

Growing with the nation



As a leading financial services group in the region we will continue to progress hand-in-hand with Malaysia.



Our Journey

Kwong Yik Bank Berhad

- 1913 – Established with a start-up capital of RM300,000 at the Old Market Square in Kuala Lumpur, making it Malaysia's first local bank
- 1997 – Merges with DCB Bank Berhad, making it the country's biggest ever banking merger at that time

Sime Bank Berhad

(formerly known as UMBC Bank)

- 1959 – A group of businessmen, led by Mr Chang Ming Thien, a prominent figure in the rubber trade in Malaysia and Singapore, sets up United Malayan Banking Corp Berhad (UMBC)
- 1960 – Officially declared open by Prime Minister Tunku Abdul Rahman Putra Al-Haj. It is the first commercial bank to be established in independent Malaya
- 1996 – UMBC becomes part of Sime Darby Berhad and is renamed Sime Bank Berhad
- 1999 – Merges with RHB Bank Berhad and becomes part of RHB Banking Group

DCB Bank Berhad

- 1966 – Establishment of Development and Commercial Bank (D&C Bank, later renamed DCB Bank)
- 1997 – Merges with Kwong Yik Bank Berhad to form RHB Bank Berhad, turning a medium size bank into the third largest integrated financial services group in Malaysia

Utama Banking Group (UBG)

- 1976 – A licensed commercial bank, is incorporated as a public company
- 2003 – Merger of RHB Bank Berhad with Bank Utama Berhad into RHB Banking Group

RHB Banking Group

- 1983 – Rashid Hussain secures a broker's licence and sets up Rashid Hussain Securities Sdn Bhd
- 1996 – Rashid acquires 75% stake in Kwong Yik Bank Berhad
- 1997 – Merger of Kwong Yik Bank Berhad and DCB Bank Berhad to form RHB Bank, then Malaysia's third largest financial services group
- 1999 – Merger of Sime Bank Berhad & RHB Bank Berhad to form RHB Banking Group
- 2003 – Merger of RHB Bank Berhad with Bank Utama Berhad into RHB Banking Group

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Group Financial Highlights

	2006 RM million	2005 RM million	2004 * RM million	2003 RM million	2002 RM million
RESULTS					
Operating revenue	5,506.8	4,468.9	5,610.8	3,435.8	3,238.2
Operating profit	1,686.7	1,311.5	1,588.1	1,176.0	1,171.8
Profit before INCPs ** dividends, taxation and zakat	940.3	688.9	869.8	521.5	401.4
Net profit attributable to equity holders of the Company	438.3	315.8	441.5	250.6	127.1
BALANCE SHEETS					
Paid-up capital	1,823.5	1,823.5	1,823.5	1,823.5	1,823.5
Shareholders' equity	4,928.0	4,492.6	4,212.4	3,874.3	3,736.5
Total assets	103,310.0	89,898.2	82,137.3	69,485.7	57,520.4
Loans, advances and financing	53,392.9	48,358.8	43,911.7	42,446.6	37,761.0
Total deposits	69,102.7	60,949.9	57,291.2	52,402.0	42,020.3
RATIOS					
Gross dividends per share - (sen)	8.0	3.5	10.0	7.5	2.0
Net assets per share - (RM)	2.70	2.46	2.31	2.12	2.05
Net tangible assets per share - (RM)	2.06	1.82	1.67	1.47	1.90
SHARE PRICES AND MARKET CAPITALISATION					

Share price - (RM)	3.42	2.21	2.34	1.69	2.35
Market capitalisation	6,236.3	4,029.9	4,267.0	3,081.7	4,285.2

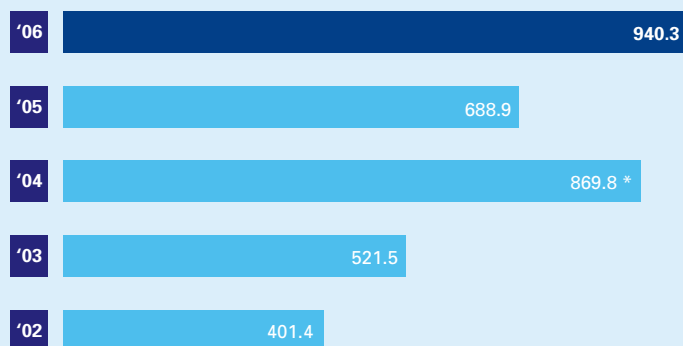
* The Company changed its financial year end from 30 June to 31 December with effect from the financial period ended 31 December 2004 and accordingly, the results for that financial period are for eighteen months. Certain figures have been restated arising from the retrospective application of the Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia.

** Irredeemable Non-cumulative Convertible Preference Shares.

*** Share prices are closing price at financial year/period end.

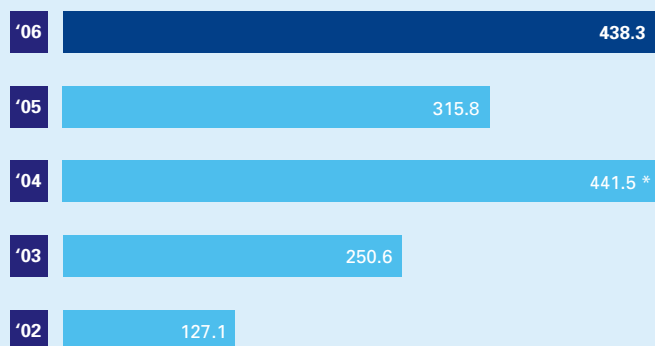
Profit before INCPS ** dividends, taxation and zakat

(RM million)

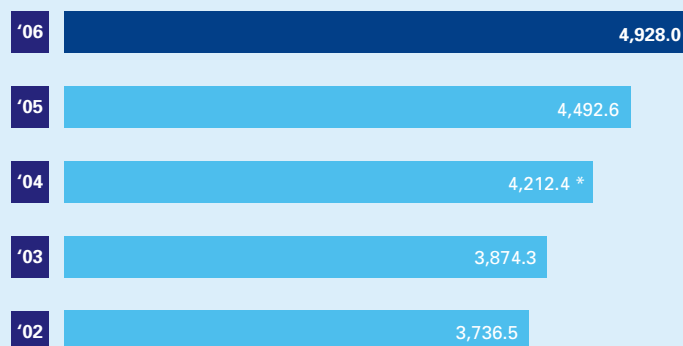


Net profit attributable to equity holders of the Company

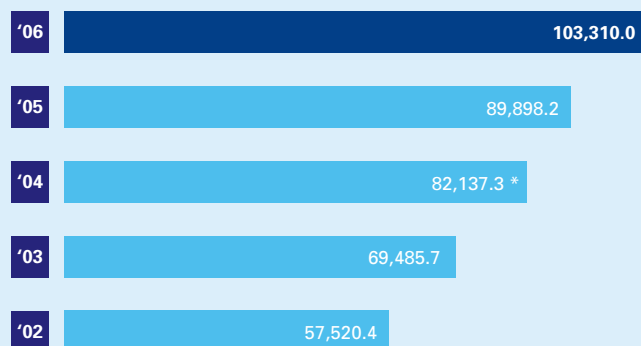
(RM million)



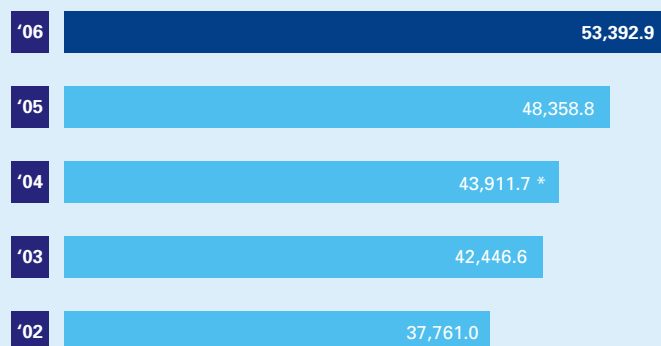
Shareholders' equity (RM million)



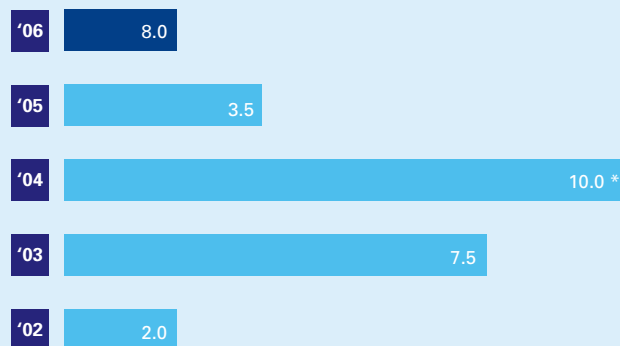
Total assets (RM million)



Loan advances and financing (RM million)



Gross dividends per share (sen)



* The Company changed its financial year end from 30 June to 31 December with effect from the financial period ended 31 December 2004 and accordingly, the results for that financial period are for eighteen months. Certain figures have been restated arising from the retrospective application of the Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia.

** Irredeemable Non-cumulative Convertible Preference Shares.

Corporate Information

as at 26 March 2007

BOARD OF DIRECTORS

YBhg Datuk Azlan Zainol

Non-Independent Non-Executive Director

YBhg Dato' Vaseehar Hassan Abdul Razack

Non-Independent Non-Executive Director

YBhg Dato' Mohd Salleh Hj Harun

Independent Non-Executive Director

Encik Johari Abdul Muid

Non-Independent Non-Executive Director

Mr Lew Foon Keong

Senior Independent Non-Executive Director

SECRETARY

Encik Azman Shah Md Yaman

AUDIT COMMITTEE

Mr Lew Foon Keong

Chairman

YBhg Datuk Azlan Zainol

YBhg Dato' Mohd Salleh Hj Harun

NOMINATING COMMITTEE

YBhg Dato' Mohd Salleh Hj Harun

Chairman

YBhg Datuk Azlan Zainol

YBhg Dato' Vaseehar Hassan

Abdul Razack

Encik Johari Abdul Muid

Mr Lew Foon Keong

REMUNERATION AND HUMAN RESOURCE COMMITTEE

Mr Lew Foon Keong

Chairman

YBhg Dato' Vaseehar Hassan

Abdul Razack

Encik Johari Abdul Muid

RISK MANAGEMENT COMMITTEE

YBhg Dato' Mohd Salleh Hj Harun

Chairman

YBhg Dato' Vaseehar Hassan

Abdul Razack

Encik Johari Abdul Muid

Corporate Information

as at 26 March 2007 (continued)

SENIOR MANAGEMENT

Mr Wong Yoke Ming
Chief Operating Officer

Puan Norazzah Sulaiman
Head, Group Legal & Compliance

Encik Azman Shah Md Yaman
Head, Group Secretariat

Mr V. Kanesan
Head, Group Corporate Communications

Mr Moi Pak Choong
Acting Head, Group Human Resources

Mr Lim Chong John
Group Chief Technology Officer

Mr Kellee Kam Chee Khiong
Head, Corporate & Strategic Planning

Ms Catherine Lee Yun Fong
Asst General Manager, Group Internal Audit

REGISTERED OFFICE

Level 10, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603-9285 2233
Fax : 603-9281 9314

COMPANY NO.

312952-H

AUDITORS

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

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 603-2721 2222
Fax: 603-2721 2530 / 2531

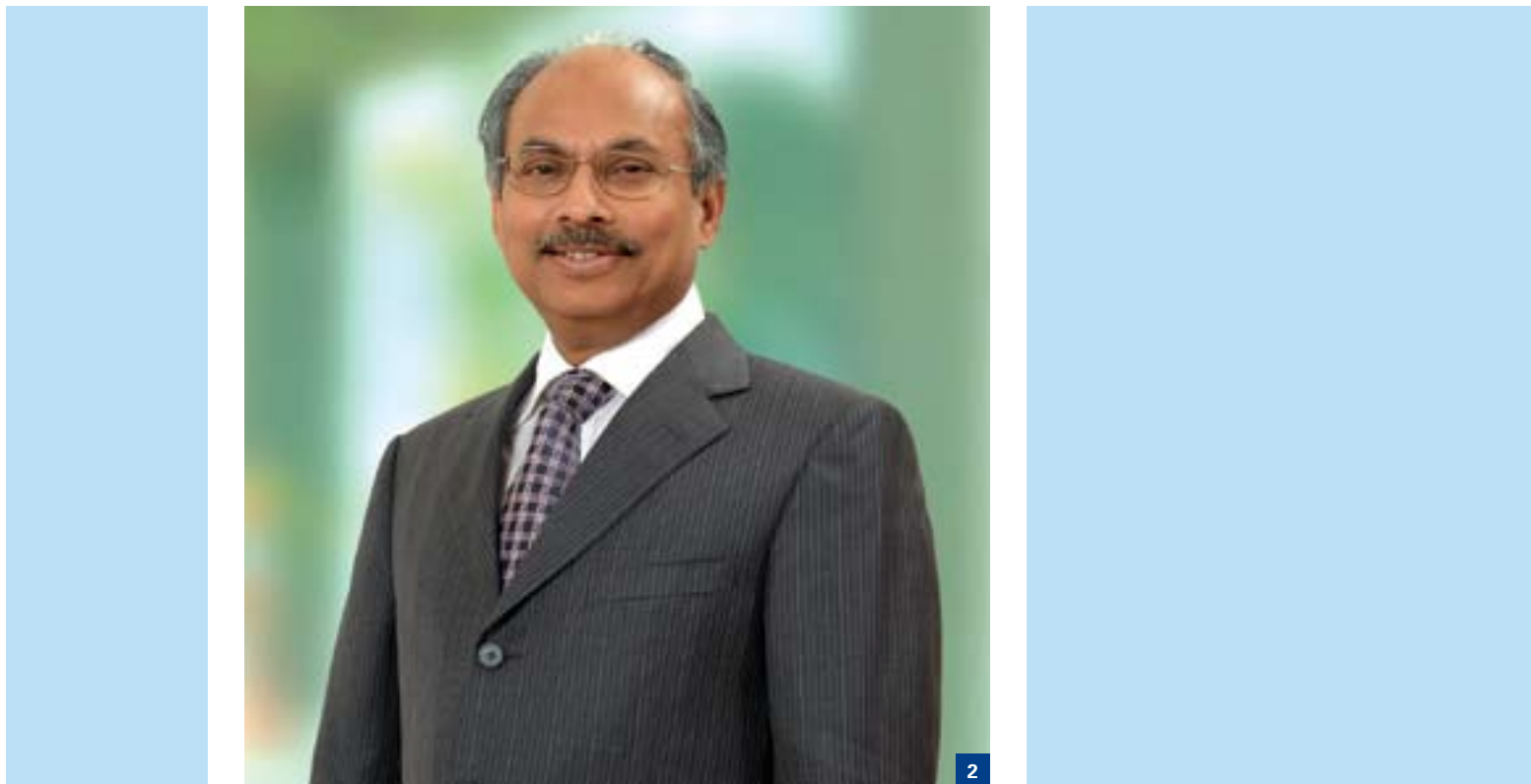
STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia
Securities Berhad

Board of Directors

- 1. YBHG DATUK AZLAN ZAINOL**
Non-Independent Non-Executive Director
- 2. YBHG DATO' VASEEHAR HASSAN
ABDUL RAZACK**
Non-Independent Non-Executive Director
- 3. YBHG DATO' MOHD SALLEH HJ HARUN**
Independent Non-Executive Director
- 4. ENCIK JOHARI ABDUL MUID**
Non-Independent Non-Executive Director
- 5. MR LEW FOON KEONG**
Senior Independent Non-Executive Director





Profile of the Board of Directors

as at 26 March 2007

YBHG DATUK AZLAN ZAINOL

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

YBhg Datuk Azlan Zainol (“YBhg Datuk Azlan”) was appointed as a Non-Independent Non-Executive Director of RHB Capital on 27 July 2005. He also serves as a Member of the Audit Committee and Nominating Committee of RHB Capital.

YBhg Datuk 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.

YBhg Datuk Azlan is also currently the Chief Executive Officer of Employees Provident Fund Board (EPF). He has more than 26 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.

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

YBhg Datuk Azlan attended seventeen out of eighteen Board Meetings held during the financial year since his appointment. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged for any offence.

YBHG DATO’ VASEEHAR HASSAN ABDUL RAZACK

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

YBhg Dato’ Vaseehar Hassan Abdul Razack (“YBhg Dato’ Vaseehar Hassan”) was appointed as a Non-Independent Non-Executive Director of RHB Capital on 7 May 2003. He also serves as a Member of the Remuneration and Human Resource Committee, Nominating Committee and Risk Management Committee of RHB Capital.

YBhg Dato’ Vaseehar Hassan who has a Bachelor Degree in Accounting, Masters in Business Administration as well as Specialised Masters in Consulting and Coaching is currently pursuing a Doctoral Research at the Vrije Universiteit, Amsterdam.

YBhg Dato’ Vaseehar Hassan has more than 26 years of experience in the financial sector. In addition to being the Chief Executive and Director of the Malaysian subsidiary of Dallah AlBaraka Group of Saudi Arabia, he is also a Director of Rashid Hussain Berhad, RHB Bank Berhad, RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad), RHB Insurance Berhad, RHB Islamic Bank Berhad (Chairman), Utama Banking Group Berhad, CMS Trust Management Berhad and Ingress Corporation Berhad. He is also a Member of the International Advisory Panel of the World Islamic Economic Forum.

YBhg Dato’ Vaseehar Hassan attended fifteen out of eighteen Board meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged for any offence.

YBHG DATO’ MOHD SALLEH HJ HARUN

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

YBhg Dato’ Mohd Salleh Hj Harun (“YBhg Dato’ Mohd Salleh”) was appointed as an Independent Non-Executive Director of RHB Capital on 20 August 2004. He also serves as Chairman of the Nominating Committee and Risk Management Committee as well as Member of the Audit Committee of RHB Capital.

YBhg Dato’ Mohd Salleh is a Fellow of the Institute of Bankers and also a Member of the Malaysian Institute of Certified Public Accountants.

YBhg Dato’ Mohd Salleh has 32 years of experience in the banking and financial sector, having held various senior positions in Aseambankers Malaysia Berhad and Malayan Banking Berhad. He was the Executive Director of Malayan Banking Berhad from 1994 to 2000 prior to joining Bank Negara Malaysia, whereat he served as Deputy Governor from 2000 to 2004.

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

YBhg Dato’ Mohd Salleh attended seventeen out of eighteen Board meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged for any offence.

Profile of the Board of Directors

as at 26 March 2007 (continued)

ENCIK JOHARI ABDUL MUID

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

Encik Johari Abdul Muid ("Encik Johari") was appointed as a Non-Independent Non-Executive Director of RHB Capital on 1 April 2005. He also serves as a Member of the Remuneration and Human Resource Committee, Nominating Committee and Risk Management Committee of RHB Capital.

Encik Johari is an Associate Member of the Chartered Institute of Management Accountants, United Kingdom.

Encik Johari has more than 22 years of experience in the financial sector. He started his career as a Money Market Dealer with Asian International Merchant Bankers Berhad in 1981. From 1983 to 1994, he was with CIMB, 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 EPF in August 2004, he was the Chief Investment Officer of ValueCap Sdn Bhd which he joined in February 2003. He is currently the Chief Investment Officer (Equity) of EPF.

Encik Johari's other directorships in public companies include Rashid Hussain Berhad, RHB Bank Berhad and RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad).

Encik Johari attended sixteen out of eighteen Board Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged for any offence.

MR LEW FOON KEONG

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

Mr Lew Foon Keong ("Mr Lew") was appointed as an Independent Non-Executive Director of RHB Capital on 1 June 2005. Mr Lew also serves as Chairman of the Audit Committee and the Remuneration and Human Resource Committee as well as Member of the Nominating Committee of RHB Capital.

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

Mr Lew has more than 23 years of investment banking experience. He started his career in 1983 in the City of London with Wardley James Capel (then the merchant banking and stockbroking operations of the HongKong Bank Group) and subsequently worked for British merchant bank, Robert Fleming prior to joining Credit Commercial de France in 1989. In 1990, he returned to Asia to join Hoare Govett Asia in Singapore with responsibilities for the regional corporate finance business. In 1997, following the sale of HG Asia to ABN Amro Bank, Mr Lew was appointed Managing Director of ABN Amro's merchant banking operations in Singapore. In late 1999, Mr Lew founded Equator Capital, an investment management and advisory company which is active in US equities options and futures trading. He also has participated in a number of private equity investments in the region. Over the years, he has been involved in a wide range of investment banking work, including global Initial Public Offerings, equities placements, corporate takeovers and mergers, debt/equity restructuring and venture capital financing.

Mr Lew's other directorship in public company includes RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad).

Mr Lew attended twelve out of eighteen Board Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged for any offence.

