.
- A risk rating system is used to categorize the risk of individual credits and determine whether the Bank is adequately compensated. Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.
- Counter-party, industry and product exposure limits/directions are set and risk reward relationships are mapped with the aim of maintaining a diverse credit profile and track changing risk concentrations in response to market changes and external events.
- The Bank is moving towards the advanced Basel II approaches by implementing key 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 models for business loans, and (iii) designing and implementing modelling of expected and unexpected losses. In addition, an economic capital management framework incorporating advanced risk based pricing and funds transfer pricing has been developed, which also facilitates the Bank in meeting the Pillar II requirements of the Basel II Accord Internal Ratings Based Approach.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit Risk (Continued)

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

Group	Cash and 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
2009									
Agriculture	-	-	-	29,252	-	2,651,272	-	2,680,524	1,035,900
Mining and quarrying	-	-	-	-	-	128,428	-	128,428	120,072
Manufacturing	-	-	-	157,727	60,749	9,452,140	-	9,670,616	11,714,804
Electricity, gas and water	-	-	-	231,892	135,681	526,979	171	894,723	377,801
Construction	-	-	-	94,759	-	3,166,875	-	3,261,634	5,651,080
Real estate	-	-	-	66,926	15,986	956,834	-	1,039,746	1,346,676
Purchase of landed property	-	-	-	-	-	19,895,427	-	19,895,427	3,213,299
General commerce	-	-	30,931	30,058	48,880	5,983,808	-	6,093,677	5,870,481
Transport, storage and communication	-	-	-	520,011	492,473	3,972,601	7	4,985,092	3,450,993
Finance, insurance and business services	4,872,983	381	-	1,898,960	5,735,658	4,145,328	466	16,653,776	18,579,673
Government and government agencies	11,542,980	1,593,829	92,750	3,363,825	4,277,496	21,187	101	20,892,168	-
Purchase of securities	-	-	-	-	-	1,987,887	-	1,987,887	593,036
Purchase of transport vehicles	-	-	-	-	-	5,905,977	-	5,905,977	660,281
Consumption credit	-	-	-	-	-	4,490,545	-	4,490,545	6,756,475
Others	-	-	-	-	-	4,795,684	596,943	5,392,627	5,385,351
	16,415,963	1,594,210	123,681	6,393,410	10,766,923	68,080,972	597,688	103,972,847	64,755,922

[#] Excludes general allowance amounting to RM953,855,000.

[®] Excludes equity instrument amounting to RM171,942,000.

* Other financial assets comprise other receivables.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit Risk (Continued)

Group	Cash and 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
2008									
Agriculture	-	-	-	27,231	7,878	2,727,046	-	2,762,155	1,048,814
Mining and quarrying	-	-	-	-	-	136,007	-	136,007	114,282
Manufacturing	-	-	-	133,752	106,724	10,799,293	219	11,039,988	12,030,483
Electricity, gas and water	-	-	83,225	182,298	70,572	501,995	123	838,213	262,272
Construction	-	-	-	121,342	45,961	3,389,635	-	3,556,938	5,215,233
Real estate	-	-	-	40,731	-	1,225,051	147	1,265,929	987,559
Purchase of landed property	-	-	-	52,685	16,236	16,803,821	-	16,872,742	1,364,527
General commerce	-	-	-	46,504	70,962	6,600,217	-	6,717,683	5,656,701
Transport, storage and communication	-	-	342,039	331,623	2,048,795	3,205,060	-	5,927,517	2,449,565
Finance, insurance and business services	1,718,352	-	223,146	2,014,630	3,726,358	3,223,142	2,306	10,907,934	15,502,174
Government and government agencies	11,563,982	106,565	1,986,190	1,462,047	3,300,673	26,037	445	18,445,939	445
Purchase of securities	-	-	-	-	-	1,659,713	-	1,659,713	568,950
Purchase of transport vehicles	-	-	-	-	-	5,407,065	-	5,407,065	386,579
Consumption credit	-	-	-	-	-	4,248,178	-	4,248,178	6,400,696
Others	-	-	-	-	-	1,274,015	698,112	1,972,127	4,733,325
	13,282,334	106,565	2,634,600	4,412,843	9,394,159	61,226,275	701,352	91,758,128	56,721,605

Excludes general allowance amounting to RM1,098,400,000.

@ Excludes equity instrument amounting to RM171,570,000.