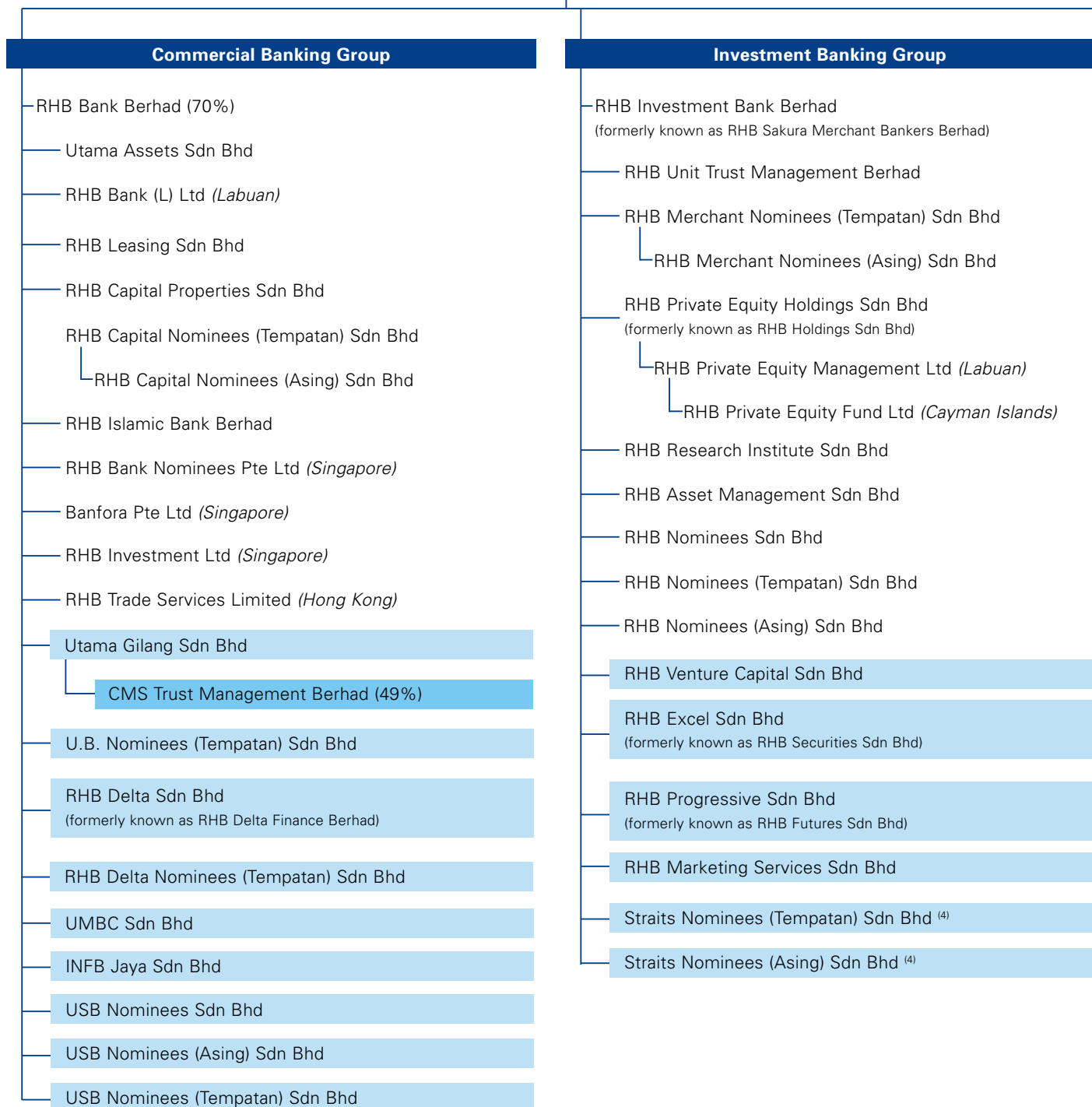
RHB Banking Group Corporate Structure

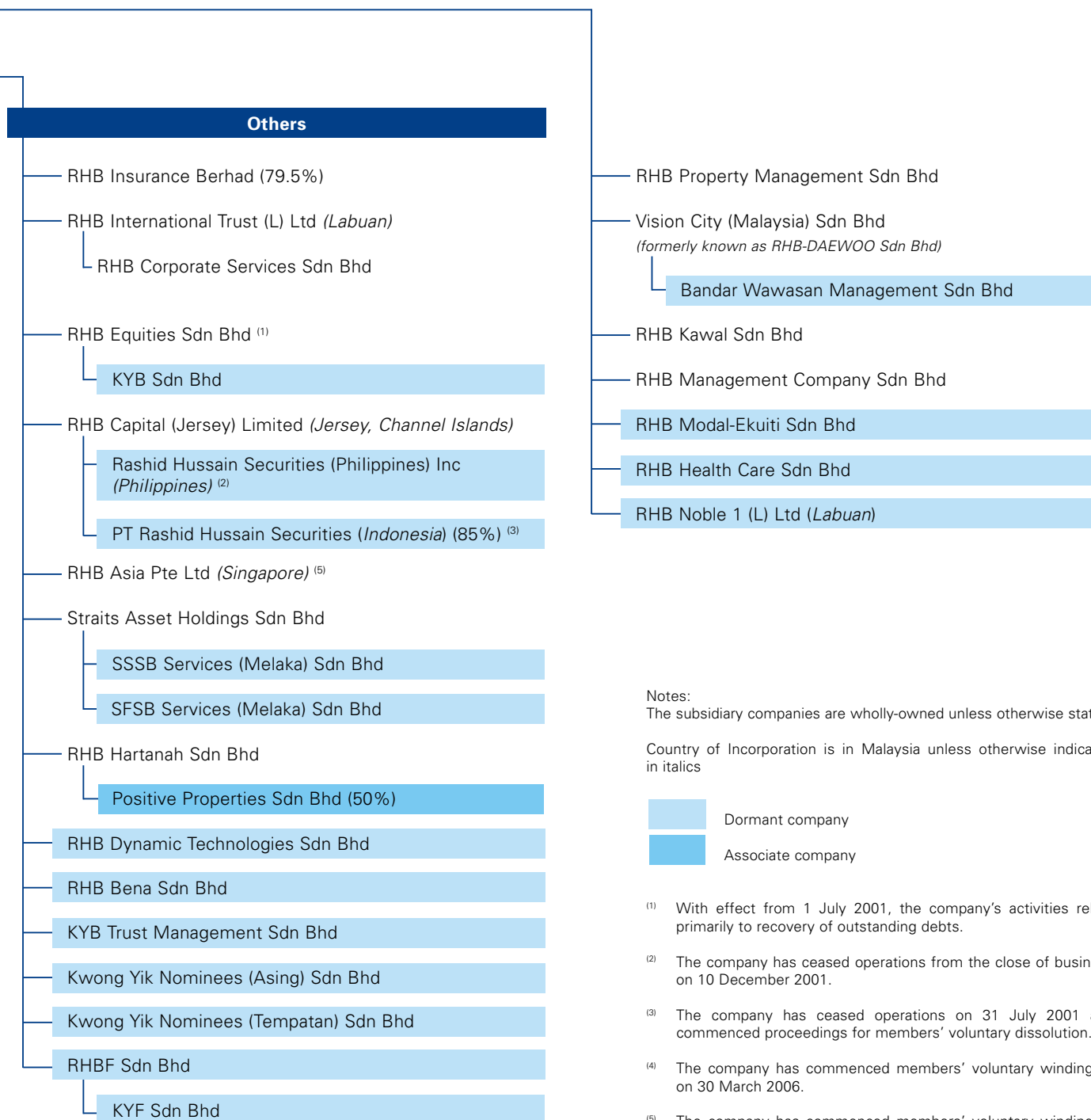
as at 26 March 2007



Rashid Hussain Berhad

RHB CAPITAL BERHAD (64.49%)





Board of Directors' Report 2006

The Board of Directors is pleased to present the Annual Report for RHB Capital Berhad ("RHB Capital") for the financial year ended 31 December 2006.

The year under review has been satisfactory for RHB Capital. The Group achieved several milestones as we bolstered our competitive position and significantly enhanced our financial performance. We consolidated our banking operations to enhance efficiency, sharpened our focus on existing profitable markets and developed new ones to generate greater long-term value.

We set new benchmarks in the Islamic banking business and improved treasury management to further augment our profits. In 2006, the new investment bank took off with the integration of our merchant banking, securities and futures businesses.

The group rationalisation exercise has improved the way we work, enhancing productivity through better synergies and economies of scale. In addition to organic growth, we are actively pursuing new markets. As economic borders become increasingly blurred, we seek new alliances and partnerships in the region that will open doors to new business prospects and help propel the Group into a regional player.

FINANCIAL PERFORMANCE

The Group achieved strong results for the financial year ended 31 December 2006. Net profit increased sharply by 39% to RM438.3 million. Consolidated profit after Irredeemable Non-cumulative Convertible Preference Shares ("INCPS") dividends and before taxation and zakat surged by 43% to RM829.8 million. This was achieved on the back of total net revenue of

RM5.5 billion, up 23% from a year ago. Total net interest income improved to RM1.95 billion and other operating income rose to RM860 million. The Group's strong earnings growth mainly emanated from strong operating performance and robust loans growth. Increase in interest margin helped to boost net interest income which grew by 19.6%. During the period under review, the Group's Islamic banking operating revenue rose by 39% to RM418.9 million. RHB ISLAMIC Bank Berhad ("RHB ISLAMIC"), which was in its second year as a full-fledged Islamic banking institution, successfully broke new grounds to accelerate its growth momentum in a highly competitive environment which saw the entry of global players.

The Group made further advances in improving its risk profile and asset quality, attributable to intensified recovery efforts and effective credit frameworks. RHB Capital's net non-performing loans ("NPL") ratio dropped to 4.6%, down from 5.1% as at 31 December 2005. This is lower than the industry average of 4.8%. In the last quarter of the year, the Group moved its basis for specific provision from a default period of 6 months to 3 months, in line with Bank Negara Malaysia's classification guidance. This led to an additional charge of RM45.5 million for the Group. Shareholders' funds expanded by 9.7% to RM4.9 billion from RM4.5 billion as at 31 December 2005. The Group's asset base grew by 14.9% to RM103.3 billion. Gross loans, advances and financing rose by 9.8% to RM56.1 billion, exceeding the 6.3% growth for the industry. RHB Capital's net asset per share improved 9.8% to RM2.70. Net earnings per share increased to 24 sen, from 17.3 sen previously, reflecting the Group's sustained growth.



Board of Directors' Report 2006 (continued)



RHB Bank Berhad ("RHB Bank"), the Group's flagship company, which achieved profit after INCPS dividends and before taxation and zakat of RM577.8 million contributed 70% towards the Group's total profit during the year. RHB Bank remained strongly capitalised, with shareholders' equity and INCPS of RM5.7 billion as at the end of 2006 and a Risk-Weighted Capital Adequacy ratio of 11.5%.

RHB ISLAMIC turned in a strong performance, with a profit before tax of RM121.7 million, which marked a 67% increase from the previous year. RHB Bank's offshore banking arm RHB Bank (L) Ltd recorded a profit before tax of RM52.7 million.

RHB Investment Bank Berhad ("RHB InvestBank") recorded a consolidated profit before tax of RM80.2 million compared to RM108.2 million for financial year ended 31 December 2005. The difference was mainly owing to lower trading income compared to the previous year.

RHB Insurance Berhad ("RHB Insurance") posted a profit before tax of RM41.9 million, up 24% from 2005. This led to a sharp rise in the return on average shareholders' funds to 30.4%, up from 26% in 2005. RHB Asset Management Sdn Bhd registered a pre-tax profit of RM3.9 million, while RHB Unit Trust Management Berhad ("RHB Unit Trust") achieved a profit before tax of RM3.6 million as sales of unit trusts improved.

CHALLENGES AND PROSPECTS

RHB Capital is well placed and prepared to improve performance. Our multi-core business model, driven by conventional banking, Islamic finance, investment banking and insurance, generated higher growth in spite of greater competition.

RHB Capital is pleased with the achievements for 2006. We are optimistic about the opportunities in 2007 and beyond although we believe that progressive liberalisation and deregulation in line with the Financial Sector Masterplan will result in increased competition and greater challenges. Locally-incorporated foreign banks expanded their networks in 2006 by opening new branches and launching a shared ATM network. In the Islamic financial sector, the Malaysian International Islamic Financial Centre was set up to spur growth and boost the country's aim of becoming a global hub. At the same time, competition intensified with the entry of new global players from the Middle East. The emergence of investment banks in the country under Bank Negara Malaysia's new framework and rising competition from non-bank financial entities have also redefined the boundaries of the financial sector and changed the business landscape substantially. These challenges are very real but we are confident that we can meet them successfully.

Board of Directors' Report 2006 (continued)



We remain focused and committed as a leading financial services group. RHB Capital is ready to take on new challenges and opportunities in the international market and we will seek new catalysts for expansion by creating new relationships and seeking new markets in the region. At the heart of our growth is strengthening our customers' trust through improved service and expanded product offerings. We aim to expand in the rapidly-growing Islamic banking sector. Total assets in Islamic banking are expected to rise to 20% of the total banking system by 2010, from about 12% currently. RHB ISLAMIC has laid a strong foundation for growth and would be more than able to contribute towards the country's aspirations in Islamic banking.

Malaysia's economic fundamentals will strengthen in 2007, with growth forecast at 6% from 5.9% in 2006. Growth will be driven by higher private investment as well as accelerated Government spending on infrastructure under the Ninth Malaysia Plan. Headline inflation, which rose in 2006 owing to higher energy prices, is expected to moderate to average below 2.5% in 2007. The relatively benign inflationary conditions will lift pressure on domestic interest rates. The current interest rate level is deemed appropriate and supportive of growth. The country's growth trajectory remains steady under the Ninth Malaysia Plan, which envisages the economy growing by an average 6% a year until 2010. In a welcome move for the financial and capital markets, Bank Negara Malaysia announced plans to further liberalise foreign exchange administration rules from April 2007. The move

will expand our scope to increase portfolio flows and grow our income from foreign exchange transactions. At the same time, our unit trust, fund management and insurance businesses will benefit from the increase in the limit to invest in foreign currency assets to 50% of net asset value attributable to residents from 30% previously.

We enter 2007 from a position of strength. We expect the Group's financial position to improve, powered by growth in all our business segments. While the financial services industry remains highly competitive and dynamic, RHB Capital expects to harness its strength and forge ahead. We remain driven and resolute as one of the premier financial services providers in the country.

ACKNOWLEDGEMENT

We recognise that we cannot achieve any degree of success without the support and confidence of our loyal customers, the communities that embrace us, the investors who entrust us with their capital and our dedicated employees who live out our vision and mission daily. To all of them, our thanks and gratitude.

Board of Directors

RHB Capital Berhad
5 April 2007

Operations Review 2006



The Malaysian economy performed well during the period under review. While exports growth eased owing to slowdown in global demand for the country's electrical and electronic products, Malaysia's gross domestic product strengthened to 5.9%, surpassing the 5.2% expansion in 2005. This was achieved on the back of higher Government spending, as projects under the Ninth Malaysia Plan took off. The manufacturing and services sectors, the two key pillars of the economy, reported steady growth. The services sector expanded by 6.5%; the second consecutive year its growth outpaced that of the overall economy. Financial reforms intensified in 2006 to enhance Malaysia's position as a regional financial hub. This included further deregulation that has opened the industry to greater foreign competition, further consolidation in the local banking sector and greater liberalisation in Islamic banking.

RHB Capital Berhad ("RHB Capital") benefited from the conducive economic environment to deliver significant improvement in profit and revenue. For the financial year ended 31 December 2006, RHB Capital posted a 43% increase in consolidated profit after Irredeemable Non-cumulative Convertible Preference Shares ("INCPS") dividends and before taxation and zakat to RM829.8 million. Net profit increased by 39% to RM438.3 million. This was achieved on total net revenue of RM5.5 billion, up 23% from the previous corresponding period. The Group's significant financial gains were attributed to a substantial increase in net interest income, which grew 19.6% to RM1.95 billion, driven by stronger loan growth. It was also buoyed by an impressive 60% growth in income from its Islamic finance business to RM236.1 million. Other operating income, which includes fee-income, gains from security sales and gross dividend income, rose 6.2% to RM860 million.

The Group's asset quality improved as net non-performing loans ("NPL") ratio shrank to 4.63%, down from 5.11% as at 31 December 2005. In the last quarter of the year, the Group moved its basis for specific provision from a default period of 6 months to 3 months, in line with Bank Negara Malaysia's classification guidance. This resulted in additional charge of RM45.5 million for the Group.

Gross loans, advances and financing rose by 9.8% to RM56.1 billion, attributable largely to efforts to boost consumer and commercial banking. Net asset per share increased 9.8% to RM2.70, while net earnings per share improved to 24 sen, from 17.3 sen previously.

RHB Capital's shareholders' funds expanded by 9.7% to RM4.9 billion, from RM4.5 billion as at 31 December 2005. Total assets grew by 14.9% to RM103.3 billion.

The year under review marked several milestones for the Group as we consolidated our banking operations to become leaner and more efficient. RHB Bank Berhad ("RHB Bank") took a step closer to becoming a one-stop provider of financial services by merging with RHB Delta Finance Berhad ("RHB Delta"), the finance company arm of the Group which was primarily involved in hire-purchase financing. Our investment bank completed its transformation with the merger of our merchant banking, securities and futures businesses, and is now poised to take on new challenges that will contribute to profit growth for the Group.



Operations Review 2006 (continued)

GROUP PERFORMANCE

RHB Bank maintained its flagship position as the Group's largest profit contributor. It generated a profit after INCPs dividends and before taxation and zakat of RM577.8 million, representing 70% of the Group's profit for the financial year ended 31 December 2006. This marked a sharp growth of 69.2% from the RM341.5 million registered in the previous year, driven by strong growth in its consumer and commercial businesses that was further enhanced by the merger with RHB Delta. The Bank's asset quality improved as its net NPL ratio dropped to 4.6% in December 2006 from 5.2% in December 2005. RHB Bank remained strongly capitalised, with shareholders' equity and INCPs amounting to RM5.7 billion as at 31 December 2006. Risk-Weighted Capital Adequacy Ratio stood at 11.5%, with core capital ratio at 8.6%.

RHB Bank was the first bank in Malaysia to offer a complete finance package for companies that wish to sell Carbon Emission Rights, in cooperation with Japan Bank for International Cooperation ("JBIC") and Japan Carbon Finance Ltd ("JCF"). Under the scheme, RHB Bank will extend loans or guarantees for companies that wish to sell Carbon Emission Rights to JCF or any other Japanese entity through a proposed credit purchasing scheme. JBIC, on the other hand, will extend financing through RHB Bank for those projects. RHB Bank's partnership with state-owned JBIC, which is the world's largest government financial arm, and JCF, a private company backed by blue-chip Japanese firms, marked a landmark effort to enhance cooperation not only between Japan and Malaysia but also between public and private institutions. RHB Bank has also tied up with the Office of the Board of Investment of Thailand to explore cross-border business and investment.

The Bank has a regional presence through seven branches in Singapore and one each in Thailand and Brunei. It provides commercial services to cross-border and targeted customers. RHB Bank's total assets abroad increased 9% during the year while revenue expanded by 37%.

Setting another milestone in consumer banking, RHB Bank was awarded the MS ISO 9001:2000 Quality Management System certification from SIRIM for both its Customer Care Centre and Credit Card Issuing and Acquiring Services. During the year, RHB Bank saw its credit card base increase by 17.5%, while card spending grew 19.5% through numerous offers and innovative contests. In April 2006, it teamed up with consumer electronics retailer Senheng to launch the RHB PlusOne card that gives cardholders exclusive benefits on all purchases at Senheng and senQ outlets nationwide. RHB Bank also introduced the RHB Evo MasterCard PayPass for contact-less, convenient and easy payment. RHB Bank won a Silver Award from MasterCard for the PayPass programme.

The Bank is very supportive of the SME businesses and exceeded Bank Negara Malaysia's SME lending target for 2006. It was one of the top contributors to the Credit Guarantee Corporation loan schemes and was one of the four participating banks in the EXIM Overseas Guarantee Facility to provide financing to Malaysian companies undertaking overseas projects or contracts. During the year, the Bank launched its enhanced cash management product, Reflex Cash Management, for its corporate and commercial customers. This enables straight-through processing and provide value-added solutions, such as the convenience to conduct trade transactions online. The Bank also launched an innovative Vendor Financing Scheme with attractive credit terms and faster loan approvals.

RHB Bank, a principal dealer since its inception, continued to develop its treasury business. Since the de-pegging of the Ringgit in July 2005, the volatility of the Malaysia Ringgit has provided greater opportunities for RHB Bank to offer timely and appropriate advice to its clients to assist them in managing foreign exchange risk exposure and hedging requirements. RHB Bank Treasury has also launched new yield enhancement products. We expect income to expand in the coming year as a result of these developments.

Operations Review 2006 (continued)



The merger with the Bank has enabled RHB Delta to leverage on the Bank's infrastructure. During the year, RHB Delta focused on enhancement of the collection process for its hire purchase business via the implementation of the Digital Collection Recovery Management System.

Another significant contributor was RHB ISLAMIC Bank Berhad ("RHB ISLAMIC"), which not only posted remarkable growth during the year but also clinched major accolades as it capitalised on the robust demand for Islamic financial services and introduced award-winning global products. During the period under review, RHB ISLAMIC achieved a profit before tax of RM121.7 million; up 67% from the previous year. RHB ISLAMIC has made inroads into the consumer and enterprise banking sectors, as well as investment banking deals in the country.

In October 2006, RHB ISLAMIC successfully structured and lead arranged innovative Sukuk issuances of up to RM1.165 billion for the Mukah power plant project in Sarawak. It signed financing agreements with Mukah Power Generation Sdn Bhd and Sarawak Power Generation Sdn Bhd for two Sukuk programmes structured along the Shariah principles of Mudharabah and Musharakah, marking the first of its kind being used in a project financing transaction. The Sukuk programmes, which provide almost 100% financing to the Mukah power project, are fully acceptable to the Middle East market.

Upon completion at the end of 2008, the coal-fired Mukah power plant will be the largest in the state, providing 15% of Sarawak's power needs. The Sukuk issuance, coupled with RHB ISLAMIC's broad

range of consumer and corporate products, has won international recognition, with RHB ISLAMIC being named the "Most Improved Islamic Bank in Asia" by international financial magazine Euromoney. It also received the Kuala Lumpur Islamic Finance Forum 2006 Award for Most Innovative Products in Islamic Project Financing as well as the Islamic Finance News Top 10 for Ranking in League Tables 2006. To sustain its growth momentum, RHB ISLAMIC has a dedicated team to spearhead its marketing efforts in the southern corridor, in line with the Government's call for greater private sector support and participation in the implementation of the Ninth Malaysia Plan.

RHB ISLAMIC opened its third marketing centre in Jalan Masjid India, one of Kuala Lumpur's busiest business districts, to tap vast potential for growth in trade finance especially for the wholesale and retail sectors.

A new era dawned on the Group's investment banking operations during the year when RHB Sakura Merchant Bankers Berhad was renamed RHB Investment Bank Berhad ("RHB InvestBank") on 10 October 2006, reflecting its transition to become a premier investment bank in the country and in the region. RHB InvestBank began full operations two months later after taking over the businesses of RHB Securities Sdn Bhd and RHB Futures Sdn Bhd. With the merger completed on 30 December 2006, the securities and futures businesses now operate as divisions of RHB InvestBank. The move is in line with Bank Negara Malaysia's initiative to consolidate the investment banking sector in Malaysia. Following its transformation, RHB InvestBank sealed two key deals in January 2007. It successfully concluded an issuance of asset-backed securities by way of a primary collateralised loan obligation

Operations Review 2006 (continued)

("CLO") transaction under Prima Uno Berhad raising RM950 million for a group of 33 Malaysian companies and setting a new standard in terms of number of corporate borrowers in a single transaction for any CLO done in Malaysia. RHB InvestBank also became the first Malaysian investment bank to clinch a deal with Kreditanstalt für Wiederaufbau ("KfW") of Germany when it was appointed together with ABN AMRO Bank as joint book-runners and successfully priced the first issue of RM600 million medium term notes ("MTN") under KfW's RM2 billion MTN Programme.

For the period under review, RHB InvestBank recorded a consolidated profit before tax of RM80.2 million compared to RM108.2 million for the financial year ended 31 December 2005. The lower profit before tax was mainly owing to reduced trading gain.

The asset management business of RHB Capital is undertaken by RHB Asset Management Sdn Bhd, which is recognised as one of the leading private asset managers domestically with a total of RM3.7 billion under management as at 31 December 2006 and recorded a pretax profit of RM3.9 million for the period under review.

RHB Unit Trust Management Berhad ("RHB Unit Trust") recorded a profit before tax of RM3.6 million, a 24.9% increase from the previous financial year. Total fund size under management reached RM1.2 billion as at the end of 2006, from the RM1.6 billion recorded the previous financial year. As testament to performance, its RHB Dividend Valued Equity Fund ("RHB Diva Fund") emerged as the top performing equity fund in Malaysia for the category of Asia-Pacific excluding Japan. The RHB Diva Fund, launched in 2005 as RHB Unit Trust's first fund that is exposed to equities from the region, registered a 31% return for the year to 24 November 2006 and declared an income distribution of 4 sen per unit. In January 2007, RHB Unit Trust introduced its first capital guaranteed fund – the Asia Pacific Select (I) Capital Guaranteed Fund, which enables unit holders to invest in the region without risking capital depreciation

and Global Themes Fund, its first fund that utilises the thematic investing approach.

RHB Insurance Berhad ("RHB Insurance") recorded a profit before tax of RM41.9 million during the year under review, a 24% increase from 2005. This increased return on average shareholders' funds to a new record of 30.4%, up from 26% in 2005.

The stronger performance was attributed to improved underwriting surplus and investment income. Total assets also reflected a healthy growth of 5.6% to RM306.9 million as at 31 December 2006, while overall claims ratio was well below the market average.

During the year, RHB Insurance augmented its distribution network and launched new e-products to broaden its reach. To stay in the forefront of e-commerce, the company launched the e-Travel, e-Foreign Workers and e-Insurance Guarantee products. These are in addition to its e-Motor and e-Marine products, and are expected to greatly enhance sales. At the same time, an Express Claims Counter service was also set up to ensure speedy payment to customers.

For the current year, RHB Insurance has several new technology initiatives to expand its distribution reach and accelerate market penetration. A comprehensive web-based agency portal is also being developed to provide value added service to agents to enhance their ability to service discerning customers.

Overall, RHB Capital has improved performance and ended the financial period under review on a strong and firm footing. Our business consolidation has further enhanced efficiency and synergy across the board as well as improve group-wide cross-selling processes and initiatives. It has strengthened the Group's ability to capitalise on new opportunities, expanded existing businesses and efficiently marshalled resources to meet the challenges of an open market.

RHB Banking Group Achievements and Awards



- | | | |
|--|--|--|
| <p>1 Honourable Mention (Best Deal – M&A category)
Kinsteel Berhad's acquisition of 51% in Perwaja Steel Sdn Bhd For RM297.6 million
By The Edge Poll 2006
RHB Investment Bank Berhad</p> | <p>6 Best Media Analyst – 2nd Place
Clare Chin – RHB Research Institute
By The Edge Poll 2006
RHB Research Institute Sdn Bhd</p> | <p>11 Lead Manager Award Islamic Number of Deals – 2nd
RAM Lead Manager Award 2006
RHB ISLAMIC Bank Berhad</p> |
| <p>2 Best Local Brokerage (Rank 2) by Asia Money Brokers Poll 2006
RHB Investment Bank Berhad</p> | <p>7 No 1 in Equity Growth Fund (3 year performance)
The Edge-Lipper Malaysian Fund Awards 2006
RHB Investment Bank Berhad</p> | <p>12 New Project Finance Benchmark Deal
Mukah Power Generation Sdn Bhd
RM950 Million Sukuk Mudharabah
RAM Award of Distinction 2006
RHB ISLAMIC Bank Berhad</p> |
| <p>3 Best Motor Analyst – 1st Place
Clare Chin – RHB Research Institute
By The Edge Poll 2006
RHB Research Institute Sdn Bhd</p> | <p>8 Best Oil & Gas Analyst – 2nd Place
Yap Huey Chiang – RHB Research Institute
By The Edge Poll 2006
RHB Research Institute Sdn Bhd</p> | <p>13 Best Performing Equity Growth Fund (10 Year Performance)
RHB Capital Fund
The Edge-Lipper Malaysian Unit Trust Fund Awards 2006
RHB Unit Trust Management Berhad</p> |
| <p>4 Best Telecommunications Analyst – 3rd Place
Clare Chin – RHB Research Institute
By The Edge Poll 2006
RHB Research Institute Sdn Bhd</p> | <p>9 Top Financial Futures Broker Award 2006
Bursa Malaysia Berhad
RHB Investment Bank Berhad</p> | <p>14 Best Performing Equity Asia Pacific ex-Japan Over 1 year
RHB Dividend Valued Equity Fund
The Star / Standard & Poor's Fund Awards 2007
RHB Unit Trust Management Berhad</p> |
| <p>5 Best Property Analyst – 2nd Place
Law Yee Huap – RHB Research Institute
By The Edge Poll 2006
RHB Research Institute Sdn Bhd</p> | <p>10 Most Innovative Products in Islamic Project Financing
Kuala Lumpur Islamic Finance (KLIFF) Award 2006
RHB ISLAMIC Bank Berhad</p> | <p>15 Most Improved Islamic Bank in Asia
Euromoney 2007
RHB ISLAMIC Bank Berhad</p> |

RHB BANKING GROUP

Corporate Highlights



Business & Social





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10



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- 1 February 2006
RHB Bank: Signing of Bancassurance Partnership with MCIS Zurich
- 2 March 2006
RHB Unit Trust: Launch of RHB-Funds Investment Platform & Signing of Partnership Agreements
- 3 April 2006
RHB Bank: Official Launching of RHB PlusOne MasterCard
- 4 April 2006
RHB Bank: Procession in conjunction with the Birthday of Prophet Muhammad (pbuh)
- 5 June 2006
RHB Bank: ICT Week, Melaka
- 6 August 2006
RHB ISLAMIC: Appreciation Luncheon for Southern Corridor Business Partners' Melaka
- 7 September 2006
RHB Insurance: TravelProtector Launching & Signing of MoU between RHB Insurance and Galileo Asia, LLC
- 8 September 2006
The Edge Bursa Malaysia Kuala Lumpur Rat Race
- 9 October 2006
RHB ISLAMIC: Signing of Financing Agreements for Mukah Power Plant Project, Kuching
- 10 November 2006
RHB InvestBank: Malaysian Capital Market Summit 2006 - "Growing a Vibrant and Innovative Capital Market"
- 11 November 2006
RHB ISLAMIC: Opening of Jalan Masjid India Marketing Centre, Kuala Lumpur

Corporate Social Responsibility



March 2006

RHB Bank: Blood Donation Drive



June 2006

**RHB Banking Group:
Projek Tekad - USM Kubang Kerian,
Kelantan**



June 2006

RHB Bank, Singapore : Football Clinics for Children



July 2006

RHB Bank: Signing of MoU with Japan Carbon Finance (JCF) & Japan Bank for International Cooperation (JBIC) on Carbon Credit Finance





October 2006

RHB Bank: *Iftar* with the underprivileged



November 2006

RHB Unit Trust: RHB Mudharabah Fund Community Programme



December 2006

RHB Bank, Singapore: Charity Drive – Jamiyah Children’s Home



March 2007

RHB Banking Group: *Projek Kasih* Simpang Renggam, Johor

Corporate Governance Statement

INTRODUCTION

The Board of Directors ('Board') of RHB Capital is pleased to report on the application by the Group of the principles contained in the Malaysian Code on Corporate Governance ('Code') and the extent of compliance with the best practices of the Code as required under the Listing Requirements ('LR') of Bursa Malaysia Securities Berhad ('Bursa Securities').

BOARD OF DIRECTORS

Board Responsibility

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

Composition of the Board

The Board currently comprise of five (5) members, of whom two (2) being Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors. This composition is in line with the LR of Bursa Securities, which requires two (2) or one-third (1/3), whichever is higher, of the Board members to be Independent Directors to fairly reflect the interest of the minority shareholders. On 16 March 2006, Mr Lew Foon Keong was appointed as Senior Independent Director, to whom, relevant concerns pertaining to the Company may be conveyed.

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

In the principal operating subsidiaries, there are clear divisions of responsibilities between the Chairman and the Managing Director/Chief Executive Officer to ensure the balance of power and authority. At the Company level, following the dissolution of the Executive Committee on 1 September 2006, the roles and responsibilities of the said Committee in ensuring the continuity of the day-to-day operations of the Company and the Group was assumed by the Chief Operating Officer with the assistance of the senior management team of the Company. With the guidance of the Board of Directors of the Company, the Chief Operating Officer together with other senior management team of the Company ensures that the strategies are fully discussed and examined, and taking into account the long term interests of the various stakeholders including shareholders, employees, customers, suppliers and the various communities in which the Group conducts its business. In addition to the role and guidance provided by the Independent Non-Executive Directors, each Director nevertheless brings an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

The profile of each Director is presented on page 8 to page 9 of the Annual Report.

Board Meetings

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

Corporate Governance Statement (continued)

The Board met eighteen (18) times during the financial year. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings are as set out below:

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
YBhg Datuk Azlan Zainol	17/18	94
YBhg Dato' Vaseehar Hassan Abdul Razack	15/18	83
YBhg Dato' Mohd Salleh Hj Harun	17/18	94
Encik Johari Abdul Muid	16/18	89
Mr Lew Foon Keong	12/18	67

Directors are required to comply with the minimum 50% attendance requirement at Board meetings held during the financial year as stipulated by the LR of Bursa Securities. Furtherance, under the revised Bank Negara Malaysia's Guidelines (Revised BNM/GP1), the Directors are required to attend at least 75% of the board meetings held in each financial year.

Scheduled Board meetings are structured with a pre-set agenda. The Board's principal focus is the overall strategic direction, financial as well as corporate developments of the Group. Minutes of meetings of the various committees within the Group are tabled to the Board for notation. Key matters such as the Group's business strategy and budget, Group's annual interim results, material contracts and major capital expenditure are reserved for the Board's decision. Agenda and Board papers are circulated to the Board prior to the Board meetings so as to give Directors time to consider and deliberate on the issues to be raised at the Board meetings. The Directors have full access to the senior management of the Group and the advice and services of the Company Secretary.

In addition, the Directors may also seek independent professional advice, at the Company's expense, if required.

Directors' Training

All Directors have attended the required Mandatory Accreditation Programme within the stipulated timeframe. The Directors, during the financial year, also attended various training programmes, seminars and conferences to keep abreast with relevant developments in the business environment as well as new regulatory requirements on a continuous basis in compliance with Paragraph 15.09 of the LR of Bursa Securities.

Appointment of Directors

The Nominating Committee assists the Board in discharging its duties and responsibilities in relation to the appointment of new directors. The Nominating Committee has written Terms of Reference requiring it to identify and select candidates in connection with any proposed new appointment of Directors and makes recommendations to the Board on such appointments. In identifying and selecting the candidates, the Nominating Committee are required to give due consideration to the mix of expertise and experience required for an effective Board.

BOARD COMMITTEES

Audit Committee

The Audit Committee of the Board has been in place since 17 January 1995. Each of the principal operating subsidiaries of the Group, namely RHB Bank Berhad ('RHB Bank'), RHB Islamic Bank Berhad ('RHB Islamic Bank'), RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad) ('RHB InvestBank') and RHB Insurance Berhad ("RHB Insurance") have separate Audit Committees of the Board. All Audit Committees in the Group hold regular meetings to deliberate on findings by both the internal and external auditors and discharge their duties and responsibilities as spelt out in their respective Terms of Reference.

The Audit Committee of the Company presently comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

Corporate Governance Statement (continued)

The Audit Committee meets regularly with the internal auditors and whenever deemed necessary, together with the senior management of the respective companies in the Group and the external auditors to review the Company's and the Group's financial reporting, the nature, scope and results of audit reviews and the effectiveness of the system of internal controls. During the financial year, a total of seven (7) Audit Committee meetings were held.

The Audit Committee also meets at least once a year with the external auditors without the presence of the Management.

The Terms of Reference and the activities of the Audit Committee during the financial year are set out in the Audit Committee Report on page 35 to page 38 of this Annual Report.

Nominating Committee

Apart from identifying and selecting candidates for new appointment, the Nominating Committee is also responsible for assessing the effectiveness of individual Directors, Board as a whole and the various committees of the Board, the chief executive officers and key senior management officers of the relevant companies in the Group. The Nominating Committee 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 completely and efficiently. The committee also serves as the Nominating Committee of RHB Insurance since July 2002.

The Boards of RHB Bank, RHB Islamic Bank and RHB InvestBank have also formed their respective Nominating Committees. In addition, the Company has adopted a Board Assessment Framework methodology for its Board, Board Committees and the individual directors, in line with the Corporate Governance Standards.

The Nominating Committee of the Company presently comprises two (2) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Director.

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

- To establish a documented, formal and transparent procedure for the appointment of directors, chief executive officers and key senior management officers, and to assess the effectiveness of directors, the board as a whole and the various committees of the board, the chief executive officers and key senior management officers of RHB Capital Group;
- To assist the Board in ensuring that appointments are made on merit against an agreed specification;
- 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;
- To examine the size of the Board with a view of determining the impact of the number upon its effectiveness.

Remuneration and Human Resource Committee

The Remuneration and Human Resource Committee assists the Board in ensuring that the executive directors and senior management of the Company and the relevant subsidiaries are fairly rewarded for their individual contributions to the Group's overall performance and the levels of the remuneration are sufficient to attract and retain the best directors and senior management to manage the Group successfully. The committee also serves as the Remuneration and Human Resource Committee of RHB Insurance since July 2002.

The Boards of RHB Bank, RHB Islamic and RHB InvestBank are also assisted by their respective Remuneration and Human Resource Committees.

The Remuneration and Human Resource Committee of the Company presently comprises one (1) Independent Non-Executive Director and two (2) Non-Independent Non-Executive Directors.

Corporate Governance Statement (continued)

The salient Terms of Reference of the Remuneration and Human Resource Committee are as follows:-

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

Risk Management Committee

The Risk Management Committee was established on 23 March 2005. The Committee assists the Board in ensuring the risk management process of the Group is in place and functioning on a consolidated basis. The risk management framework is set up in page 33 of the Annual Report.

The Group's subsidiaries, namely, RHB Bank, RHB InvestBank, RHB Islamic Bank and RHB Insurance, have established their respective Risk Management Committees to further strengthen the risk management processes within the respective subsidiaries. These committees, which report to their respective Boards, meet regularly to oversee the development of general risk policies and procedures, and monitor and evaluate the numerous risks that may arise from their respective business activities.

The Risk Management Committee met four (4) times during the financial year. The salient Terms of Reference of the Risk Management Committee are as follows:-

- Identifying and monitoring the key risks of the RHB Capital Group and evaluating their management;
- Ensuring policies and framework are in place to manage the risks to which the Group is exposed, especially in areas of risk concentration pertaining to the risk exposures that the subsidiaries are exposed to in their business activities, e.g. market, operational, liquidity, credit, regulatory, reputational, legal and strategic risk;
- Ensuring a forum for "big-picture" analysis of future risks including considering trends and evaluating performances of subsidiaries using a risk-based performance management framework;
- Critically assessing the RHB Capital Group's business strategies and plans from a risk-based and enterprise-wide perspective;
- Helping to convey the Board's risk philosophy to the subsidiaries, i.e. to transact and maintain exposures in financial products and markets only when all significant risks have been adequately identified, measured, evaluated and then subsequently managed so that the risk-reward relationship always remain within the parameters; and
- Discharging its risk management responsibilities through a formalised Enterprisewide Risk Management Framework, established for identifying, measuring, managing, reporting and monitoring all categories of business risk across the group.

Executive Committee

The Executive Committee of the Company, which was established in September 2005 to ensure the continuity of the day to day operations of the Company and the Group, was dissolved on 1 September 2006, after which, such role was undertaken by the Chief Operating Officer with the assistance of the senior management team of the Company.

The members of the above respective Board Committees of the Company are set out on page 4 and page 5 of the Annual Report.

Corporate Governance Statement (continued)

Group Shariah Committee

Apart from the above Board Committees, the RHB Group has also established its Group Shariah Committee comprising of five qualified local and foreign Shariah Professionals to act as the advisor for the RHB Group. The current composition of the Group Shariah Committee is as follows:-

- (a) Prof. Dr Abdul Samat Musa (Chairman);
- (b) Dr Ahmed Mohieldin Ahmed;
- (c) Prof. Dr Joni Tamkin Borhan;
- (d) Prof Dr Mohd Ma'sum Billah; and
- (e) Dr Abdulazeem Abozaid

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

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

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors shall retire from office at each Annual General Meeting, subject to the retirement of all Directors at least once in every three (3) years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year to fill casual vacancies are subject to re-election by the shareholders at the next Annual General Meeting held following their appointments.

Corporate Governance Statement (continued)

DIRECTORS' REMUNERATION

The remuneration of Directors is determined at levels which enable the Group to attract and retain the Directors with the relevant experience and expertise needed to assist in managing the Group effectively. For the Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by the particular Non-Executive Director concerned in the Company and in the Group.

Being an investment holding company, all Non-Executive Directors receive fees from the Company for their services rendered, which are approved at the Annual General Meeting by the shareholders before payment is made. In addition, these Directors received Board Committee allowances and meeting attendance allowances.

The aggregate remuneration paid to Non-Executive Directors of the Company comprising remuneration received from the Company and the subsidiaries of the Company during the year, analysed into the following bands are as follows:-

Aggregate remuneration	Number of Directors	Aggregate remuneration	Number of Directors
Current Non-Executive Directors			
RM250,001 – RM300,000	1	RM500,001 – RM550,000	nil
RM300,001 – RM350,000	2	RM550,001 – RM600,000	nil
RM350,001 – RM400,000	nil	RM600,001 – RM650,000	nil
RM400,001 – RM450,000	nil	RM650,001 – RM700,000	1
RM450,001 – RM500,000	nil	RM700,001 – RM750,000	1
Non-Executive Director who had resigned			
RM150,001 – RM200,000	1		

Note:

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, Item 11 of the LR of Bursa Securities.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

It has always been the RHB Group's policy to maintain an open line of communication with all stakeholders, be they shareholders or employees who have a direct interest in the Group, or customers whose interests are paramount for any business.

In line with this policy, the Group has built up and maintained a close rapport with analysts and fund managers, whose analyses and reports help institutional investors make their investment decisions. At the same time, other shareholders as well as customers are kept informed of developments within the Group through the mass media. Interested parties could also obtain information about the RHB Group and its many subsidiaries from its websites www.rhb.com.my, www.rhbbank.com.my and www.rhbislamicbank.com.my.

Information on activities within the Group, as well as its many milestones and developments, is communicated to shareholders and customers on a regular basis through various channels.

Formal briefings are held twice a year to enable the management to brief analysts and fund managers on the Group's financial performance and to give them the opportunity to ask questions or seek clarification. Through these briefings, the Group has also managed to obtain valuable feedback from the investing community.

In line with regulatory requirements, quarterly results of the group's financial performance are extended to Bursa Securities and then communicated to the public through the newspapers. Copies of the press releases and financial statements have also been made available to analysts and fund managers and uploaded onto the Group's Internet and Intranet websites.

Corporate Governance Statement (continued)

Individual analysts and fund managers occasionally bring their institutional clients to meet with the RHB Group's management to obtain more information about the Group or have their queries answered. These may be institutional investors who already have an interest in the Group or are looking to invest in the Group.

Information on new products and services is communicated to customers and shareholders mainly through the media. The various subsidiaries have received wide media coverage for their product launches, be they new credit cards or new funds to invest in. Information on these new products is also available on the Group's Internet and Intranet websites.

Apart from keepings its lines of communication open at all times to enable investors and customers to make enquiries or file complaints, shareholders also have the annual general meeting as a forum to present their views and obtain feedback from the RHB Group.

At the annual general meeting, the Board of Directors present the group's business performance. This is followed by a question and answer session during which shareholders are encouraged to participate by making enquiries or presenting their views. Directors, the Chairman of the Audit Committee as well as external auditors are available to respond to shareholders' questions during the annual general meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Directors take responsibility to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee of the Board assists by scrutinising the information to be disclosed, to ensure accuracy and adequacy. A Statement by Directors of their responsibilities in preparing the financial statements is set out on page 39 of this Annual Report.

Internal Control

The Statement on Internal Control set out on page 33 to page 34 of this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with the Auditors

The Board maintains a formal and transparent professional relationship with the auditors, through the Audit Committee. The role of the Audit Committee in relation to the internal and external auditors is described in the Audit Committee Report set out on page 35 to page 38 of this Annual Report.

Statement on Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Bursa Malaysia Securities Berhad's Listing Requirements require directors of listed companies to include a statement in their annual reports on the state of their internal controls. The guidelines for directors on internal control, the *Statement on Internal Control: Guidance for Directors of Public Listed Companies* ("Guidance") provides guidance for compliance with these requirements.

Set out below is the Board of Directors' ("Board") Statement on Internal Control, which has been prepared in accordance with the Guidance.

RESPONSIBILITY OF THE BOARD

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

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

RISK MANAGEMENT FRAMEWORK

The Group has in place an ongoing process for identifying, evaluating, managing and reporting on the significant risks that may affect the achievement of its business objectives throughout the financial year under review and up to the date of this report. This process is regularly reviewed by the Board to ensure proper management of risks and appropriate measures are timely taken to mitigate any identified weaknesses in the control environment.

To further strengthen the risk management process, Risk Management Committees have been established at group level and at the operating subsidiaries, namely RHB Bank Berhad, RHB Islamic Bank Berhad, RHB Investment Bank Berhad (*formerly known as RHB Sakura Merchant Bankers Berhad*) and RHB Insurance Berhad. These committees, which report to their respective Boards, meet regularly to oversee the development of general risk policies and procedures, monitor and evaluate the numerous risks that may arise from their respective companies' business activities.