* Other financial assets comprise other receivables.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit Risk (Continued)

Bank	Cash and 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
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009									
Agriculture	-	-	-	29,252	-	2,151,805	-	2,181,057	913,159
Mining and quarrying	-	-	-	-	-	102,761	-	102,761	119,839
Manufacturing	-	-	-	157,727	60,749	8,307,036	-	8,525,512	11,049,020
Electricity, gas and water	-	-	-	143,489	66,027	145,593	-	355,109	337,996
Construction	-	-	-	94,759	-	2,693,558	-	2,788,317	5,078,883
Real estate	-	-	-	35,613	-	876,617	-	912,230	1,205,316
Purchase of landed property	-	-	-	-	-	17,717,642	-	17,717,642	3,091,160
General commerce	-	-	-	25,064	48,880	5,166,724	-	5,240,668	5,423,450
Transport, storage and communication	-	-	-	489,429	382,426	2,473,644	-	3,345,499	3,217,335
Finance, insurance and business services	4,946,400	381	-	1,898,960	5,452,057	3,573,677	225,176	16,096,651	18,325,984
Government and government agencies	9,179,004	1,593,829	92,749	2,324,488	3,641,496	-	-	16,831,566	-
Purchase of securities	-	-	-	-	-	1,969,458	-	1,969,458	593,036
Purchase of transport vehicles	-	-	-	-	-	5,905,977	-	5,905,977	660,281
Consumption credit	-	-	-	-	-	4,490,545	-	4,490,545	6,755,975
Others	-	-	-	-	-	4,371,391	552,626	4,924,017	4,558,035
	14,125,404	1,594,210	92,749	5,198,781	9,651,635	59,946,428	777,802	91,387,009	61,329,469

Excludes general allowance amounting to RM829,732,000.

@ Excludes equity instrument amounting to RM169,023,000.

* Other financial assets comprise other receivables.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

4.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit Risk (Continued)

Bank	Cash and 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
2008									
Agriculture	-	-	-	27,231	7,878	2,262,601	-	2,297,710	879,923
Mining and quarrying	-	-	-	-	-	131,936	-	131,936	114,080
Manufacturing	-	-	-	133,752	106,724	9,548,572	-	9,789,048	11,311,902
Electricity, gas and water	-	-	-	182,298	-	197,244	-	379,542	229,741
Construction	-	-	-	121,342	45,961	2,973,801	-	3,141,104	4,710,629
Real estate	-	-	-	34,625	-	955,650	-	990,275	808,042
Purchase of landed property	-	-	-	-	-	14,957,263	-	14,957,263	1,260,884
General commerce	-	-	-	46,504	70,962	5,926,416	-	6,043,882	5,311,946
Transport, storage and communication	-	-	271,120	316,536	2,038,872	2,027,080	-	4,653,608	2,112,247
Finance, insurance and business services	1,902,072	-	99,767	1,952,532	3,348,568	2,716,924	175,639	10,195,502	15,327,473
Government and government agencies	10,302,571	106,565	1,859,249	861,911	2,435,558	-	-	15,565,854	445
Purchase of securities	-	-	-	-	-	1,579,655	-	1,579,655	568,950
Purchase of transport vehicles	-	-	-	-	-	5,407,050	-	5,407,050	386,579
Consumption credit	-	-	-	-	-	4,248,178	-	4,248,178	6,392,837
Others	-	-	-	-	-	623,762	614,390	1,238,152	4,435,892
	12,204,643	106,565	2,230,136	3,676,731	8,054,523	53,556,132	790,029	80,618,759	53,851,570

[#] Excludes general allowance amounting to RM956,085,000.

[@] Excludes equity instrument amounting to RM169,873,000.

* Other financial assets comprise other receivables.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Operational Risk

- The GRM function is responsible for the development of bank-wide operational risk policies, frameworks and methodologies, and providing inputs to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.
- The Bank uses an operational risk management system. This system has integrated applications for supporting the entire operational risk management process for loss event data collection and management, loss event analysis, assessment and monitoring of the quality of the internal control environment, risk scenario analysis and measurement, comprehensive reporting of operational risks and internal control quality and tracking of risk mitigation and control improvement actions. This system facilitates the Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework.
- The Bank has an ongoing and actively managed Business Continuity Planning ('BCP') programme for its major critical business operations and activities at the Head Office, data centre, and branches locations. The BCP programme is subject to regular testing to ensure efficacy, reliability and functionality.
- The Bank continually refines and strengthens existing policies, procedures and internal controls measures; and continually conduct internal reviews, compliance monitoring, and comprehensive audits to prevent or minimize unexpected losses.