Risk Management Units have also been established at these subsidiaries to assist their respective Risk Management Committees in discharging their duties.

Amongst the other committees set up at major subsidiaries in the Group to manage specific areas of risk are the Assets & Liabilities Committee, Underwriting & Credit Committee, Loans Committee, IT Steering Committee and Basel II Steering Committee.

Apart from the above, Control Self-Assessment has been implemented at all key operating companies in the Group as part of the risk management process. These companies are required to identify as well as document the controls and processes for managing the risks arising from their business activities, and assess their effectiveness.

Statement on Internal Control (continued)

KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the Group's internal control system which have been reviewed by the Board are described below:-

- The management of the various companies in the Group is delegated to the respective Chief Executive Officer and/or Chief Operating Officer, and Management Committee, whose responsibilities and authority limits are set by the respective Boards. Appointment of such officers at the companies concerned requires the approval of their respective Boards and relevant regulatory authorities, where applicable;
- Specific responsibilities have been delegated to the relevant Board committees, all of which have written terms of reference. These committees have the authority to examine all matters within their scope of responsibility and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters however lies with the entire Board;
- Delegation of authority including authorisation limits at various levels of management and those requiring the Board's approval are documented and designed to ensure accountability and responsibility;
- Policies and procedures manuals for key processes are documented and regularly updated for application across the Group. These are supplemented by operating standards set by the individual company, as required for the type of business or geographical location of each company;
- Compliance function is established at group level in addition to the Compliance Units set up at key operating subsidiaries. The Group Compliance Unit reports the Group's state of compliance with the laws, regulations, policies and procedures, and internal codes to the Board on a quarterly basis;
- There is clear procedure for investment appraisal including capital expenditure;
- There are proper guidelines for hiring and termination of staff, training programmes for staff, annual performance appraisal and other relevant procedures in place to achieve the objective of ensuring staff are competent to carry out their responsibilities;
- Regular and comprehensive information is provided to management for monitoring of performance against the strategic plan approved by the Board, covering all key financial and operational indicators;
- A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets annually which are discussed and approved by the Board. A reporting system on actual performance against approved budgets is in place and significant variances are followed up by management and reported at the Board;
- Ongoing reviews of the internal control system are carried out by the internal auditors. Results of such reviews are reported to the Audit Committee. The work of the internal auditors is focused on areas of priority as identified by risk analysis and in accordance with the annual internal audit plan approved by the Audit Committee; and
- The Audit Committee holds regular meetings to deliberate on findings and recommendations for improvement by both the internal and external auditors as well as Bank Negara Malaysia examiners on the state of the internal control system. The minutes of the Audit Committee meetings are tabled to the Board.

Audit Committee Report

ACTIVITIES OF THE AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

Activities Of The Audit Committee

During the financial year ended 31 December 2006 ("year"), a total of 7 Audit Committee ("Committee") meetings were held. The Committee comprises the following members and details of attendance of each member at the Committee meetings held during the year are as follows:-

Composition Of The Committee	No. Of Meetings Attended Whilst In Office
1. Mr Lew Foon Keong (Chairman / Senior Independent Non-Executive Director)	7 out of 7 meetings
2. YBhg Dato' Mohd Salleh Hj Harun (Member / Independent Non-Executive Director)	7 out of 7 meetings
3. YBhg Datuk Azlan Zainol (Member / Non-Independent Non-Executive Director)	4 out of 7 meetings

The Committee's activities are concentrated at RHB Capital Berhad and its direct subsidiaries, excluding RHB Bank Berhad, RHB Islamic Bank Berhad, RHB Insurance Berhad and RHB Investment Bank Berhad (*formerly known as RHB Sakura Merchant Bankers Berhad*) which have separate audit committees. The main activities undertaken by the Committee during the year are as follows:-

- Reviewed the quarterly unaudited results and the annual audited financial statements of the Company and the Group as well as the appropriate announcements to Bursa Malaysia Securities Berhad before recommending them for the approval by the Board;
- Reviewed the related party transactions ("RPTs") and the adequacy of the Group's procedures for monitoring and reviewing of RPTs;
- Reviewed with the external auditors, their audit plan, audit strategy and scope of work for the year, their fees as well as the findings emanating from their annual audit. It also considered the reappointment of the external auditors for recommendation to the Board and the shareholders for their approval;
- Reviewed and approved the scope and adequacy of the internal audit plan, including resource needs;
- Reviewed the status of completion of the internal audit plan, the internal audit reports, audit recommendations made and management's response to these recommendations, and actions taken to improve the system of internal control and procedures;
- Reviewed the minutes of meetings of other audit committees in the Group to the extent permitted by the relevant regulatory authorities to satisfy itself that all matters arising therefrom have been appropriately addressed by such other audit committees; and
- Tabled the minutes of each Committee meeting to the Board for notation, and for further direction by the Board, where necessary.

Audit Committee Report (continued)

Internal Audit Function

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

The internal auditors adopt a risk-based approach towards the planning and conduct of audits which is consistent with the Group's framework in designing, implementing and monitoring its internal control system.

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

The 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 AUDIT COMMITTEE

Objectives

1. To assist the Board in the discharge of its responsibilities by reviewing the adequacy and integrity of the Company's and the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
2. To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit process.
3. To provide, by way of regular meetings, a line of communication between the Board and the external auditors.
4. To provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is among others independent of the management.
5. To review the quality of the audits conducted by the internal and external auditors of the Company.
6. To enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

Duties and Responsibilities

1. To review the quarterly results and year-end financial statements of the Company and the Group, and to recommend the same to the Board for approval whilst ensuring that they are prepared in a timely and accurate manner complying with all applicable accounting and regulatory requirements and are promptly published.
2. To review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
3. To review with the external and internal auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.
4. To review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.

Audit Committee Report (continued)

5. To review the internal audit plan and processes, the results of the internal audit programme or investigation undertaken and whether or not appropriate action is taken by management on the recommendations of the internal auditors.
6. To appraise the performance of the head of internal audit and to review the appraisals of senior staff members of the internal audit function.
7. To approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary.
8. To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of management, where necessary.
9. To recommend to the Board on the appointment and the annual reappointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit as well as the removal of auditors.
10. To discuss and review with the external auditors any proposal from them to resign as auditors.
11. To review and approve the non-audit services rendered by the external auditors together with the related fees and thereafter recommending the same to the Board for approval.
12. To review the co-ordination of the audit approach where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors.
13. To review the minutes of meetings of other audit committees within the Group and be satisfied that all matters arising therefrom are being appropriately addressed by these other audit committees.
14. To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.
15. To perform any other functions as authorised by the Board.

Authority

1. The Committee is authorised by the Board to investigate any matter within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to relevant information. It is also authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Committee.
2. The Committee shall have direct communication channels with the external and internal auditors.
3. The Committee is authorised by the Board to obtain independent professional or other advice at the Company's expense and to invite outsiders with relevant experience and expertise to attend meetings, if it considers this necessary.
4. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Committee shall promptly report such matter to Bursa Securities.

Audit Committee Report (continued)

Meetings

1. Meetings shall be held at least four (4) times a year with a minimum quorum of two (2) members and the majority of members present shall be independent non-executive directors. Additional meetings may be called at any time at the discretion of the Chairman of the Committee.
2. The head of internal audit shall be in attendance at meetings of the Committee. The Committee may invite the external auditors, the chief financial officer, any other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.
3. At least once a year, the Committee shall meet with the external auditors without the presence of the management and upon the request of the external auditors, the Chairman of the Committee shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the Board or shareholders.
4. The Company Secretary shall be the Secretary of the Committee.
5. The minutes of each Committee meeting shall be tabled to the Board by the Chairman of the Committee.

Membership

1. The Committee shall be appointed by the Board from amongst its number and shall comprise not less than three (3) members, the majority of whom are independent non-executive directors.
2. The Chairman of the Committee shall be an independent non-executive director appointed by the Board.
3. No alternate director shall be appointed as a member of the Committee.
4. At least one member of the Committee:-
 - i) shall be a member of the Malaysian Institute of Accountants; or
 - ii) if he is not a member of the Malaysian Institute of Accountants, he shall have at least three (3) years' working experience and:-
 - (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (c) fulfils such other requirements as prescribed by the Exchange.
5. The term of office and performance of the Committee and each of its members must be reviewed by the Board at least once every three (3) years.
6. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

Responsibility Statement

by the board of Directors

In the course of preparing the annual financial statements of the Group and of the Company, 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, the provisions of the Companies Act, 1965 and Listing Requirements of the Bursa Securities Malaysia Berhad.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and of the Company present a true and fair view of the state of affairs of the Group and of the Company as of the end of the financial year and the results and cash flows for the financial year ended 31 December 2006.

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

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 presentation 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 Company to be properly safeguarded for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, loss and fraud.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 151 of the Audited Statutory Financial Statements.

Statutory Financial Statements

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Directors' Report

The directors submit herewith their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in commercial banking, Islamic banking, investment banking, leasing, offshore banking, offshore trust services, general insurance, unit trust management, asset management and nominee and custodian services.

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

FINANCIAL RESULTS

	Group	Company
	RM'000	RM'000
Profit before Irredeemable Non-cumulative Convertible Preference Shares ('INCPS') dividends, taxation and zakat	940,296	422,449
INCPS dividends	(110,447)	–
Profit after INCPS dividends and before taxation and zakat	829,849	422,449
Taxation	(235,118)	(116,462)
Zakat	1,166	–
Profit for the financial year	<u>595,897</u>	<u>305,987</u>

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2006:	
First interim dividend of 2.0% less 28% tax paid on 28 June 2006	<u>26,258</u>

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 6.0% less 27% tax amounting to RM78,868,000 will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2007 when approved by the shareholders.

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 Company during the financial year.

Directors' Report (continued)

BAD AND DOUBTFUL DEBTS

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

Directors' Report (continued)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 46 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Significant events subsequent to the balance sheet date are disclosed in Note 47 to the financial statements.

DIRECTORS

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

Dato' Vaseehar Hassan Abdul Razack
 Datuk Azlan Zainol
 Dato' Mohd Salleh Hj Harun
 Johari Abdul Muid
 Lew Foon Keong
 Dato Sri Sulaiman Abdul Rahman Taib (resigned on 7 June 2006)

Pursuant to Article 80 of the Company's Articles of Association, Dato' Mohd Salleh Hj Harun and Johari Abdul Muid retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SECURITIES

According to the register of directors' shareholdings, the interests of the directors in office at the end of the financial year in the securities of the Company and its related corporations were as follows:

Number of ordinary shares of RM1.00 each				
	As at 1.1.2006	Bought/ Converted	Sold	As at 31.12.2006
The Company				
Dato' Vaseehar Hassan Abdul Razack				
– indirect ¹	1,182,896,459	–	(2,000,000)	1,180,896,459
Dato' Mohd Salleh Hj Harun				
– direct	15,000	–	–	15,000
Holding company				
Rashid Hussain Berhad ('RHB')				
Dato' Vaseehar Hassan Abdul Razack				
– indirect ²	238,127,000	–	–	238,127,000
Number of Warrants 2001/2007				
	As at 1.1.2006	Bought	Sold/ Converted	As at 31.12.2006
Holding company				
RHB				
Dato' Vaseehar Hassan Abdul Razack				
– indirect ²	8,000,000	–	–	8,000,000

Directors' Report (continued)

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

Each warrant of RHB ('Warrants 2001/2002') entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in RHB at any time from the date of issue on 4 April 2001 at an exercise price of RM1.90 per share. The exercise price is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll executed on 13 February 2001. Pursuant to a Supplemental Deed Poll dated 20 March 2002, the exercise period of the Warrants 2001/2002 has been extended by five (5) years to expire on 24 March 2007 and the Warrants 2001/2002 are now known as Warrants 2001/2007. The Warrants 2001/2007 has expired at 5.00 p.m. on 23 March 2007 (being the market day immediately preceding 24 March 2007).

**Nominal Amount (RM) of 2002/2012
0.5% Irredeemable Convertible Unsecured Loan Stocks
of RM1.00 each nominal value
('RHB ICULS-A')**

	As at 1.1.2006	Bought	Sold/ Converted	As at 31.12.2006
Holding company				
RHB				
Dato' Vaseehar Hassan Abdul Razack				
- indirect ²	449,206,479	-	-	449,206,479

The RHB ICULS-A entitle the registered holders to convert their RHB ICULS-A into new ordinary shares of RM1.00 each in RHB ('New Shares') at the conversion price of RM1.00 per New Share ('Conversion Price') at any time within a period of ten (10) years from the date of issue on 24 December 2002 in accordance with the Trust Deed constituting the RHB ICULS-A dated 24 December 2002. The Conversion Price shall be satisfied by surrendering for conversion into New Shares such nominal value of RHB ICULS-A which equal to the Conversion Price.

**Nominal Amount (RM) of 2002/2012
3.0% Irredeemable Convertible Unsecured Loan Stocks
of RM1.00 each nominal value
('RHB ICULS-B')**

	As at 1.1.2006	Bought	Sold/ Converted	As at 31.12.2006
Holding company				
RHB				
Dato' Vaseehar Hassan Abdul Razack				
- indirect ²	403,471,898	-	-	403,471,898

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

Notes:

- 1 Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his indirect substantial interest in the holding company, RHB.
- 2 Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his indirect substantial interest in Utama Banking Group Berhad.

Directors' Report (continued)

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

By virtue of his indirect substantial interests in the shares of RHB, Dato' Vaseehar Hassan Abdul Razack is also deemed to have an indirect substantial interest in the securities of the subsidiaries of RHB to the extent RHB has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than directors' remuneration and benefits-in-kind as disclosed in Notes 32 and 33 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest (other than those disclosed in Note 43 to the financial statements).

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiaries is a party, being arrangements with the object or objects of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

HOLDING AND ULTIMATE HOLDING COMPANY

The Company's holding and ultimate holding company is RHB, a company incorporated in Malaysia.

BUSINESS STRATEGY AND OUTLOOK FOR 2007

The business landscape continues to evolve, both in terms of the global environment and in terms of the domestic playing field. The creation of investment banking groups over the course of the last year was intended to stimulate competition and lead to greater dynamism within the Investment Banking Industry. The Group itself completed its rationalisation of its investment banking business through the amalgamation of the securities and futures businesses into the merchant banking unit to bring into existence RHB Investment Bank Berhad.

In the coming year, the Group will continue to manage markets and business segments proactively. The focus will be to enhance existing cross-selling efforts within the Bank and its sister companies in the Group to provide the Group's customers with comprehensive financial solutions. The Investment Banking Group will also re-double its efforts to enhance its fee and non-interest income.

As a whole, the Group will also strive to manage funding costs and optimise delivery channel efficiency.

Directors' Report (continued)

RATINGS BY RATING AGENCIES

During the financial year, the Group and the Company were rated by the following external rating agencies:

Agencies	Date accorded	Ratings
RHB Capital Berhad		
Rating Agency Malaysia Berhad ('RAM')	August 2006	Long term rating for the following bonds: (a) RM600 million Serial Bonds rating – A2 (b) RM350 million Fixed Rate Bond – A2 (c) RM150 million Commercial Papers/Medium-Term Notes Program – A2/P1
RHB Bank Berhad ('RHB Bank')		
RAM	November 2006	Long term rating – AA3 Short term rating – P1 Subordinated Bonds rating – A1
Standard & Poor's	May 2006	Long term counterparty credit rating – BBB Short term counterparty credit rating – A-2 USD Subordinated Notes rating – BBB- Bank fundamental strength rating – C
Moody's Investors Service	May 2006	Long term bank deposit rating – A3 Short term bank deposit rating – P-1 USD Subordinated Notes rating – Baa1 Bank financial strength rating – D
Fitch Ratings	July 2006	Long term senior foreign currency credit rating – BBB USD Subordinated Notes rating – BBB- Individual rating – C/D Support rating – 2
RHB Investment Bank Berhad [formerly known as RHB Sakura Merchant Bankers Berhad (‘RHB Investment Bank’)]		
RAM	January 2007	Long term rating – A2 Short term rating – P1 Subordinated Bonds rating – A3

Directors' Report (continued)

RATINGS BY RATING AGENCIES (CONTINUED)

Description of the ratings accorded

(a) RAM

(i) Long term rating/Subordinated Bonds rating

AA High safety for timely payment of interest and principal.

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

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

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

(ii) Short term rating

P1 Very strong safety with regard to timely payment on the instrument.

(b) Standard & Poor's

(i) Long term issue credit rating/USD Subordinated Notes rating

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

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

(ii) Short term issue credit rating

A-2 A short term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

(iii) Bank fundamental strength rating ('BFSR')

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

The ratings from 'B' to 'E' may be modified by the addition of a plus (+) sign to show the higher relative standing within the rating categories.

Directors' Report (continued)

RATINGS BY RATING AGENCIES (CONTINUED)**Description of the ratings accorded (continued)****(c) Moody's Investors Service**(i) Long term bank deposit rating

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

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

(ii) Short term bank deposit rating

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

(iii) Long term obligation rating (USD Subordinated Notes)

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

Moody's appends the numerical modifiers 1, 2 and 3 to each generic rating category from 'Aa' through 'Caa'. 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.

(iv) Bank financial strength rating

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

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

(d) Fitch Ratings(i) Long term foreign currency credit rating/USD Subordinated Notes rating

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

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

Directors' Report (continued)

RATINGS BY RATING AGENCIES (CONTINUED)

Description of the ratings accorded (continued)

(d) Fitch Ratings (continued)

(ii) Individual rating

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

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

(iii) Support rating

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

AUDITORS

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

Signed in accordance with a resolution of the Board of Directors dated 29 March 2007.

DATO' VASEEHAR HASSAN ABDUL RAZACK
DIRECTOR

JOHARI ABDUL MUID
DIRECTOR

Balance Sheets

as at 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
ASSETS					
Cash and short term funds	2	10,671,553	11,364,271	13,398	1,695
Securities purchased under resale agreements		2,691,541	2,219,491	–	–
Deposits and placements with banks and other financial institutions	3	5,590,420	2,614,091	1,171	87,574
Securities held-for-trading	4	5,160,642	3,368,967	–	–
Securities available-for-sale ('Securities AFS')	5	6,269,350	2,161,147	–	–
Securities held-to-maturity	6	13,107,585	13,913,301	–	–
Loans, advances and financing	7	53,392,886	48,358,756	–	–
Clients' and brokers' balances	8	177,027	162,220	–	–
Other assets	9	565,298	427,191	32,857	33,011
Derivative assets	10	168,819	47,554	–	–
Amount due from holding company	11	1,236,030	1,153,601	1,236,030	1,153,601
Amounts due from subsidiaries	12	–	–	126,200	136,417
Statutory deposits	13	1,905,043	1,695,831	–	–
Tax recoverable		53,032	58,466	19,172	16,094
Deferred tax assets	14	254,767	247,505	–	–
Investments in subsidiaries	15	–	–	6,911,026	6,780,246
Investments in associates	16	15,289	15,734	–	–
Property, plant and equipment	17	883,180	922,610	1,295	2,028
Goodwill	18	1,167,513	1,167,513	–	–
TOTAL ASSETS		103,309,975	89,898,249	8,341,149	8,210,666

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

Balance Sheets

as at 31 December 2006 (continued)

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	19	57,525,532	49,921,110	-	-
Deposits and placements of banks and other financial institutions	20	11,577,118	11,028,831	-	-
Obligations on securities sold under repurchase agreements		14,995,199	10,942,799	-	-
Bills and acceptances payable		3,778,758	3,313,060	-	-
Clients' and brokers' balances	21	251,372	198,490	-	-
Other liabilities	22	1,836,280	1,554,378	40,852	40,062
Derivative liabilities	10	158,231	69,251	-	-
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		2,879,284	3,356,992	-	-
Amounts due to subsidiaries	12	-	-	3,262,588	3,339,412
Taxation		90,518	26,412	-	-
Deferred tax liabilities	14	16,522	2,904	45	-
Borrowings	23	1,551,812	1,342,669	1,269,412	1,342,669
Subordinated obligations	24	1,493,158	1,530,252	-	-
INCPS	25	1,104,469	1,104,469	-	-
TOTAL LIABILITIES		97,258,253	84,391,617	4,572,897	4,722,143
Share capital	26	1,823,475	1,823,475	1,823,475	1,823,475
Reserves	27	3,104,564	2,669,080	1,944,777	1,665,048
		4,928,039	4,492,555	3,768,252	3,488,523
Minority interests		1,123,683	1,014,077	-	-
TOTAL EQUITY		6,051,722	5,506,632	3,768,252	3,488,523
TOTAL LIABILITIES AND EQUITY		103,309,975	89,898,249	8,341,149	8,210,666
COMMITMENTS AND CONTINGENCIES	40	56,939,867	46,115,240	-	-

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

Income Statements

for the financial year ended 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest income	28	4,410,723	3,511,124	85,355	78,756
Interest expense	29	(2,465,314)	(1,884,871)	(102,483)	(109,684)
Net interest income/(expense)		1,945,409	1,626,253	(17,128)	(30,928)
Other operating income	30	859,968	810,085	462,692	357,878
		2,805,377	2,436,338	445,564	326,950
Income from Islamic Banking business	31	236,099	147,674	–	–
		3,041,476	2,584,012	445,564	326,950
Other operating expenses	32	(1,354,739)	(1,272,534)	(23,115)	(69,329)
Operating profit before allowances		1,686,737	1,311,478	422,449	257,621
Allowance for losses on loans and financing	34	(709,366)	(537,093)	–	–
Impairment loss	35	(36,600)	(85,812)	–	–
		940,771	688,573	422,449	257,621
Share of results of associates		(475)	295	–	–
Profit before INCPS dividends, taxation and zakat		940,296	688,868	422,449	257,621
INCPS dividends	36	(110,447)	(110,447)	–	–
Profit after INCPS dividends and before taxation and zakat		829,849	578,421	422,449	257,621
Taxation	37	(235,118)	(144,852)	(116,462)	(87,899)
Zakat		1,166	(921)	–	–
Profit for the financial year		595,897	432,648	305,987	169,722
Attributable to:					
– Equity holders of the Company		438,310	315,778	305,987	169,722
– Minority interests		157,587	116,870	–	–
		595,897	432,648	305,987	169,722
Earnings per share (sen)					
– basic	38	24.0	17.3		
– diluted		N/A	N/A		
Gross dividend per share (sen)	39				
– interim dividend paid		2.0	3.5	2.0	3.5
– final dividend proposed		6.0	–	6.0	–

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 2006

		< ----- Attributable to equity holders of the Company ----- >										
Group	Note	Share capital RM'000	Share premium RM'000	Reserve funds RM'000	Merger reserves RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserve RM'000	Retained profits RM'000	Sub- total RM'000	Minority interests RM'000	Total equity RM'000
Balance as at 1 January 2006		1,823,475	1,114,593	1,292,229	6,431	8,563	(4,133)	4,003	247,394	4,492,555	1,014,077	5,506,632
Currency translation differences		-	-	-	-	-	-	(10,571)	280	(10,291)	(5,223)	(15,514)
Unrealised net gain/(loss) on revaluation of securities AFS		-	-	-	-	-	61,361	-	-	61,361	(7,119)	54,242
Net transfer to income statement on disposal or impairment		-	-	-	-	-	(15,197)	-	-	(15,197)	3,704	(11,493)
Deferred tax		-	-	-	-	-	(12,441)	-	-	(12,441)	1,164	(11,277)
Income and expenses recognised directly in equity		-	-	-	-	-	33,723	(10,571)	280	23,432	(7,474)	15,958
Profit for the financial year		-	-	-	-	-	-	-	438,310	438,310	157,587	595,897
Total income and expenses recognised for the financial year		-	-	-	-	-	33,723	(10,571)	438,590	461,742	150,113	611,855
Transfer in respect of statutory requirements		-	-	151,568	-	-	-	-	(151,568)	-	-	-
Ordinary dividends	39	-	-	-	-	-	-	-	(26,258)	(26,258)	-	(26,258)
Dividends paid to minorities		-	-	-	-	-	-	-	-	-	(40,507)	(40,507)
Balance as at 31 December 2006		1,823,475	1,114,593	1,443,797	6,431	8,563	29,590	(6,568)	508,158	4,928,039	1,123,683	6,051,722

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 2006 (continued)

< ----- Attributable to equity holders of the Company ----- >												
Group (continued)	Note	Share capital RM'000	Share premium RM'000	Reserve funds RM'000	Merger reserves RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserve RM'000	Retained profits RM'000	Sub- total RM'000	Minority interests RM'000	Total equity RM'000
Balance as at 1 January 2005		1,823,475	1,114,593	1,171,771	(8,693)	8,563	(9,727)	14,371	98,026	4,212,379	945,646	5,158,025
Currency translation differences		-	-	-	-	-	-	(10,368)	-	(10,368)	(4,532)	(14,900)
Unrealised net loss on revaluation of securities AFS		-	-	-	-	-	(20,265)	-	-	(20,265)	(7,210)	(27,475)
Net transfer to income statement on disposal or impairment		-	-	-	-	-	29,003	-	-	29,003	18,665	47,668
Deferred tax		-	-	-	-	-	(3,144)	-	-	(3,144)	(3,515)	(6,659)
Transfer in respect of liquidation of an associate		-	-	-	15,124	-	-	-	-	15,124	-	15,124
Fair value adjustment on assets acquired in previous financial year		-	-	-	-	-	-	-	-	-	281	281
Income and expenses recognised directly in equity		-	-	-	15,124	-	5,594	(10,368)	-	10,350	3,689	14,039
Profit for the financial year		-	-	-	-	-	-	-	315,778	315,778	116,870	432,648
Total income and expenses recognised for the financial year		-	-	-	15,124	-	5,594	(10,368)	315,778	326,128	120,559	446,687
Transfer in respect of statutory requirements		-	-	120,458	-	-	-	-	(120,458)	-	-	-
Ordinary dividends	39	-	-	-	-	-	-	-	(45,952)	(45,952)	-	(45,952)
Dividends paid to minorities		-	-	-	-	-	-	-	-	-	(52,128)	(52,128)
Balance as at 31 December 2005		1,823,475	1,114,593	1,292,229	6,431	8,563	(4,133)	4,003	247,394	4,492,555	1,014,077	5,506,632

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 2006 (continued)

Company	Note	Non-distributable		Distributable	Total RM'000
		Share capital RM'000	Share premium RM'000	Retained profits RM'000	
Balance as at 1 January 2006		1,823,475	1,114,593	550,455	3,488,523
Profit for the financial year		-	-	305,987	305,987
Ordinary dividends	39	-	-	(26,258)	(26,258)
Balance as at 31 December 2006		1,823,475	1,114,593	830,184	3,768,252
Balance as at 1 January 2005		1,823,475	1,114,593	426,685	3,364,753
Profit for the financial year		-	-	169,722	169,722
Ordinary dividends	39	-	-	(45,952)	(45,952)
Balance as at 31 December 2005		1,823,475	1,114,593	550,455	3,488,523

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

Cash Flow Statements

for the financial year ended 31 December 2006

Group	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before INCPS dividends, taxation and zakat	940,296	688,868
Adjustments for:		
Allowance for losses on loans and financing	787,017	679,615
Interest suspended	107,850	77,756
Property, plant and equipment		
– depreciation	101,265	105,645
– impairment loss	477	1,365
– gain on disposal	(4,198)	(1,613)
– written off	141	194
Impairment loss on securities	36,123	84,447
Accretion of discounts for borrowings and subordinated obligations	1,998	1,505
Share of results of associates	475	(295)
Loss on liquidation of an associate	–	17,251
Interest income from securities	(984,053)	(626,064)
Net gain arising from sale/redemption of securities	(83,209)	(164,036)
Unrealised (gain)/loss on revaluation of securities held-for-trading	(33,862)	6,287
Unrealised foreign exchange (gain)/loss	(31,882)	16,604
Amortisation of premium less accretion of discount	(15,572)	(12,448)
Gross dividend income from securities	(9,053)	(6,145)
Operating profit before working capital changes	813,813	868,936
(Increase)/Decrease in operating assets:		
Securities purchased under resale agreements	(472,050)	(2,179,033)
Deposits and placements with banks and other financial institutions	(2,976,329)	(2,070,975)
Securities held-for-trading	(1,699,225)	(1,597,344)
Loans, advances and financing	(5,858,021)	(5,163,807)
Clients' and brokers' balances	(14,807)	40,514
Other assets	35,832	(3,208)
Amount due from holding company	(82,429)	(121,112)
Statutory deposits	(209,212)	(271,450)
	(11,276,241)	(11,366,415)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	7,604,422	(246,142)
Deposits and placements of banks and other financial institutions	548,287	3,904,889
Obligations on securities sold under repurchase agreements	4,052,400	2,998,158
Bills and acceptances payable	465,698	690,129
Clients' and brokers' balances	52,882	(99,044)
Other liabilities	353,868	216,038
Recourse obligation on loans sold to Cagamas	(477,708)	(9,859)
	12,599,849	7,454,169
Cash generated from/(used in) operations	2,137,421	(3,043,310)

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

Cash Flow Statements

for the financial year ended 31 December 2006 (continued)

Group (continued)	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)		
Taxation and zakat paid	(197,514)	(178,133)
Taxation recovered	47,100	11,661
Net cash generated from/(used in) operating activities	1,987,007	(3,209,782)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/sale of securities	(3,322,039)	1,724,110
Purchase of property, plant and equipment	(71,486)	(72,990)
Increase in investments in an associate	(30)	(20)
Interest received from securities	630,445	430,020
Proceeds from disposal of property, plant and equipment	16,341	7,246
Dividend income received from securities	6,518	4,425
Capital repayment upon liquidation of an associate	-	4,025
Dividend income received from an associate	-	716
Net cash (used in)/generated from investing activities	(2,740,251)	2,097,532
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	523,680	86,452
Net proceeds from issuance of bonds	340,900	592,275
Redemption of bonds	(375,000)	(325,000)
Repayment of borrowings	(278,032)	(401,700)
INCPS dividends paid	(79,522)	(79,522)
Dividends paid to minorities	(40,507)	(52,128)
Dividends paid to equity holders of the Company	(26,258)	(45,952)
Payment to hire-purchase creditors	(562)	(372)
Net cash generated from/(used in) financing activities	64,699	(225,947)
Net decrease in cash and cash equivalents	(688,545)	(1,338,197)
Cash and cash equivalents at the beginning of the financial year	11,360,098	12,698,295
Cash and cash equivalents at the end of the financial year	10,671,553	11,360,098

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

Cash Flow Statements

for the financial year ended 31 December 2006 (continued)

Group (continued)	2006	2005
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and short term funds	10,671,553	11,364,271
Overdrafts	-	(4,173)
	10,671,553	11,360,098
Analysis of purchase of property, plant and equipment:		
Cash	71,486	72,990
The following cash and cash equivalents are not readily available for use by the Group:		
Cash and short term funds of banking subsidiaries for utilisation in the ordinary course of banking business	10,572,524	11,296,072
Accounts held in trust for clients and remisiers	98,602	57,079
Sinking fund accounts	-	1,421
	10,671,126	11,354,572

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

Cash Flow Statements

for the financial year ended 31 December 2006 (continued)

Company	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	422,449	257,621
Adjustments for:		
Interest expense	102,483	109,684
Unrealised foreign exchange loss/(gain)	782	(475)
Property, plant and equipment		
– depreciation	656	709
– gain on disposal	(131)	–
Loss on liquidation of an associate	–	36,000
Loss on transfer of investment in a subsidiary	–	48
Dividend income	(461,798)	(355,670)
Interest income	(85,355)	(78,756)
Operating loss before working capital changes	<u>(20,914)</u>	<u>(30,839)</u>
Decrease/(Increase) in deposits and placements with banks and other financial institutions	86,403	(86,768)
Increase in inter-company balances	(68,941)	(48,233)
Decrease in other assets	143	3,915
(Decrease)/Increase in other liabilities	(3,645)	1,296
Cash used in operations	<u>(6,954)</u>	<u>(160,629)</u>
Taxation recovered	9,311	7,091
Net cash generated from/(used in) operating activities	<u>2,357</u>	<u>(153,538)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend income received from subsidiaries	332,992	256,082
Proceeds from disposal of property, plant and equipment	310	–
Interest income received	3,074	3,529
Purchase of property, plant and equipment	(102)	(870)
Increase in investments in a subsidiary	(130,780)	–
Net cash generated from investing activities	<u>205,494</u>	<u>258,741</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of bonds	340,900	592,275
Drawdown of borrowings	241,280	86,452
Repayment of borrowings	(278,032)	(396,700)
Redemption of bonds	(375,000)	(325,000)
Interest expense paid	(94,303)	(93,236)
Dividends paid to equity holders of the Company	(26,258)	(45,952)
Payment to hire-purchase creditors	(562)	(372)
Net cash used in financing activities	<u>(191,975)</u>	<u>(182,533)</u>

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

Cash Flow Statements

for the financial year ended 31 December 2006 (continued)

Company (continued)	2006	2005
	RM'000	RM'000
Net increase/(decrease) in cash and cash equivalents	15,876	(77,330)
Cash and cash equivalents at the beginning of the financial year	(2,478)	74,852
Cash and cash equivalents at the end of the financial year	13,398	(2,478)
Cash and cash equivalents comprise the following:		
Cash and short term funds	13,398	1,695
Overdrafts	-	(4,173)
	13,398	(2,478)
Analysis of purchase of property, plant and equipment:		
Cash	102	870

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements except as disclosed below:

(1) Basis of preparation of the financial statements

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in the 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 all activities relating to the Islamic Banking business undertaken by the Group in compliance with Shariah principles.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965, FRS, the MASB approved accounting standards in Malaysia for entities other than private entities and BNM's guidelines 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 year. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from estimates.

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

During the financial year, the Group and the Company adopted the following new and revised FRS issued by MASB that are relevant and effective for financial statements commencing 1 January 2006:

- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events after the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The adoption of the above new FRS does not have any significant financial impact on the results of the Group and the Company other than the effect of restatement of the comparative figures as disclosed in Note 51.

The new standards, amendments to published standards and interpretations that are mandatory for the Group's financial periods beginning on or after 1 January 2007 or later periods, but which the Group has not early adopted, are as follows:

- FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006) – This standard requires the classification of leasehold land as prepaid lease payments. The Group will apply this standard from financial periods beginning 1 January 2007.
- FRS 124 Related Party Disclosures (effective for accounting periods beginning on or after 1 October 2006) – This standard will affect the identification of related parties and some other related party disclosures.
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by MASB) – This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective. Nevertheless, the accounting policies of the Group incorporate requirements of the Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8') which includes selected principles of FRS 139.

(2) Basis of consolidation

(a) Subsidiaries

The consolidated financial statements include the financial statements of the Company 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 combinations which were accounted for using the merger method as follows:

- subsidiaries that were consolidated prior to 1 July 2001 in accordance with Malaysian Accounting Standard 2 'Accounting for Acquisitions and Mergers', the generally accepted accounting principles prevailing at that time;
- business combinations consolidated on/after 1 July 2001 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122₂₀₀₄ 'Business Combinations';
- 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 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of consolidation (continued)

(a) Subsidiaries (continued)

The Group has taken advantage of the exemption provided by 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, the results of subsidiaries acquired or disposed of during the financial year are included from the date of acquisition or up to the date of disposal. The cost of an acquisition is measured as the 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 acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the acquisition date is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

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 is the difference between the net disposal proceeds and the Group's share of its net assets together with the carrying amount of the goodwill on the date of disposal.

Minority interests represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of consolidation (continued)

(b) Associates

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

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

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.

(3) Investments in subsidiaries

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

Investments in subsidiaries are stated at cost less any impairment loss. At each balance sheet date, the Company assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note (25) on impairment of non-financial assets.

(4) Investments in associates

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

Investments in associates are stated at cost less any impairment loss. At each balance sheet date, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note (25) on impairment of non-financial assets.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Goodwill

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Refer to accounting policy Note (25) on impairment of non-financial assets.

(6) Securities

The Group classifies its securities portfolio into securities held-for-trading, securities held-to-maturity or securities AFS. Classification of the securities is determined at initial recognition.

(a) Securities held-for-trading

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

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

(b) Securities held-to-maturity

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

(c) Securities AFS

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Securities (continued)

(c) Securities AFS (continued)

Dividends on AFS equity instruments are recognised in the income statement when the right to receive payment has been established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes 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 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 apply. Refer to accounting policy Note (26) on impairment of securities.

(7) Receivables

Receivables are carried at anticipated realisable values. An estimate is made for 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.

(8) Repurchase agreements

Securities purchased under resale agreements are securities which the banking subsidiaries have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet.

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

(9) Foreclosed properties

Foreclosed properties are stated at cost. Where an indication of impairment exists, the carrying amount of the foreclosed properties is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note (25) on impairment of non-financial assets.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) Property, plant and equipment and depreciation

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

Freehold land, buildings in progress, renovations in progress and computer software in progress are not depreciated. Other property, plant and equipment are depreciated on a straight-line basis to write down their costs to their residual values over their estimated useful lives. The principal annual depreciation rates are as follows:

Leasehold land	Amortised over the period of the leases. The remaining period of the leases range from 11 to 887 years
Buildings	2% to 3 $\frac{1}{3}$ %
Renovations and improvements	7 $\frac{1}{2}$ % to 20% or lease period
Computer equipment and software	20% to 33 $\frac{1}{3}$ %
Furniture, fittings and equipment	7 $\frac{1}{2}$ % to 20%
Motor vehicles	20% to 25%

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

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

At each balance sheet date, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Note (25) on impairment of non-financial assets.

(11) Derivative financial instruments and hedge accounting

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

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(11) Derivative financial instruments and hedge accounting (continued)

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

(a) Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to 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.

(b) Cash flow hedge

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

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

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

(c) Derivatives that do not qualify for hedge accounting

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

(12) Bills and acceptances payable

Bills and acceptances payable represent the banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')

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

For Islamic Banking, the sale of Islamic debt 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) Assets purchased under lease

(a) Operating lease

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

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

(b) Finance lease

Leases of assets where the Group assumes substantially all the risks and benefits of ownership of the assets are classified as finance leases. The assets are capitalised under property, plant and equipment and subject to depreciation consistent with that of depreciable assets which are owned. The assets and the corresponding lease obligations are recorded at the lower of present value of the minimum lease payments and the fair value of the leased assets at the beginning of the lease term. Each lease payment is allocated between the liability and finance charges using effective yield basis. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance charges is charged to the 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 leases is depreciated over the shorter of the estimated useful life of the asset and the lease term.

(15) Assets sold under lease

(a) 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.

(b) Finance lease

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16) Assets purchased under hire-purchase

Assets purchased under hire-purchase arrangements are capitalised at inception of the hire-purchase. Outstanding obligations due under hire-purchase agreements after deducting finance charges are treated as liabilities in the balance sheet. The interest element of the finance charges is charged to the income statement over the hire-purchase period.

(17) Other provisions

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

(18) 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.

Preference shares which carry a mandatory coupon, or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement on an amortised cost basis using the effective interest method.

(19) Profit Equalisation Reserve ('PER') on Islamic Banking business

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

(20) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is 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 a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) Income recognition

- (a) Interest income is recognised on 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 the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis.

- (b) Loan arrangement fees, commissions and placement fees are recognised as income when all conditions precedent are fulfilled.
- (c) Guarantee fees are recognised as income upon issuance of guarantees.
- (d) Commitment fees are recognised as income based on time apportionment.
- (e) Income from Islamic Banking business is recognised on accruals basis in accordance with the principles of Shariah.
- (f) Brokerage commission is recognised when contracts are executed. Interest income from margin financing, clients' overdue outstanding purchases and contra losses are recognised on accruals basis. When an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis.
- (g) Premium income from general insurance business (net of all reinsurance) is recognised on the date of assumption of risks. Premium in respect of risks incepted, for which policies have not been raised as at the balance sheet date, are accrued at that date.
- (h) Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.
- (i) Management fees of the unit trust management company are recognised on accruals basis. Sales value of trust units is recognised on the approval of a unitholder's application. Value from the cancellation of trust units is recognised upon approval of the trustee.
- (j) Dividends from all investments are recognised when the shareholders' right to receive payment is established.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) Allowance for non-performing debts and financing

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

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

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

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

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

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

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

(23) General insurance

General insurance underwriting surplus before management expenses are determined after accounting for net premium, unearned premium reserves, net claims incurred and net commissions.

Allowances or reserves for unearned premiums are calculated in accordance with the fixed percentage method or time apportionment method, where applicable. Allowance is made for outstanding claims based on the estimated cost of claims, less reinsurance recoveries in respect of claims notified and include claims incurred but not reported at the balance sheet date ('IBNR'). Allowance for IBNR is computed using a mathematical method of estimation and is based on an actuarial valuation carried out by an independent actuarial firm.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) Employee benefits

(a) Short term employee benefits

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

(b) Defined contribution plans

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

(c) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee undergoes voluntary redundancy in exchange for these benefits.

(25) Impairment of non-financial assets

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

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement. Impairment loss on goodwill is not reversed.

(26) Impairment of securities

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(26) Impairment of securities (continued)

(a) Securities carried at amortised cost

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

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

(b) Securities carried at fair value

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

(27) Income taxes

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

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

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

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

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the 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 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(28) Currency conversion and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(29) Dividends

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

(30) Cash and cash equivalents

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

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

(31) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risk and return. 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.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2006 (continued)

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Allowance for losses on loans and advances

The Group makes allowance for losses based on assessment of recoverability which is guided by the relevant BNM's Guidelines.

(b) Impairment of goodwill

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amount from the cash-generating 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) General insurance

The estimation of pipeline premiums, i.e. premiums incepted for which the policies have not been issued is based on the actual pipeline premiums in prior years adjusted for recent trend and events.

IBNR claims are estimated based on the chain ladder method using cumulated incurred claims. The underlying assumption of the method is that the claims reporting patterns and the reserving practices of the subsidiary are stable. The method also implicitly assumes that the past inflation patterns will continue into future projected years. The estimation is performed by an independent external actuary.

Notes to the Financial Statements

for the financial year ended 31 December 2006

1 GENERAL INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Securities.

The principal activity of the Company is investment holding. The Group is involved in commercial banking, Islamic banking, investment banking, leasing, offshore banking, offshore trust services, general insurance, unit trust management, asset management and nominee and custodian services.