41 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 subsidiaries and intangibles.

Therefore, for a significant portion of the Group's 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's and the Bank's underlying value as a going concern.

Furthermore, it is the Group's 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

41 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

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

(ii) Securities purchased under resale agreements

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

(iii) 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.

41 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

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

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

- (x) Subordinated obligations

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

- (xi) Hybrid capital securities

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

- (xii) Credit related commitments and contingencies

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

- (xiii) Foreign exchange and interest rate related contracts

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

41 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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:

	Carrying value RM'000	Group Estimated fair value RM'000	Carrying value RM'000	Bank Estimated fair value RM'000
2009				
Financial assets				
Securities held-to-maturity	10,766,923	10,878,950	9,651,635	9,751,388
Loans, advances and financing	67,127,117	66,849,415 [@]	59,116,696	59,020,519 [@]
Financial liabilities				
Deposits from customers	81,867,854	79,506,433	71,589,904	69,227,826
Deposits and placements of banks and other financial institutions	6,353,224	6,315,213	5,466,744	5,428,733
Recourse obligation on loans sold to Cagamas Berhad	1,168,826	1,139,854	1,168,826	1,139,854
Hybrid capital securities	596,996	635,312	596,996	635,312
Subordinated obligations	2,000,000	2,009,310	2,000,000	2,009,310
2008				
Financial assets				
Securities held-to-maturity	9,394,159	9,482,764	8,054,523	8,118,272
Loans, advances and financing	60,127,875	59,926,821 [@]	52,600,047	52,475,079 [@]
Financial liabilities				
Deposits from customers	71,011,263	70,924,896	61,592,948	61,490,484
Deposits and placements of banks and other financial institutions	6,753,576	6,725,201	6,255,207	6,223,525
Recourse obligation on loans sold to Cagamas Berhad	1,173,754	1,160,235	1,173,754	1,160,235
Subordinated obligations	2,000,000	1,927,440	2,000,000	1,927,440

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

42 CAPITAL ADEQUACY

BNM guidelines on capital adequacy requires the Bank and RHB Islamic Bank to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The capital ratios of the Bank are computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market (Basel I).

The capital ratios for RHB Islamic Bank are computed based on BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

	RHB Bank *		RHB Islamic Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tier I Capital				
Paid-up ordinary share capital	3,318,085	3,318,085	523,424	523,424
Hybrid capital securities	596,996	-	-	-
Share premium	8,563	8,563	-	-
Retained profits	1,696,589	1,008,581	167,172	135,437
Other reserves	2,397,969	2,121,478	197,739	166,005
	8,018,202	6,456,707	888,335	824,866
Less: Goodwill	(905,519)	(905,519)	-	-
Deferred tax assets	(234,070)	(233,116)	(17,046)	(19,960)
Total Tier I capital	6,878,613	5,318,072	871,289	804,906
Tier II Capital				
Subordinated obligations	2,000,000	2,000,000	-	-
General allowance for bad and doubtful debts and financing	862,725	995,859	88,984	97,984
Total Tier II capital	2,862,725	2,995,859	88,984	97,984
Less: Investment in subsidiaries	(622,666)	(628,640)	-	-
Other deduction #	(3,230)	-	(12)	-
Total capital base	9,115,442	7,685,291	960,261	902,890
Capital ratios				
Before proposed dividends:				
Core capital ratio	10.55%	8.77%	12.50%	12.07%
Risk-weighted capital ratio	13.99%	12.67%	13.78%	13.54%
After proposed dividends:				
Core capital ratio	10.41%	8.51%	12.50%	12.07%
Risk-weighted capital ratio	13.84%	12.42%	13.78%	13.54%

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

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

42 CAPITAL ADEQUACY (CONTINUED)

	Principal RM'000	RHB Bank* Risk Weighted RM'000	Principal RM'000	RHB Islamic Bank Risk Weighted RM'000
2009				
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:				
(i) Credit Risk				
0%	25,648,543	-	3,948,139	-
10%	28,916	2,892	-	-
20%	12,109,150	2,421,830	1,417,166	283,433
50%	11,077,133	5,538,566	28,935	14,467
75%	-	-	2,658,060	1,993,545
100%	56,062,295	56,062,295	3,539,734	3,539,734
150%	-	-	380,391	570,587
	104,926,037	64,025,583	11,972,425	6,401,766
(ii) Market Risk Capital Adequacy Framework		1,118,776		9,114
(iii) Basic Indicator Operational Risk Capital Charge		-		558,743
Total risk-weighted assets		65,144,359		6,969,623