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

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

2 CASH AND SHORT TERM FUNDS

		Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and balances with banks and other financial institutions	(a)	387,976	702,633	598	274
Money at call and deposit placements maturing within one month	(b)	10,283,577	10,661,638	12,800	1,421
		10,671,553	11,364,271	13,398	1,695

(a) Included in cash and balances with banks and other financial institutions are:

	Group	
	2006 RM'000	2005 RM'000
Accounts held in trust for clients and remisiers	6,628	7,625

(b) Included in money at call and deposit placements are:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Accounts held in trust for clients and remisiers	91,974	49,454	–	–
Sinking fund accounts	–	1,421	–	1,421

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Licensed banks	881,029	311,075	1,171	87,574
Licensed finance companies	–	36,500	–	–
Licensed merchant banks	20,000	15,084	–	–
BNM	4,675,000	2,249,100	–	–
Other financial institutions	14,391	2,332	–	–
	5,590,420	2,614,091	1,171	87,574

Included in deposits and placements with licensed banks are:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sinking fund accounts	–	86,440	–	86,440
Deposits pledged to licensed banks	2,014	2,754	394	1,134

4 SECURITIES HELD-FOR-TRADING

	Group	
	2006 RM'000	2005 RM'000
At fair value		
Money market instruments:		
Quoted		
Government investment issues	421,241	208,084
Khazanah bonds	389,473	198,389
Malaysian government securities	196,338	25,030
Singapore government stocks	192,069	317,799
Unquoted		
Private debt securities	1,113,968	800,332
Negotiable instrument of deposits	955,019	59,994
Bankers' acceptances and Islamic accepted bills	757,128	763,727
BNM bills/notes	613,125	444,592
Fixed rate notes	229,710	249,057
Malaysian government treasury bills	28,965	20,654
	4,897,036	3,087,658

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

4 SECURITIES HELD-FOR-TRADING (CONTINUED)

	Group	
	2006	2005
	RM'000	RM'000
At fair value		
Quoted securities:		
In Malaysia		
Shares	42,817	44,008
Unit trust	6,720	4,416
Outside Malaysia		
Other government securities	114,487	126,856
Bonds	98,682	105,289
Shares	900	424
Unquoted securities:		
Outside Malaysia		
Shares	-	316
	5,160,642	3,368,967

5 SECURITIES AVAILABLE-FOR-SALE ('SECURITIES AFS')

	Group	
	2006	2005
	RM'000	RM'000
At fair value		
Money market instruments:		
Quoted		
Cagamas bonds and Cagamas Mudharabah bonds	451,156	585,534
Singapore government stocks	103,952	-
Malaysia government securities	50,190	-
Khazanah bonds	9,405	-
Government investment issues	5,058	-

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

5 SECURITIES AVAILABLE-FOR-SALE ('SECURITIES AFS') (CONTINUED)

	Group	
	2006 RM'000	2005 RM'000
At fair value		
Money market instruments: (continued)		
Unquoted		
Negotiable instrument of deposits	3,220,039	–
Private debt securities	912,132	414,022
BNM bills/notes	401,056	99,575
Structured notes	306,351	322,498
Singapore government treasury bills	85,890	56,761
Malaysian government treasury bills	85,678	42,534
Other government securities	–	4,546
	5,630,907	1,525,470
Quoted securities:		
In Malaysia		
Corporate loan stocks	54,813	74,849
Shares	23,856	44,353
Malaysian government securities	22,100	22,134
Private debt securities	9,209	4,433
Outside Malaysia		
Floating rate notes	292	313
Shares	129	135
Unquoted securities:		
In Malaysia		
Shares	167,979	168,152
Corporate loan stocks	161,524	193,691
Corporate debt securities	83,212	85,350
Private debt securities	65,508	38,386
Outside Malaysia		
Private debt securities	49,109	3,298
Trading rights	367	238
Shares	345	345
	6,269,350	2,161,147

Included in securities AFS is an amount of RM3,539,529,000 (2005: RM375,000,000) being pledged to third parties in relation to securities sold under repurchase agreements.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

6 SECURITIES HELD-TO-MATURITY

	Group	
	2006 RM'000	2005 RM'000
At amortised cost		
Money market instruments:		
Quoted		
Malaysian government securities	2,124,505	2,424,601
Cagamas bonds and Cagamas Mudharabah bonds	911,120	656,125
Khazanah bonds	573,678	635,686
Government investment issues	80,964	–
Unquoted		
Negotiable instrument of deposits	5,286,823	5,367,009
Prasarana bonds	1,979,791	2,052,791
Private debt securities	881,827	1,113,187
Structured notes	353,052	151,181
Other government securities	234,310	140,747
Bankers' acceptances and Islamic accepted bills	99,065	714,033
Cagamas notes	98,157	–
Malaysian government treasury bills	–	73,406
Thailand government treasury bills	–	47,235
	12,623,292	13,376,001
Quoted securities:		
In Malaysia		
Floating rate notes	81,225	100,162
Unquoted securities:		
In Malaysia		
Private debt securities	389,458	399,183
Corporate loan stocks	205,231	187,992
Bonds	29,070	29,070
Shares	2,700	2,700
Promissory notes	–	375
Outside Malaysia		
Floating rate notes	10,595	–
	13,341,571	14,095,483
Accumulated impairment loss	(233,986)	(182,182)
	13,107,585	13,913,301

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

6 SECURITIES HELD-TO-MATURITY (CONTINUED)

Included in securities held-to-maturity is an amount of RM8,507,728,000 (2005: RM8,879,125,000) being pledged to third parties in relation to securities sold under repurchase agreements.

Included in unquoted shares is a third party redeemable preference shares amounting to RM1,500,000 (2005: RM1,500,000) with a nominal value of RM1.00 each charged to a third party as part of financing transactions facilitated by the subsidiaries.

7 LOANS, ADVANCES AND FINANCING

	Group	
	2006 RM'000	2005 RM'000
Overdrafts	6,797,088	6,465,593
Term loans/financing		
– housing loans/financing	12,545,069	11,706,298
– syndicated term loans/financing	2,632,160	2,335,285
– hire-purchase receivables	9,654,495	7,669,206
– lease receivables	281,120	295,953
– other term loans/financing	11,557,423	11,438,603
Bills receivable	1,877,730	1,628,524
Trust receipts	537,794	498,867
Claims on customers under acceptance credits	4,824,605	4,124,751
Staff loans/financing	413,583	425,831
Credit/charge cards receivables	1,288,406	994,954
Revolving credits	5,278,336	4,798,996
	57,687,809	52,382,861
Unearned interest and income	(1,563,301)	(1,281,394)
Gross loans, advances and financing	56,124,508	51,101,467
Allowance for bad and doubtful debts and financing		
– general	(976,214)	(921,583)
– specific	(1,755,408)	(1,821,128)
Net loans, advances and financing	53,392,886	48,358,756

Included in term loans are housing loans and hire-purchase receivables sold to Cagamas with recourse amounting to RM2,879,284,000 (2005: RM3,356,992,000).

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2006 RM'000	2005 RM'000
(a) Loans, advances and financing analysed by type of customers are as follows:		
Domestic non-bank financial institutions		
– stockbroking companies	1,856	2,862
– others	831,683	1,538,252
Domestic business enterprises		
– small medium enterprises	9,241,948	9,094,656
– others	21,692,647	18,600,484
Government and statutory bodies	248,651	167,350
Individuals	23,403,054	21,226,317
Other domestic entities	57,746	54,419
Foreign entities	646,923	417,127
	56,124,508	51,101,467
(b) Loans, advances and financing analysed by type of interest/profit rate sensitivity are as follows:		
Fixed rate		
– housing loans/financing	1,593,036	1,447,587
– hire-purchase receivables	8,129,916	6,485,481
– other fixed rate loans/financing	3,509,878	2,965,560
Variable rate		
– base lending rate plus	20,237,465	19,155,385
– cost-plus	17,221,488	16,761,171
– other variable rates	5,432,725	4,286,283
	56,124,508	51,101,467
(c) Loans, advances and financing analysed by purpose are as follows:		
Purchase of securities	1,916,263	1,943,627
Purchase of transport vehicles	6,519,848	5,140,926
Purchase of landed property:		
– residential	12,864,401	12,218,075
– non-residential	1,595,519	1,169,819
Purchase of property, plant and equipment other than land and building	2,578,022	1,955,749
Personal use	1,950,596	1,832,967
Credit card	1,288,406	994,954
Purchase of consumer durables	114,206	141,801
Construction	2,239,055	2,538,221
Working capital	22,919,685	21,671,913
Other purpose	2,138,507	1,493,415
	56,124,508	51,101,467

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2006 RM'000	2005 RM'000
(d) Non-performing loans, advances and financing analysed by purpose are as follows:		
Purchase of securities	70,256	115,303
Purchase of transport vehicles	391,342	295,827
Purchase of landed property:		
– residential	1,282,280	1,135,649
– non-residential	141,531	149,262
Purchase of property, plant and equipment other than land and building	102,341	104,634
Personal use	171,162	182,282
Credit card	45,484	36,500
Purchase of consumer durables	10,558	14,541
Construction	342,741	441,254
Working capital	1,662,265	1,773,332
Other purpose	57,077	90,546
	4,277,037	4,339,130
(e) Movements in non-performing loans, advances and financing are as follows:		
Balance as at the beginning of the financial year	4,339,130	5,120,188
Classified as non-performing during the financial year	4,080,889	2,529,246
Amount recovered	(569,812)	(391,128)
Reclassified as performing during the financial year	(2,712,691)	(1,695,732)
Amount written off	(789,256)	(1,190,825)
Loans/financing converted to securities	(66,371)	(29,131)
Exchange difference	(4,852)	(3,488)
Balance as at the end of the financial year	4,277,037	4,339,130
Specific allowance	(1,755,408)	(1,820,999)
Net non-performing loans, advances and financing	2,521,629	2,518,131
Ratio of net non-performing loans, advances and financing as % of gross loans, advances and financing less specific allowance	4.63%	5.11%
(f) Movements in allowance for bad and doubtful debts and financing accounts are as follows:		
Specific allowance		
Balance as at the beginning of the financial year	1,821,128	2,457,174
Allowance made during the financial year	968,885	762,307
Transferred to accumulated impairment loss in value of securities	(56,215)	(12,498)
Amount transferred from other debtors	788	–
Amount recovered	(237,455)	(186,810)
Amount written off	(738,069)	(1,197,510)
Exchange difference	(3,654)	(1,535)
Balance as at the end of the financial year	1,755,408	1,821,128

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2006 RM'000	2005 RM'000
(f) Movements in allowance for bad and doubtful debts and financing accounts are as follows: (continued)		
General allowance		
Balance as at the beginning of the financial year	921,583	824,954
Net allowance made during the financial year	56,653	97,758
Exchange difference	(2,022)	(1,129)
Balance as at the end of the financial year	976,214	921,583
As % of gross loans, advances and financing less specific allowance	1.79%	1.87%

8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances are stated net of specific and general allowance for doubtful debts of RM8,590,000 (2005: RM10,419,000) and RM1,130,000 (2005: RM974,000) respectively.

9 OTHER ASSETS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other debtors, deposits and prepayments	347,305	258,803	32,843	32,985
Accrued interest receivable	216,614	166,683	14	26
Amount recoverable from BNM	1,379	1,705	-	-
	565,298	427,191	32,857	33,011

Other debtors, deposits and prepayments of the Group are stated net of allowance for doubtful debts of RM4,775,000 (2005: RM4,461,000).

Included in other debtors, deposits and prepayments of the Group and the Company is a deposit of RM32,800,000 (2005: RM32,800,000) paid by the Company pursuant to the sale and purchase agreement dated 7 November 2000 between Carta Bintang Sdn Bhd ('CBSB') and the Company for the sale and purchase of 60 million shares in SJ Securities Sdn Bhd ('SJ Securities') as disclosed in Note 48(a).

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

10 DERIVATIVE ASSETS/(LIABILITIES)

	Group	
	2006 RM'000	2005 RM'000
Derivative assets	168,819	47,554
Derivative liabilities	(158,231)	(69,251)
	10,588	(21,697)

	Contract or underlying principal amount RM'000	Group	
		Year-end positive fair value RM'000	Year-end negative fair value RM'000
2006			
Foreign exchange related contracts:			
– forwards/swaps	13,722,481	107,946	82,807
– options	45,390	1,512	1,208
– cross-currency interest rate swaps	683,017	21,798	20,996
Interest rate related contracts:			
– futures	4,570,000	1,784	9,161
– swaps	4,308,397	35,779	44,059
		168,819	158,231

2005			
Foreign exchange related contracts:			
– forwards/swaps	6,958,530	13,435	16,163
– options	929,564	20,149	19,759
– cross-currency interest rate swaps	188,975	167	59
Interest rate related contracts:			
– futures	3,331,000	2,677	1,235
– swaps	3,862,403	11,126	32,035
		47,554	69,251

11 AMOUNT DUE FROM HOLDING COMPANY

The amount due from holding company is unsecured, carries an interest rate of 0.2% (2005: 0.2%) per annum above the average cost of funds ('COF') of the Company and is repayable on demand.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

12 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from subsidiaries which are unsecured, interest free and have no fixed terms of repayments, are stated net of allowance for doubtful debts of RM1,250,784,000 (2005: RM1,250,784,000).

The amounts due to subsidiaries are unsecured and have no fixed terms of repayments. Approximately RM3,251,408,000 (2005: RM3,243,748,000) amounts due to subsidiaries are interest free while the remaining amounts bear interest equivalent to the COF of the respective subsidiaries.

13 STATUTORY DEPOSITS

Included in statutory deposits are:

- (a) non-interest bearing statutory deposits of RM1,904,950,000 (2005: RM1,695,632,000) relating to the banking subsidiaries which are maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised-1994), with the Ministry of Finance, Negara Brunei Darussalam in compliance with Section 6A of the Banking Act, and with the Monetary Authority of Singapore in compliance with Banking Act, Cap. 19 and Singapore Finance Companies Act, Cap. 108. The amounts are determined by the respective authorities.
- (b) interest bearing statutory deposits of RMNil (2005: RM100,000) favouring the Accountant General that has been placed by a subsidiary which is maintained with a banking subsidiary in accordance with Section 4(2)(d) of the Labuan Trust Companies Act, 1990.
- (c) non-interest bearing statutory deposits of RM100,000 (2005: RM100,000) relating to a trust subsidiary which is maintained with the Labuan Offshore Financial Services Authority in accordance with Section 4(2)(d)(ii) of the Labuan Trust Companies (Amendment) Act 2002.

14 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax assets	254,767	247,505	–	–
Deferred tax liabilities	(16,522)	(2,904)	(45)	–
	238,245	244,601	(45)	–
Balance as at the beginning of the financial year	244,601	204,103	–	–
Transfer from/(to) income statement (Note 37)	4,816	47,226	(45)	–
Transfer to equity	(11,277)	(6,659)	–	–
Exchange difference	105	(69)	–	–
Balance as at the end of the financial year	238,245	244,601	(45)	–

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	Leasing business	Property, plant and equipment	Securities AFS	General allowance on loans, advances and financing	Tax losses	Provision for liability	Other temporary differences	Total
2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	7,964	(30,608)	(423)	245,994	9,439	517	11,718	244,601
Transfer from/(to) income statement	8,552	4,437	-	(1,155)	(4,998)	(86)	(1,934)	4,816
Transfer to equity	-	-	(11,277)	-	-	-	-	(11,277)
Exchange difference	-	-	-	-	106	-	(1)	105
Balance as at the end of the financial year	16,516	(26,171)	(11,700)	244,839	4,547	431	9,783	238,245
2005								
Balance as at the beginning of the financial year	7,964	(36,605)	6,234	218,220	5,009	515	2,766	204,103
Transfer from income statement	-	5,997	-	27,774	4,501	2	8,952	47,226
Transfer to equity	-	-	(6,659)	-	-	-	-	(6,659)
Exchange difference	-	-	2	-	(71)	-	-	(69)
Balance as at the end of the financial year	7,964	(30,608)	(423)	245,994	9,439	517	11,718	244,601

Company	Property, plant and equipment
2006	RM'000
Balance as at the beginning of the financial year	-
Transfer to income statement	(45)
Balance as at the end of the financial year	(45)

Deferred 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	
	2006	2005
	RM'000	RM'000
Unabsorbed tax losses carried forward	3,077,625	3,194,113
Unabsorbed capital allowances carried forward	54	3,952
	3,077,679	3,198,065

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 RM'000	2005 RM'000
Unquoted shares in Malaysian companies, at cost	7,101,699	6,970,919
Unquoted shares in companies outside Malaysia, at cost	7,771	7,771
	7,109,470	6,978,690
Accumulated impairment loss on subsidiaries	(198,444)	(198,444)
	6,911,026	6,780,246

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2006 %	2005 %	
RHB Bank Berhad	Malaysia	1,949,985,976	70	70	Commercial banking
RHB Islamic Bank Berhad	Malaysia	523,424,002	70	70	Islamic Banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	70	70	Offshore banking
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	70	70	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	70	70	Nominee services for foreign beneficial shareholders
RHB Investment Ltd ¹	Singapore	S\$19,000,000	70	70	Property investment and rental
Banfora Pte Ltd ¹	Singapore	S\$25,000,000	70	70	Property investment and rental
RHB Bank Nominees Pte Ltd ¹	Singapore	S\$100,000	70	70	Nominee services
RHB Leasing Sdn Bhd	Malaysia	10,000,000	70	70	Leasing and hire-purchase

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2006 %	2005 %	
RHB Trade Services Limited ²	Hong Kong	HK\$2	70	70	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Capital Properties Sdn Bhd	Malaysia	21,800,000	70	70	Property investment
Utama Assets Sdn Bhd	Malaysia	2,300,000	70	70	Property investment
RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad)	Malaysia	338,646,000	100	100	Investment banking
RHB Unit Trust Management Berhad	Malaysia	2,000,000	100	100	Management of unit trust funds
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	Nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	100	100	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd	Malaysia	2,000,000	100	100	Asset management services

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2006 %	2005 %	
RHB Research Institute Sdn Bhd	Malaysia	500,000	100	100	Research services
RHB Management Services (Jersey) Limited ³	Jersey, Channel Islands	GBP12	100	100	Management services
RHB Private Equity Holdings Sdn Bhd (formerly known as RHB Holdings Sdn Bhd)	Malaysia	6,650,002	100	100	Private equity business and venture capital management
RHB Private Equity Management Ltd ⁴	Malaysia	USD 1	100	–	Investment advisor, investment consultant and other ancillary services only for private equity funds
RHB Private Equity Fund Ltd ⁵	Cayman Islands	USD10,001	100	–	Investment company
RHB Insurance Berhad	Malaysia	100,000,000	79.5	79.5	General insurance
RHB International Trust (L) Ltd	Malaysia	USD40,000	100	100	Offshore trust company
RHB Corporate Services Sdn Bhd	Malaysia	150,000	100	100	Corporate secretarial services
Straits Asset Holdings Sdn Bhd ⁶	Malaysia	48,240,000	100	100	Investment holding
RHB Hartanah Sdn Bhd	Malaysia	100,000	100	100	Property investment
RHB Equities Sdn Bhd ⁷	Malaysia	20,000,000	100	100	Equity related services
RHB Asia Pte Ltd ^{1,8}	Singapore	S\$12,000,000	100	100	Investment holding
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	100	100	Investment holding

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2006 %	2005 %	
RHB Overseas Limited ⁹	Jersey, Channel Islands	GBP100	–	100	Investment holding
RHB Capital Berhad's dormant subsidiaries					
RHB Bena Sdn Bhd	Malaysia	5,000,000	100	100	Dormant
RHBF Sdn Bhd	Malaysia	148,145,176	100	100	Dormant
KYF Sdn Bhd	Malaysia	50,000,000	100	100	Dormant
Kwong Yik Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	Dormant
Kwong Yik Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	Dormant
KYB Trust Management Sdn Bhd	Malaysia	2	100	100	Dormant
SFSB Services (Melaka) Sdn Bhd	Malaysia	5,000,000	100	100	Dormant
SSSB Services (Melaka) Sdn Bhd	Malaysia	40,000,000	100	100	Dormant
RHB Dynamic Technologies Sdn Bhd	Malaysia	100,000	100	100	Dormant
KYB Sdn Bhd	Malaysia	1,735,137,489	100	100	Dormant
Rashid Hussain Securities (Philippines) Inc ^{1,10}	Philippines	PHP180,000,000	100	100	Dormant
PT Rashid Hussain Securities ^{1,11}	Indonesia	IDR35,000,000,000	85	85	Dormant

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2006 %	2005 %	
RHB Bank's dormant subsidiaries					
UMBC Sdn Bhd	Malaysia	499,999,818	70	70	Dormant
RHB Delta Sdn Bhd (formerly known as RHB Delta Finance Berhad) ¹²	Malaysia	175,000,000	70	70	Dormant
USB Nominees Sdn Bhd	Malaysia	10,000	70	70	Dormant
USB Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	70	70	Dormant
USB Nominees (Asing) Sdn Bhd	Malaysia	10,000	70	70	Dormant
RHB Delta Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	70	70	Dormant
INFB Jaya Sdn Bhd	Malaysia	50,000,000	70	70	Dormant
Utama Gilang Sdn Bhd	Malaysia	800,000,000	70	70	Dormant
U.B. Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	70	70	Dormant
RHB Investment Bank's dormant subsidiaries					
RHB Venture Capital Sdn Bhd	Malaysia	2	100	100	Dormant
Straits Nominees (Tempatan) Sdn Bhd ¹³	Malaysia	25,000	100	100	Dormant
Straits Nominees (Asing) Sdn Bhd ¹³	Malaysia	25,000	100	100	Dormant
RHB Excel Sdn Bhd (formerly known as RHB Securities Sdn Bhd) ¹⁴	Malaysia	200,000,000	100	100	Dormant

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2006 %	2005 %	
RHB Investment Bank's dormant subsidiaries (continued)					
RHB Progressive Sdn Bhd (formerly known as RHB Futures Sdn Bhd) ¹⁵	Malaysia	13,500,000	100	100	Dormant
RHB Marketing Services Sdn Bhd	Malaysia	100,000	100	100	Dormant

Notes:

- 1 Subsidiaries audited by overseas firms associated with PricewaterhouseCoopers, Malaysia.
- 2 Subsidiary not audited by PricewaterhouseCoopers.
- 3 The company has been dissolved on 23 January 2007.
- 4 The company was incorporated on 15 September 2006 under the Offshore Companies Act, 1990.
- 5 The company was incorporated on 29 September 2006 under the Companies Law CAP 22.
- 6 With effect from 22 September 2006, the company has become a wholly-owned subsidiary of RHB Capital Berhad.
- 7 With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.
- 8 The company has commenced members' voluntary winding-up on 29 November 2006.
- 9 The company has been dissolved on 9 June 2006.
- 10 The company has ceased operations effective from the close of business on 10 December 2001.
- 11 The company has ceased operations on 31 July 2001 and commenced proceedings for members' voluntary dissolution.
- 12 The company's assets and liabilities were vested to RHB Bank Berhad with effect from 1 January 2006. The company has changed its name to RHB Delta Sdn Bhd and converted to a private company with effect from 6 June 2006 and 8 June 2006, respectively.
- 13 The company has commenced members' voluntary winding-up on 30 March 2006.
- 14 Pursuant to the Vesting Order granted by the High Court of Malaya on 12 December 2006, the business of the company including its assets and liabilities were transferred to RHB Investment Bank Berhad with effect from 30 December 2006. The company changed its name to RHB Excel Sdn Bhd with effect from 9 January 2007.
- 15 Pursuant to the Vesting Order granted by the High Court of Malaya on 12 December 2006, the business of the company including its assets and liabilities were transferred to RHB Investment Bank Berhad with effect from 30 December 2006. The company changed its name to RHB Progressive Sdn Bhd with effect from 9 January 2007.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

16 INVESTMENTS IN ASSOCIATES

	Group	
	2006 RM'000	2005 RM'000
Balance as at the beginning of the financial year	15,734	16,135
Share of results	(475)	295
Dividend received	–	(716)
Additional investment	30	20
Balance as at the end of the financial year	15,289	15,734

The details of the associates are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2006 %	2005 %	
Positive Properties Sdn Bhd	Malaysia	23,140,000	50	50	Property investment
CMS Trust Management Berhad	Malaysia	6,765,300	34.3	34.3	Management of unit trust funds
RHB-Cathay Securities Pte Ltd ¹	Singapore	S\$3,000,000	–	49	Dormant

Note:

¹ The company was dissolved on 27 March 2006.

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

Group	Assets	Liabilities	Revenue	(Loss)/Profit
	RM'000	RM'000	RM'000	after taxation RM'000
2006	16,276	987	4,367	(475)
2005	17,035	1,301	3,713	295

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

17 PROPERTY, PLANT AND EQUIPMENT

Group 2006	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations and improvements RM'000	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
Cost									
Balance as at the beginning of the financial year	145,920	1,047	128,831	528,698	154,722	682,479	203,051	23,111	1,867,859
Additions	-	-	-	2,472	8,570	56,384	2,013	2,047	71,486
Disposals	(602)	-	(4,995)	(9,396)	-	(541)	(200)	(4,524)	(20,258)
Written off	-	-	-	-	(624)	(20,937)	(3,730)	(6)	(25,297)
Exchange difference	19	-	1,203	554	35	2,028	159	19	4,017
Reclassifications	-	-	-	(22,772)	5,315	(4)	17,461	-	-
Balance as at the end of the financial year	145,337	1,047	125,039	499,556	168,018	719,409	218,754	20,647	1,897,807
Accumulated depreciation									
Balance as at the beginning of the financial year	-	412	4,067	78,497	113,900	509,589	191,392	16,072	913,929
Charge for the financial year	-	28	407	11,240	6,383	71,069	9,851	2,287	101,265
Disposals	-	-	(378)	(2,362)	-	(529)	(199)	(4,337)	(7,805)
Written off	-	-	-	-	(608)	(20,814)	(3,728)	(6)	(25,156)
Exchange difference	-	-	-	120	(16)	95	144	19	362
Reclassifications	-	-	-	(88)	88	-	-	-	-
Balance as at the end of the financial year	-	440	4,096	87,407	119,747	559,410	197,460	14,035	982,595
Accumulated impairment loss									
Balance as at the beginning of the financial year	-	-	23,535	3,495	-	4,290	-	-	31,320
Charge for the financial year	1,136	-	-	1,342	-	-	-	-	2,478
Disposals	-	-	-	(310)	-	-	-	-	(310)
Reversal for the financial year	-	-	(1,827)	(174)	-	-	-	-	(2,001)
Exchange difference	-	-	252	(18)	-	311	-	-	545
Balance as at the end of the financial year	1,136	-	21,960	4,335	-	4,601	-	-	32,032
Net book value as at the end of the financial year	144,201	607	98,983	407,814	48,271	155,398	21,294	6,612	883,180

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued) 2005	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations and improvements RM'000	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
Cost									
Balance as at the beginning of the financial year	145,955	1,047	134,372	528,482	141,670	661,420	213,160	25,812	1,851,918
Additions	-	-	-	3,518	11,516	47,702	7,676	2,578	72,990
Disposals	-	-	(3,299)	(2,128)	(789)	(2,040)	(3,364)	(4,895)	(16,515)
Written off	-	-	-	-	(5,495)	(25,715)	(4,818)	(12)	(36,040)
Exchange difference	(35)	-	(2,242)	(1,174)	(204)	(460)	(333)	(46)	(4,494)
Reclassifications	-	-	-	-	8,024	1,572	(9,270)	(326)	-
Balance as at the end of the financial year	145,920	1,047	128,831	528,698	154,722	682,479	203,051	23,111	1,867,859
Accumulated depreciation									
Balance as at the beginning of the financial year	-	384	3,842	69,554	110,314	463,097	192,108	16,685	855,984
Charge for the financial year	-	28	444	9,619	9,056	72,942	10,694	2,862	105,645
Disposals	-	-	(218)	(438)	(406)	(2,015)	(3,256)	(4,549)	(10,882)
Written off	-	-	-	-	(5,419)	(25,625)	(4,796)	(6)	(35,846)
Exchange difference	-	-	(1)	(238)	(119)	(252)	(321)	(41)	(972)
Reclassifications	-	-	-	-	474	1,442	(3,037)	1,121	-
Balance as at the end of the financial year	-	412	4,067	78,497	113,900	509,589	191,392	16,072	913,929
Accumulated impairment loss									
Balance as at the beginning of the financial year	-	-	24,005	3,508	-	2,925	-	-	30,438
Charge for the financial year	-	-	-	-	-	1,365	-	-	1,365
Exchange difference	-	-	(470)	(13)	-	-	-	-	(483)
Balance as at the end of the financial year	-	-	23,535	3,495	-	4,290	-	-	31,320
Net book value as at the end of the financial year	145,920	635	101,229	446,706	40,822	168,600	11,659	7,039	922,610

Included in the net book value of motor vehicles is an amount of RM646,000 (2005: RM1,257,000) which is purchased under hire-purchase arrangement.

Included in the freehold land and buildings is a property at net book value of RM257,341,000 (2005: RM262,197,000) belonging to a wholly-owned subsidiary which has been charged as collateral for the Company's borrowings as at 31 December 2006.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2006 RM'000	2005 RM'000
At cost		
Renovations	7,802	5,013
Computer equipment and software	32,530	12,750
	40,332	17,763

Company 2006	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost					
Balance as at the beginning of the financial year	315	511	2,514	214	3,554
Additions	33	41	-	28	102
Disposal	-	-	(358)	-	(358)
Balance as at the end of the financial year	348	552	2,156	242	3,298
Accumulated depreciation					
Balance as at the beginning of the financial year	110	116	1,257	43	1,526
Charge for the financial year	68	108	432	48	656
Disposal	-	-	(179)	-	(179)
Balance as at the end of the financial year	178	224	1,510	91	2,003
Net book value as at the end of the financial year	170	328	646	151	1,295

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company (continued) 2005	Computer equipment and software RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Cost					
Balance as at the beginning of the financial year	142	28	2,514	–	2,684
Additions	173	483	–	214	870
Balance as at the end of the financial year	315	511	2,514	214	3,554
Accumulated depreciation					
Balance as at the beginning of the financial year	48	15	754	–	817
Charge for the financial year	62	101	503	43	709
Balance as at the end of the financial year	110	116	1,257	43	1,526
Net book value as at the end of the financial year	205	395	1,257	171	2,028

Included in the net book value of motor vehicles is an amount of RM646,000 (2005: RM1,257,000) which is purchased under hire-purchase arrangement.

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Accumulated depreciation and impairment loss				
Balances as at the beginning of the financial year	945,249	886,422	1,526	817
Balances as at the end of the financial year	1,014,627	945,249	2,003	1,526

18 GOODWILL

	Group	
	2006 RM'000	2005 RM'000
Balance as at the beginning of the financial year	1,167,513	1,172,195
Goodwill written off	–	(4,025)
Fair value adjustment on assets acquired in previous year	–	(657)
Balance as at the end of the financial year	1,167,513	1,167,513

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

18 GOODWILL (CONTINUED)

The carrying amounts of goodwill allocated to the Group's cash-generating units ('CGU') are as follows:

	Group 2006 RM'000
CGU	
Wholesale banking	283,471
Retail banking	260,031
Treasury and money market	441,132
Islamic Banking	36,303
Financial advisory and underwriting	19,470
Stockbroking, securities related and others	127,106
	<u>1,167,513</u>

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

The cash flow projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments. The followings are the other assumptions used in determining the recoverable amount of each CGU within the business segment:

CGU	Discount rate
Wholesale banking	10.1%
Retail banking	10.1%
Treasury and money market	10.2%
Islamic Banking	10.1%
Financial advisory and underwriting	10.3%
Stockbroking, securities related and others	10.3%

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

19 DEPOSITS FROM CUSTOMERS

	Group	
	2006 RM'000	2005 RM'000
Demand deposits	15,638,515	13,641,429
Savings deposits	4,861,397	4,722,989
Fixed deposits	34,273,158	29,522,918
Negotiable instrument of deposits	2,752,462	2,033,774
	57,525,532	49,921,110

(a) The maturity structure of fixed deposits and negotiable instrument of deposits is as follows:

Due within six months	29,516,041	25,055,900
Six months to one year	7,094,770	5,992,128
One year to three years	191,527	418,740
Three years to five years	223,282	86,059
Over five years	-	3,865
	37,025,620	31,556,692

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

Government and statutory bodies	4,336,106	3,181,956
Business enterprises	28,619,833	22,649,695
Individuals	22,674,291	22,823,334
Others	1,895,302	1,266,125
	57,525,532	49,921,110

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2006 RM'000	2005 RM'000
Licensed banks	8,643,917	7,179,159
Licensed finance companies	-	62,770
Licensed merchant banks	101,286	523,788
BNM	1,192,276	948,947
Other financial institutions	1,639,639	2,314,167
	11,577,118	11,028,831

21 CLIENTS' AND BROKERS' BALANCES

Included in clients' and brokers' balances are clients' trust balances held by a subsidiary in trust of RM121,060,000 (2005: RM43,894,000).

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

22 OTHER LIABILITIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other creditors and accruals	497,788	444,172	4,326	7,972
Accrued interest payable	472,818	347,041	35,464	30,466
Amount due to BNM (a)	296,129	256,738	-	-
Accruals for operational expenses	154,392	146,772	-	-
General insurance fund (b)	136,821	130,055	-	-
Short term employee benefits	115,968	83,015	-	-
Lessee deposits	82,778	80,935	-	-
Prepaid instalment	61,889	51,594	-	-
Remisiers' trust deposits	11,181	8,954	-	-
Amount payable for creation of units due to funds	3,729	865	-	-
Amount due to Danaharta (c)	1,725	1,909	-	-
Hire-purchase creditors (d)	1,062	1,624	1,062	1,624
Credit Guarantee Corporation Funding Program	-	704	-	-
	1,836,280	1,554,378	40,852	40,062

(a) Amount due to BNM

The amount due to BNM mainly comprises collections on ex-Sime Bank's non-performing loans sold to BNM which are managed by RHB Bank. Amount due to BNM is subject to interest at rates ranging from 3.21% to 3.70% (2005: 2.79% to 2.88%) per annum.

(b) General insurance fund

	Group	
	2006 RM'000	2005 RM'000
Provision for outstanding claims	88,184	80,153
Unearned premium reserve	48,637	49,902
	136,821	130,055

(c) Amount due to Danaharta

The amount due to Danaharta mainly comprises collections on ex-Sime Bank's overseas branches non-performing loans sold to Danaharta which is managed by RHB Bank's overseas branches.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

22 OTHER LIABILITIES (CONTINUED)**(d) Hire-purchase creditors**

	Group and Company	
	2006 RM'000	2005 RM'000
Minimum lease payment		
– not later than one year	405	471
– later than one year and not later than two years	405	471
– later than two years and not later than five years	338	859
	1,148	1,801
Future finance charges on hire-purchase	(86)	(177)
Present value of hire-purchase creditors	1,062	1,624
Current	356	393
Non-current	706	1,231
	1,062	1,624
Present value of hire-purchase creditors		
– not later than one year	356	393
– later than one year and not later than two years	376	415
– later than two years and not later than five years	330	816
	1,062	1,624

Hire-purchase are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The effective average interest rates of hire-purchase creditors at the balance sheet date is 5.40% (2005: 5.40%) per annum.

23 BORROWINGS

		Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Secured:					
Revolving credits	(a)	–	18,000	–	18,000
Term loans	(a)	240,000	240,000	240,000	240,000
Unsecured:					
Revolving credits	(b)	93,200	111,952	93,200	111,952
Term loans	(c)	282,400	–	–	–
Overdrafts	(d)	–	4,173	–	4,173
Redeemable Serial Fixed Rate Bonds 2002/2007	(e)	–	375,000	–	375,000
RM600 million 6 years Serial Fixed Rate Bonds	(f)	594,904	593,544	594,904	593,544
RM350 million Fixed Rate Bonds	(g)	341,308	–	341,308	–
		1,551,812	1,342,669	1,269,412	1,342,669

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

23 BORROWINGS (CONTINUED)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Maturity period of borrowings:				
Repayable within one year	93,200	259,125	93,200	259,125
One year to three years	389,173	490,000	389,173	490,000
Three years to five years	445,731	297,244	445,731	297,244
Over five years	623,708	296,300	341,308	296,300
	1,551,812	1,342,669	1,269,412	1,342,669

The borrowings of the Group and the Company are as follows:

(a) Revolving credits and term loans (secured)

Revolving credit and term loan facilities of RMNil (2005: RM18,000,000) and RM240,000,000 (2005: RM240,000,000) respectively are secured against:

- (i) a property of a wholly-owned subsidiary ('said property');
- (ii) shares of the Company owned by the holding company;
- (iii) fixed deposits of a subsidiary and the Company of RM1,500,000 (2005: RM1,500,000) and RM394,000 (2005: RM382,000) respectively;
- (iv) assignment of rental proceeds from the said property; and
- (v) corporate guarantee by a subsidiary of RM240,000,000 (2005: RM240,000,000).

The secured revolving credit facilities and term loans bear interest at rates ranging from 4.22% to 5.75% (2005: 5.05% to 5.35%) and 6.25% to 6.75% (2005: 6.00% to 7.50%) per annum respectively.

(b) Revolving credits (unsecured)

The unsecured revolving credit facilities of RM93,200,000 (2005: RM111,952,000) bear interest at rates ranging from 4.59% to 5.95% (2005: 4.21% to 5.90%) per annum.

(c) Term loans (unsecured)

On 7 April 2006, a subsidiary entered into an agreement with a foreign bank to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 11 years. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing on 8 March 2008 until 8 September 2017 and bears a floating interest rate of British Bankers Association Interest Settlement Rate in USD ('BBA LIBOR') plus 0.395% per annum. The term loan bears interest ranging from 5.81% to 6.02% (2005: Nil) per annum.

(d) Overdrafts (unsecured)

The unsecured overdrafts bear interest at rates ranging from 8.00% to 8.30% (2005: 8.00% to 8.30%) per annum.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

23 BORROWINGS (CONTINUED)**(e) Redeemable Serial Fixed Rate Bonds 2002/2007**

On 1 November 2002, the Company issued RM500 million in aggregate nominal value of redeemable unsecured serial fixed rate bonds ('Serial Bonds'). The Serial Bonds comprising 3 series are as follows:

Series	Nominal value RM'million	Maturity date	Coupon rate (per annum)
1	125.0	1 November 2005	6.0%
2	125.0	1 November 2006	6.2%
3	250.0	1 November 2007	6.4%

The coupon payment is payable semi-annually in arrears in May and November each year, from May 2003 with the final coupon payment to be made on the respective maturity dates of each series.

A sinking fund is created by the Company and administered by the trustee of the Serial Bonds to ensure repayment of the Serial Bonds on maturity date. Dividend income from subsidiaries received by the Company will first be credited into the said sinking fund to ensure the following balances are met at their respective dates:

	Minimum balance RM'million
As at 30 April 2004	50.0
As at 30 April 2005	125.0
As at 30 April 2006	125.0
As at 30 April 2007	125.0

The Company has fully redeemed its Redeemable Serial Fixed Rate Bonds 2002/2007 on 19 September 2006 by utilising part of the proceeds from the RM350 million Fixed Rate Bonds as disclosed in Note 23(g).

(f) RM600 million 6 years Serial Fixed Rate Bonds

On 11 January 2005, the Company issued RM600 million nominal value of 6 years Serial Fixed Rate Bonds. The Serial Bonds comprising 3 series are as follows:

Series	Nominal value RM'million	Maturity date	Coupon rate (per annum)
1	150.0	11 January 2009	6.2%
2	150.0	11 January 2010	6.7%
3	300.0	11 January 2011	7.2%

The coupon payment is payable semi-annually in arrears in January and July each year, with the final coupon payment to be made on the respective maturity dates of each series.

(g) RM350 million Fixed Rate Bonds

On 18 September 2006, the Company issued RM350 million Fixed Rate Bonds. The RM350 million Fixed Rate Bonds, with a tenure of 6 years, bear interest at the rate of 7.15% per annum, payable semi-annually in arrears in March and September each year.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

24 SUBORDINATED OBLIGATIONS

		Group	
		2006	2005
		RM'000	RM'000
8.2% RM165 million Tier II Subordinated Bonds 2002/2012	(a)	165,000	165,000
6.85% RM800 million Tier II Subordinated Bonds 2002/2012	(b)	800,000	800,000
6.625% USD150 million Tier II Subordinated Notes 2002/2013	(c)	528,158	565,252
		1,493,158	1,530,252

(a) 8.2% RM165 million Tier II Subordinated Bonds 2002/2012

On 9 December 2002, RHB Investment Bank issued a 10-year non-callable 5-year Subordinated Bonds for an aggregate nominal value of RM165 million at par ('Sub Bonds'). The Sub Bonds are redeemable unsecured subordinated obligations of RHB Investment Bank and qualified as Tier II capital for the purpose of BNM's capital adequacy requirements.

The Sub Bonds constitute redeemable unsecured obligations of RHB Investment Bank, subordinated in right and priority of payment, to the extent and in the manner provided in the terms of the Sub Bonds, to all deposit liabilities and other liabilities of RHB Investment Bank except those liabilities which by their terms rank *pari passu* in right of priority of payment with or subordinate to the Sub Bonds. The Sub Bonds are, in the event of a distribution of assets in the winding up or liquidation of RHB Investment Bank, rank senior to the share capital of RHB Investment Bank.

The Sub Bonds was used as part settlement of the transfer consideration paid by RHB Investment Bank for the Transfer of the Securities and Securities Related Business Entities from the Company to RHB Investment Bank pursuant to the Group Restructuring Scheme of the RHB Group.

The coupon for the Sub Bonds shall be accrued at the rate of 8.2% per annum and commencing from the beginning of the sixth year from the issue date, the coupon rate shall be stepped up to 10.7% per annum to the maturity date. Coupon payments are payable semi-annually in arrears, with the last payment to be made on the maturity date.

(b) 6.85% RM800 million Tier II Subordinated Bonds 2002/2012

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

24 SUBORDINATED OBLIGATIONS (CONTINUED)

(c) 6.625% USD150 million Tier II Subordinated Notes 2002/2013

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

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

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

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

The salient features of the INCPS are as follows:

- (a) A non-cumulative preferential dividend (less tax) at the following rates:
 - (i) for the period from the date of issue of INCPS to the day preceding the fifth anniversary date of issue of the INCPS, a non-cumulative preferential dividend at the rate of 8% (less tax) per annum; and
 - (ii) thereafter, a non-cumulative preferential dividend at the rate of 10% (less tax) per annum.
- (b) Save and except that the INCPS shall rank in priority to RHB Bank ordinary shares with regards to the preferential dividend, and with regards to the return of capital in the event of winding up, the INCPS holders have no right to participate in the surplus assets and profits of RHB Bank.
- (c) The INCPS carry no right to attend and vote at general meetings of RHB Bank unless the dividends on the INCPS are in arrears for more than 3 months or the general meeting is:
 - (i) for any resolution which varies or is deemed to vary the rights and privileges of such INCPS; or
 - (ii) for any resolution for winding up of RHB Bank.
- (d) Holders of the INCPS have the option of converting the INCPS into new RHB Bank ordinary shares in the first 5 years from the date of issue of the INCPS ('Conditional Conversion Period') should:
 - (i) RHB Bank cease to be a subsidiary of the Company; or
 - (ii) the risk weighted capital adequacy ratio of RHB Bank falls to a level at or below 8.5% and this is not remedied within 3 months from the occurrence of such event; or
 - (iii) at any time the aggregate of dividends which are missed and not paid, exceed 4% of the par value of the INCPS; or
 - (iv) at any time after the Conditional Conversion Period, at the Optional Conversion Price. The Optional Conversion Price means the consolidated net assets per RHB Bank ordinary share based on its consolidated management financial statements immediately preceding the date of conversion multiplied by 1.2 times. The Optional Conversion Price is subject to adjustments under certain circumstances in accordance with the terms of the INCPS.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

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

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

26 SHARE CAPITAL

	Company	
	2006 RM'000	2005 RM'000
Authorised:		
Ordinary shares of RM1.00 each		
Balance as at the beginning/end of the financial year	2,500,000	2,500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance as at the beginning/end of the financial year	1,823,475	1,823,475

27 RESERVES

The reserve funds represent non-distributable profits held by the banking subsidiaries in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and Section 18 of the Singapore Finance Companies (Amendment) Act 1994. These funds are not distributable as cash dividends.

The other reserves comprise share premium of a subsidiary consolidated after the Scheme of Arrangement under Section 176 of the Companies Act, 1965, undertaken by the Company and the subsidiary in 1994, whereby the Company acquired the entire issued and fully paid-up share capital of that subsidiary via an exchange of shares.

The AFS reserves are in respect of unrealised fair value gain and loss on securities AFS.