2008

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

(i) Credit Risk				
0%	20,412,336	-	2,210,916	-
10%	28,776	2,878	-	-
20%	8,137,470	1,627,494	1,239,863	247,972
50%	11,644,573	5,822,287	14,445	7,223
75%	-	-	2,086,771	1,565,078
100%	51,106,096	51,106,096	3,718,512	3,718,512
150%	-	-	299,760	449,640
	91,329,251	58,558,755	9,570,267	5,988,425
(ii) Market Risk Capital Adequacy Framework		2,053,446		164,961
(iii) Basic Indicator Operational Risk Capital Charge		-		514,676
Total risk-weighted assets		60,612,201		6,668,062

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

Pursuant to BNM 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.

43 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) Corporate and Investment banking

Corporate and Investment banking caters to funding or lending needs of corporate customers including public listed corporations and its related entities, multinational corporations (including Japanese), financial institutions and Government and state owned entities. Included under Corporate Banking are offshore banking activities carried out by RHB Bank (L) Ltd whose borrowing and lending facilities are offered in major currencies mainly to corporate customers.

(b) Retail banking

Retail banking focuses on providing products and services to individual customers and small and medium sized enterprises. 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. This segment also includes lease financing activities carried out by RHB Leasing Sdn Bhd which is predominantly middle market customers.

(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. This segment also includes Funding Centre of the Bank.

(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) International banking

International banking focuses on providing banking related products & services tailored to the specific needs in foreign countries. Currently, the Group has established foreign operations in Singapore, Brunei and Thailand.

(f) 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 2009

43 SEGMENT INFORMATION (CONTINUED)

Group	Corporate and Investment Banking RM'000	Retail Banking RM'000	Treasury and Money Market RM'000	Islamic Banking RM'000	International Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
2009								
External revenue	799,354	2,648,458	816,778	326,443	304,815	43,512	-	4,939,360
Inter-segment revenue	5,573	-	16,608	3,610	3,235	791	(29,817)	-
Total revenue ¹	804,927	2,648,458	833,386	330,053	308,050	44,303	(29,817)	4,939,360
Segment results	246,964	862,356	477,169	135,580	61,814	17,460	-	1,801,343
Subordinated obligations								(103,500)
Hybrid capital securities								(23,182)
Unallocated expenses ²								(182,893)
Profit from operations								1,491,768
Taxation								(303,932)
Net profit for the financial year								1,187,836
2008								
External revenue	932,760	2,718,381	1,333,255	281,309	225,954	19,179	-	5,510,838
Inter-segment revenue	2,757	10	20,560	2,015	2,999	1,141	(29,482)	-
Total revenue ¹	935,517	2,718,391	1,353,815	283,324	228,953	20,320	(29,482)	5,510,838
Segment results	242,538	800,931	492,551	171,441	29,409	17,876	-	1,754,746
Subordinated obligations								(106,989)
Unallocated expenses ²								(201,972)
Profit from operations								1,445,785
Share of results of an associate								38
Profit before INCPS dividends and taxation								1,445,823
INCPS dividends								(32,146)
Taxation								(375,524)
Net profit for the financial year								1,038,153

Note:

^{1.} Revenue consists of interest income (net), other operating income and income from Islamic Banking Business.

^{2.} 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2009

43 SEGMENT INFORMATION (CONTINUED)

Group	Corporate and Investment Banking RM'000	Retail Banking RM'000	Treasury and Money Market RM'000	Islamic Banking RM'000	International Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
2009								
Other information								
Segment assets	21,627,055	39,020,337	27,292,592	11,165,336	7,636,944	38,854	(1,653,296)	105,127,822
Deferred tax assets								263,182
Tax recoverable								17,591
Unallocated assets								685,855
Total assets								106,094,450
Segment liabilities	19,580,803	34,126,888	25,109,264	10,221,327	6,460,832	2,655	(1,890,301)	93,611,468
Deferred tax liabilities								6
Provision for taxation								37,419
Subordinated obligations								2,000,000
Hybrid capital securities								596,996
Long term borrowings								958,720
Unallocated liabilities								1,057,848
								98,262,457
Other segment items								
Capital expenditure	5,665	89,517	4,172	7,851	6,649	-	-	113,854
Amortisation of prepaid land lease	31	283	9	-	116	66	-	505
Depreciation	3,507	53,382	5,105	6,111	3,962	139	-	72,206
Impairment loss	(25,819)	198	(3,483)	-	-	-	-	(29,104)
Other non-cash expenses other than depreciation and impairment loss ³	208,008	357,621	27,349	83,028	47,430	-	-	723,436

Note:

- ^{3.} Included in other non-cash expenses 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 2009

43 SEGMENT INFORMATION (CONTINUED)

Group	Corporate and Investment Banking RM'000	Retail Banking RM'000	Treasury and Money Market RM'000	Islamic Banking RM'000	International Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
2008								
Other information								
Segment assets	18,204,018	36,638,849	24,833,154	9,290,702	6,322,715	40,928	(1,078,123)	94,252,243
Deferred tax assets								268,159
Tax recoverable								9,215
Unallocated assets								408,020
Total assets								94,937,637
Segment liabilities	16,350,601	30,746,755	24,836,440	8,451,581	5,281,670	2,489	(1,240,772)	84,428,764
Deferred tax liabilities								15
Provision for taxation								91,149
Subordinated obligations								2,000,000
Long term borrowings								655,975
Unallocated liabilities								933,620
								88,109,523
Other segment items								
Capital expenditure	5,883	66,273	8,215	21,185	2,767	8	-	104,331
Amortisation of prepaid land lease	30	285	9	-	112	66	-	502
Depreciation	3,212	51,993	4,274	1,868	4,905	172	-	66,424
Impairment loss	2,732	61	7,384	-	-	187	-	10,364
Other non-cash expenses other than depreciation and impairment loss ³	164,406	406,428	-	34,470	6,238	7	-	611,549

Note:

- ^{3.} Included in other non-cash expenses 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 2009

43 SEGMENT INFORMATION (CONTINUED)

(ii) Secondary reporting format – by geographical segment

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

Group	2009 RM'000	2008 RM'000
Total revenue		
Malaysia	4,634,545	5,285,275
Outside Malaysia	304,815	225,563
Total	4,939,360	5,510,838
Total assets		
Malaysia	98,428,252	88,593,666
Outside Malaysia	7,666,198	6,343,971
Total	106,094,450	94,937,637
Capital expenditure		
Malaysia	107,205	101,564
Outside Malaysia	6,649	2,767
Total	113,854	104,331

44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(i) Issuance of RM600 million nominal value of Hybrid Tier-I Capital Securities under Hybrid Tier-I Capital Securities Programme by the Bank

The Bank had on 31 March 2009 and 17 December 2009 completed the first and second issuance of RM370 million and RM230 million nominal value respectively of its RM600 million Hybrid Tier-I Capital Securities Programme. The details of Hybrid Tier-I Capital Securities are shown in Note 21.

(ii) Transfer of loans from RHB Investment Bank Berhad

On 31 December 2009, RHB Investment Bank Berhad, a related company, transferred its entire loans portfolio except for staff loan and margin financing to the Bank, in accordance to the Vesting Order obtained from the High Court.

45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 February 2010.

Statement by Directors

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

We, Tan Sri Azlan Zainol and Dato' Tajuddin Atan, being two of the directors of RHB Bank Berhad state that, in the opinion of the directors, the financial statements set out on pages 46 to 143 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 2009 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, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

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

TAN SRI AZLAN ZAINOL
CHAIRMAN

DATO' TAJUDDIN ATAN
MANAGING DIRECTOR

Kuala Lumpur
1 March 2010

Statutory Declaration

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

I, Yap Choi Foong, the officer primarily responsible for the financial management of RHB Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 46 to 143 are, in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

YAP CHOI FOONG

Subscribed and solemnly declared by the abovenamed Yap Choi Foong at Kuala Lumpur in Wilayah Persekutuan on 1 March 2010.

before me :

COMMISSIONER FOR OATHS
Kuala Lumpur

Independent Auditors' Report

To the member of RHB Bank Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Bank Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 46 to 143.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Independent Auditors' Report

To the member of RHB Bank Berhad

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS

(No. AF-1146)

Chartered Accountants

SOO HOO KHOON YEAN

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

Chartered Accountant

Kuala Lumpur

1 March 2010

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