Based on the estimated tax credits available, the prevailing tax rate applicable to dividends and subject to agreement with the tax authorities, the Company has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 and tax exempt income to frank dividends of approximately RM617,000,000 (2005: RM342,000,000) and RM183,000,000 (2005: RM178,000,000) respectively out of its retained profits as at 31 December 2006. Dividends declared in excess of the said amount would be subject to income tax liability at the rate of 28%.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

28 INTEREST INCOME

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loans, advances and financing				
– interest income other than recoveries from non-performing loans	2,803,204	2,353,327	–	–
– recoveries from non-performing loans	214,691	180,131	–	–
Money at call, deposits and placements with financial institutions	458,604	380,632	3,062	3,511
Securities purchased under resale agreements	176,014	30,385	–	–
Securities held-for-trading	131,735	64,217	–	–
Securities AFS	92,323	71,525	–	–
Securities held-to-maturity	555,566	436,512	–	–
Others	86,860	78,118	82,293	75,245
	4,518,997	3,594,847	85,355	78,756
Amortisation of premium less accretion of discount	(7,283)	(8,645)	–	–
Interest suspended	(100,991)	(75,078)	–	–
	4,410,723	3,511,124	85,355	78,756

29 INTEREST EXPENSE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits and placements of banks and other financial institutions	373,699	192,337	–	–
Deposits from customers	1,489,823	1,179,654	–	–
Obligations on securities sold under repurchase agreements	199,512	106,687	–	–
Borrowings	98,114	103,039	98,053	102,603
Subordinated obligations	105,345	106,079	–	–
Recourse obligation on loans sold to Cagamas	150,589	156,770	–	–
Others	48,232	40,305	4,430	7,081
	2,465,314	1,884,871	102,483	109,684

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

30 OTHER OPERATING INCOME

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Fee income				
Service charges and fees	147,079	152,969	-	-
Commission	109,295	95,606	-	-
Brokerage	60,711	51,167	-	-
Commitment fees	41,816	37,760	-	-
Guarantee fees	40,030	30,405	-	-
Unit trust fee income	26,638	24,433	-	-
Corporate advisory fees	8,927	7,850	-	-
Underwriting and arrangement fees	7,005	21,426	-	-
Fund management fees	6,751	6,567	-	-
Other fee income	14,481	13,318	-	-
	462,733	441,501	-	-
Net gain/(loss) arising from sale/redemption of securities and derivatives				
Net gain from sale of				
- securities held-for-trading	59,141	80,594	-	-
- securities AFS	23,370	48,498	-	-
Net gain from redemption of				
- securities held-to-maturity	2,188	27,234	-	-
Derivatives	2	(33)	-	-
	84,701	156,293	-	-
Unrealised gain/(loss) on revaluation of securities and derivatives				
Securities held-for-trading	27,127	(8,258)	-	-
Derivatives	3,059	6,699	-	-
	30,186	(1,559)	-	-
Gross dividend income from				
Securities held-for-trading	4,242	1,746	-	-
Securities AFS	3,947	3,719	-	-
Securities held-to-maturity	864	680	-	-
Subsidiaries	-	-	461,798	355,670
	9,053	6,145	461,798	355,670

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

30 OTHER OPERATING INCOME (CONTINUED)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other income				
Foreign exchange gain/(loss)				
– realised	147,645	150,210	–	–
– unrealised	32,070	(16,604)	(782)	475
Underwriting surplus before management expenses	38,588	23,731	–	–
Net gain on disposal of property, plant and equipment	4,175	1,613	131	–
Rental income	3,195	3,150	–	–
Other operating income	40,662	43,830	1,090	1,643
Other non-operating income	6,960	1,775	455	90
	273,295	207,705	894	2,208
	859,968	810,085	462,692	357,878

31 INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2006 RM'000	2005 RM'000
Income derived from investment of depositors' fund	330,642	261,627
Income derived from investment of shareholders' fund	88,259	39,572
	418,901	301,199
Transfer to PER	(1,563)	(13,277)
	417,338	287,922
Income attributable to deposits	(181,239)	(140,248)
	236,099	147,674

32 OTHER OPERATING EXPENSES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Personnel costs				
Salaries, bonus, wages and allowances	569,454	524,387	9,117	14,364
Defined contribution plan	81,370	78,906	1,110	1,992
Other staff related costs	74,026	53,166	1,599	2,053
	724,850	656,459	11,826	18,409

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

32 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Establishment costs				
Property, plant and equipment				
– depreciation	101,265	105,645	656	709
– written off	141	194	–	–
Information technology expenses	94,147	74,574	118	31
Repair and maintenance	45,047	45,611	463	540
Rental of premises	31,986	31,689	1,398	1,488
Water and electricity	15,863	15,507	48	53
Rental of equipment	10,338	6,997	47	48
Insurance	10,044	5,070	2	3
Others	3,070	7,294	–	–
	311,901	292,581	2,732	2,872
Marketing expenses				
Dealers' handling fee	35,407	51,741	–	–
Advertisements and publicity	34,400	41,429	2,069	1,939
Sales commission	28,647	24,488	–	–
Others	60,998	50,787	1,013	1,138
	159,452	168,445	3,082	3,077
Administration and general expenses				
Auditors' remuneration				
– statutory audit				
– Malaysia	1,716	1,916	190	190
– overseas	612	564	–	–
– non-audit	441	549	66	337
Communication expenses	70,207	76,217	484	373
Legal and professional fee	14,810	17,536	4,383	7,573
Loss on liquidation of an associate	–	17,251	–	36,000
Loss on transfer of investment in a subsidiary	–	–	–	48
Others	70,750	41,016	352	450
	158,536	155,049	5,475	44,971
	1,354,739	1,272,534	23,115	69,329

Included in the personnel costs of the Group and Company are directors' remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM2,408,000 (2005: RM5,451,000) and RM673,000 (2005: RM3,469,000) respectively as disclosed in Note 33.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

33 DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Executive director				
Salaries, bonus and other remuneration	-	2,568	-	2,568
Defined contribution plan	-	514	-	514
Estimated monetary value of benefits-in-kind	-	69	-	69
	-	3,151	-	3,151
Non-executive directors				
Fees	1,336	598	326	128
Other remuneration	1,072	1,771	347	259
Estimated monetary value of benefits-in-kind	38	89	3	-
	2,446	2,458	676	387
	2,446	5,609	676	3,538

The list of directors is disclosed in the Directors' Report.

34 ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group	
	2006 RM'000	2005 RM'000
Specific allowance		
- made during the financial year	967,814	769,909
- written back	(237,455)	(188,169)
	730,359	581,740
General allowance		
- made during the financial year	56,653	97,758
Bad debts		
- written off	5	117
- recovered	(76,863)	(57,081)
Write-back on amount recoverable from Danaharta during the financial year	(788)	(78,795)
Final settlement received from Danaharta	-	(6,646)
	709,366	537,093

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

34 ALLOWANCE FOR LOSSES ON LOANS AND FINANCING (CONTINUED)

The Group has evaluated its portfolio of non-performing loans that had been in default and remained uncollected for more than 7 years and also those non-performing loans in default for more than 5 years but less than 7 years. For the loans in default for more than 7 years, no value is assigned as the realisable value of collateral. For the loans 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 RM172,765,000 (2005: RM179,409,000).

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

35 IMPAIRMENT LOSS

	Group	
	2006 RM'000	2005 RM'000
Charge for the financial year		
– securities AFS	46,385	103,963
– securities held-to-maturity	34,758	13,294
– property, plant and equipment	2,478	1,365
	83,621	118,622
Reversal for the financial year		
– securities AFS	(35,446)	(7,797)
– securities held-to-maturity	(9,574)	(25,013)
– property, plant and equipment	(2,001)	–
	(47,021)	(32,810)
	36,600	85,812

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

	Group	
	2006 RM'000	2005 RM'000
INCPS dividends paid and payable		
– 10% (2005: 10%) per annum (gross)	110,447	110,447
	110,447	110,447

The INCPS dividends are paid in accordance with the terms of the INCPS (as disclosed in Note 25).

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

37 TAXATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income tax based on profit for the financial year				
– Malaysian income tax	276,499	238,139	118,226	90,593
– overseas tax	1,451	795	1,243	–
Deferred tax (Note 14)	(4,816)	(47,226)	45	–
Tax on INCPS dividends	(30,925)	(30,925)	–	–
	242,209	160,783	119,514	90,593
Over provision in respect of prior years	(7,091)	(15,931)	(3,052)	(2,694)
	235,118	144,852	116,462	87,899
Current tax				
Current year	247,025	208,009	119,469	90,593
Over provision in respect of prior years	(7,091)	(15,931)	(3,052)	(2,694)
	239,934	192,078	116,417	87,899
Deferred tax				
Origination and reversal of temporary differences	(25,424)	(47,226)	45	–
Change in tax rate	16,090	–	–	–
Reversal of previously recognised deferred tax assets	4,518	–	–	–
	(4,816)	(47,226)	45	–
Tax expense	235,118	144,852	116,462	87,899

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Tax at Malaysian statutory tax rate	28.0	28.0	28.0	28.0
Tax effects in respect of:				
Effect of different tax rate in Labuan/other countries	(1.8)	(2.9)	(0.1)	–
Non taxable income	(0.7)	(0.6)	–	(0.2)
Non allowable expenses	2.9	5.0	0.4	7.3
Over provision in respect of prior years	(0.9)	(2.8)	(0.7)	(1.0)
Other temporary differences not recognised in prior years	(1.1)	(1.7)	–	–
Change in tax rate	1.9	–	–	–
	28.3	25.0	27.6	34.1

	Group	
	2006 RM'000	2005 RM'000
Tax savings recognised during the financial year arising from utilisation of tax losses brought forward from previous financial years	6,421	8,289

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

38 EARNINGS PER SHARE

	Group	
	2006	2005
Profit attributable to equity holders of the Company (RM'000)	438,310	315,778
Weighted average number of ordinary shares in issue ('000)	1,823,475	1,823,475
Basic earnings per share (sen)	24.0	17.3

39 ORDINARY DIVIDENDS

	Group and Company			
	2006		2005	
	Gross dividend per share	Amount of dividends, net of tax	Gross dividend per share	Amount of dividends, net of tax
First interim dividend – paid (tax of 28%)	2.0%	26,258	3.5%	45,952
Final dividend – proposed (tax of 27%)	6.0%	78,868	–	–

At the forthcoming Annual General Meeting, a final gross dividend in respect of the current financial year of 6.0% less 27% tax amounting to RM78,868,000 will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2007 when approved by the shareholders.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

40 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. Apart from the allowance for commitments and contingencies already made in the financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

Group	2006			2005		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,647,540	1,647,540	1,479,599	1,633,122	1,633,122	1,471,038
Transaction-related contingent items	2,319,861	809,932	518,394	2,372,978	602,990	482,809
Short term self-liquidating trade-related contingencies	2,555,148	511,030	328,886	1,978,963	395,793	211,860
Obligations under underwriting agreements	440,240	131,620	131,620	511,353	131,620	131,620
Housing loans sold directly and indirectly to Cagamas with recourse	41,064	41,064	20,532	44,062	44,062	22,031
Irrevocable commitments to extend credit						
– maturity not exceeding one year	22,103,511	–	–	20,135,748	–	–
– maturity exceeding one year	3,657,643	1,828,821	1,601,601	3,605,340	1,802,669	1,471,014
Foreign exchange-related contracts						
– less than one year	14,063,806	240,969	67,290	7,924,399	116,479	38,257
– one year to less than five years	387,082	60,670	30,237	152,670	9,364	5,665
Interest rate-related contracts						
– less than one year	2,231,230	2,601	542	1,154,000	634	127
– one year to less than five years	6,124,566	92,087	20,825	5,850,918	111,743	34,874
– more than five years	522,601	33,982	17,334	188,485	6,633	2,021
Others	845,575	19,673	3,935	563,202	21,079	21,032
	56,939,867	5,419,989	4,220,795	46,115,240	4,876,188	3,892,348

* The credit equivalent amount is arrived at using the credit conversion factors as per BNM's guidelines. Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

41 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	Group	
	2006 RM'000	2005 RM'000
Rental of premises		
Within one year	13,179	19,772
Between one to five years	12,625	16,551
More than five years	35	1,483
	25,839	37,806

42 CAPITAL COMMITMENTS

	Group	
	2006 RM'000	2005 RM'000
Capital expenditure for property, plant and equipment:		
– authorised and contracted for	26,291	42,900
– authorised but not contracted for	37,371	36,290
	63,662	79,190

43 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

Related parties	Relationship
Rashid Hussain Berhad	Holding company
RHB Property Management Sdn Bhd	Subsidiaries of Holding company
Vision City (Malaysia) Sdn Bhd (formerly known as	
RHB-DAEWOO Sdn Bhd)	
Bandar Wawasan Management Sdn Bhd	
RHB Kawal Sdn Bhd	
RHB Management Company Sdn Bhd	
RHB Modal-Ekuiti Sdn Bhd	
RHB Health Care Sdn Bhd	
RHB Noble 1 (L) Ltd	
Subsidiaries of the Company as disclosed in Note 15	Subsidiaries

As at 31 December 2006, Utama Banking Group Berhad ('UBG') held 32.6% of the ordinary shares of RM1.00 each in RHB and 449,206,479 of ICULS-A and 403,471,898 of ICULS-B that are presently convertible into ordinary shares of RHB. Pursuant to FRS 127 which requires the consideration of these potential ordinary shares, UBG's interest in RHB would amount 61.2%. The related parties of UBG are disclosed in UBG's financial statements. Subsequent to the year end, on 8 March 2007, UBG announced that it has accepted the offer by Employees Provident Fund Board ('EPF') to acquire its entire interest in RHB.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

43 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**(b) Significant related party transactions**

The following are the significant related party transactions (other than those separately disclosed in the notes to the financial statements) in respect of transactions entered into during the financial year:

	Group	
	2006	2005
	RM'000	RM'000
(i) Interest income		
RHB	82,293	75,245
(ii) Other operating income		
RHB Management Company Sdn Bhd		
– management fees	1,090	1,643
(iii) Other operating expenses		
RHB Property Management Sdn Bhd		
– property management fees	9,331	9,931
RHB Kawal Sdn Bhd		
– security service fees	3,534	4,525

44 SEGMENT INFORMATION

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

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.

Unallocated expenses comprise all back-office processes, cost centres which support the operating businesses and non-profit generating divisions in the Group. It includes corporate expenses that are not allocated to individual business segments. These expenses are not directly attributed to the business segments and cannot be allocated on a reasonable basis. The funding cost of subsidiaries and associates are included in this category.

(a) Primary reporting format – by business segments

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

Wholesale banking

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

44 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – by business segments (continued)

Retail banking

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

Treasury and money market

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

Islamic Banking business

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

Financial advisory and underwriting

Financial advisory and underwriting services cover corporate and debt restructuring, stock market listings, public offering of equity and debt instruments, private placement of securities and financial advisory services.

Stockbroking and other securities related business

This segment comprises institutional and retail broking business for securities listed on the Bursa Securities, investment management services, unit trust funds management, futures and options broking and research services.

Insurance

Insurance segment focuses on the underwriting of general insurance business.

Others

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

44 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – by business segments (continued)

2006	Wholesale	Retail	Treasury	Islamic	Financial	Stock-	Insurance	Others	Total
	banking	banking	and money	Banking	advisory	broking			
	RM'000	RM'000	market	business	and	and other	RM'000	RM'000	RM'000
			RM'000	RM'000	underwriting	securities			
					RM'000	related			
Segment liabilities	25,399,698	21,913,616	37,009,036	7,282,669	-	305,339	161,242	64,638	92,136,238
Taxation									90,518
Deferred tax liabilities									16,522
Borrowings									1,551,812
Subordinated obligations									1,493,158
INCPS									1,104,469
Unallocated liabilities									865,536
Total liabilities									<u>97,258,253</u>
Other segment items									
Capital expenditure	18,269	43,980	3,874	1,448	260	2,333	685	637	71,486
Depreciation of property, plant and equipment	16,609	61,257	6,848	783	294	6,484	1,176	7,814	101,265
Other non-cash expenses other than depreciation	495,519	322,856	19,280	22,177	219	(2,685)	543	1,565	859,474 ¹

Notes:

- 1 Included in other non-cash expenses other than depreciation are allowance for losses on loans and financing, impairment loss, interest suspended and accretion of discount less amortisation of premium.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

44 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – by business segments (continued)

2005	Wholesale banking RM'000	Retail banking RM'000	Treasury and money market RM'000	Islamic Banking business RM'000	Financial advisory and underwriting RM'000	Stock- broking and other securities related business RM'000	Insurance RM'000	Others RM'000	Total RM'000
Segment liabilities	23,793,074	18,069,695	30,530,077	7,050,168	195	228,081	153,587	53,695	79,878,572
Taxation									26,412
Deferred tax liabilities									2,904
Borrowings									1,342,669
Subordinated obligations									1,530,252
INCPS									1,104,469
Unallocated liabilities									506,339
Total liabilities									<u>84,391,617</u>
Other segment items									
Capital expenditure	13,391	37,857	6,289	6,485	593	2,084	1,545	4,746	72,990
Depreciation of property, plant and equipment	18,260	66,376	6,756	576	301	4,548	1,480	7,348	105,645
Other non-cash expenses other than depreciation	439,041	262,449	15,284	16,430	472	9,722	608	5,794	749,800 ¹

Notes:

- 1 Included in other non-cash expenses other than depreciation are allowance for losses on loans and financing, impairment loss, interest suspended and accretion of discount less amortisation of premium.

(b) Secondary reporting format – by geographical segments

The geographical information is prepared based on the location of the assets. The Group's activities are principally conducted in Malaysia.

	Revenue RM'000	Total assets RM'000	Capital expenditure RM'000
2006			
Malaysia	5,269,897	98,370,471	67,864
Outside Malaysia	236,893	4,939,504	3,622
	<u>5,506,790</u>	<u>103,309,975</u>	<u>71,486</u>
2005			
Malaysia	4,295,799	85,342,041	70,654
Outside Malaysia	173,084	4,556,208	2,336
	<u>4,468,883</u>	<u>89,898,249</u>	<u>72,990</u>

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

45 CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratio is as follows:

	Group	
	2006	2005
	RM'000	RM'000
Tier I capital		
Paid-up ordinary share capital	1,823,475	1,823,475
Paid-up INCPS	1,104,469	1,104,469
Share premium	1,114,593	1,114,593
Other reserves	1,881,513	1,558,620
Deferred tax assets	(254,767)	(247,505)
Deferred tax liabilities	16,522	2,904
Minority interests	1,123,683	1,014,077
Less: Goodwill	(1,167,513)	(1,167,513)
Total Tier I capital	5,641,975	5,203,120
Tier II capital		
Subordinated obligations	1,493,158	1,530,252
General allowance for bad and doubtful debts	976,214	921,583
Total Tier II capital	2,469,372	2,451,835
Total capital	8,111,347	7,654,955
Less:		
Holdings of other financial institutions capital	(39,998)	(43,710)
Total capital base	8,071,349	7,611,245
Before deducting proposed dividends		
Core capital ratio	9.17%	9.39%
Risk-weighted capital adequacy ratio	13.06%	13.73%
After deducting proposed dividends		
Core capital ratio	9.04%	9.39%
Risk-weighted capital adequacy ratio	12.93%	13.73%

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

45 CAPITAL ADEQUACY RATIO (CONTINUED)

(b) Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

Group	2006		2005	
	Principal RM'000	Risk weighted RM'000	Principal RM'000	Risk weighted RM'000
0%	22,660,284	–	20,862,680	–
10%	800,370	80,037	1,280,348	128,035
20%	15,234,498	3,046,900	11,783,857	2,356,771
50%	11,784,561	5,892,281	11,284,853	5,642,427
100%	50,900,961	50,900,961	45,262,069	45,262,069
	101,380,674	59,920,179	90,473,807	53,389,302
Total risk-weighted assets for market risk*	–	2,481,866	–	2,045,909
	101,380,674	62,402,045	90,473,807	55,435,211

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

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) **Merger of RHB Bank and RHB Delta Sdn Bhd's (formerly known as RHB Delta Finance Berhad) ('RHB Delta') operations ('BAFIN Merger')**

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

- (i) all assets and liabilities of RHB Delta with the exception of the Islamic assets and liabilities, were transferred to RHB Bank;
- (ii) all businesses and operations of RHB Delta will be conducted through RHB Bank;
- (iii) the Islamic assets and liabilities of RHB Delta were transferred to RHB Islamic Bank Berhad; and
- (iv) RHB Leasing Sdn Bhd and RHB Delta Nominees (Tempatan) Sdn Bhd will become direct subsidiaries of RHB Bank.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Creation of an Investment Bank

The Company announced on 4 July 2006 that BNM and the Securities Commission ('SC') had approved the proposed establishment of an investment bank by its subsidiary, RHB Investment Bank, by way of the proposed acquisition of the assets and liabilities of RHB Excel Sdn Bhd (formerly known as RHB Securities Sdn Bhd) ('RHB Excel') and RHB Progressive Sdn Bhd (formerly known as RHB Futures Sdn Bhd) ('RHB Progressive') ('Proposed IB Merger').

The said approval is conditional upon, amongst others, the following:

- (i) the implementation of the Proposed IB Merger is to be completed within a period of one year from 30 June 2006; and
- (ii) RHB Investment Bank shall comply with all requirements of the guidelines issued by BNM and SC in relation to the Investment Bank framework at all times.

RHB Excel and RHB Progressive are wholly-owned subsidiaries of RHB Investment Bank, which in turn is a wholly-owned subsidiary of the Company.

The Company announced on 13 October 2006 that RHB Sakura Merchant Bankers Berhad changed its name to RHB Investment Bank on 10 October 2006 in line with RHB Group's plan to transform the merchant bank into an investment bank.

On 28 December 2006, the Company announced that the vesting orders for the transfer of the business, assets and liabilities of RHB Excel and RHB Progressive respectively which was obtained on 12 December 2006, to RHB Investment Bank shall take effect on 30 December 2006, thereby completing the transformation of RHB Investment Bank into a full fledged investment bank.

(c) RM150 million Commercial Paper/Medium Term Notes ('CP/MTN') Program and RM350 million Fixed Rate Bonds (collectively known as 'The Proposed PDS Program')

The Company has successfully launched the Proposed PDS Program and has issued the RM350 million Fixed Rate Bonds on 18 September 2006.

The proceeds from the issuance of the RM350 million Fixed Rate Bonds were utilised as follows:

	RM'million
Early redemption of the Company's Redeemable Serial Fixed Rate Bonds 2002/2007 as disclosed in Note 23(e)	199.5
Partial repayment of the Company's existing borrowings	140.7
Repayment of interest on borrowings	0.7
	<u>340.9</u>

The balance of RM9.1 million represents discount on the RM350 million Fixed Rate Bonds which is amortised throughout the tenure of the bonds.

As at 31 December 2006, the Company has not issued any CP/MTN.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(d) Acquisition of Straits Asset Holdings Sdn Bhd ('Straits Asset')

Straits Asset has become a direct subsidiary of the Company with effect from 22 September 2006 pursuant to:

- (i) the acquisition of 100% of the issued and paid-up share capital of Straits Asset ('SAHSB Shares') by RHB Investment Bank from RHB Marketing Services Sdn Bhd, a wholly-owned subsidiary of RHB Investment Bank; and
- (ii) subsequent acquisition of SAHSB Shares by the Company from RHB Investment Bank.

47 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

(a) Offer by EON Capital Berhad ('EONCap') to acquire the entire business and undertaking of the Company

The Board of Directors of the Company ('Board') had on 7 February 2007, received an offer by EONCap to acquire the entire business and undertaking of the Company including all the assets and liabilities of the Company at an aggregate cash consideration equivalent to approximately RM4.80 per ordinary share of RM1.00 each in the issued and paid-up share capital of the Company ('RHB Capital Share') multiplied by the total outstanding RHB Capital Shares ('Business Acquisition Offer').

To enable its Board to evaluate all aspects of the Business Acquisition Offer before responding to EONCap, the Company subsequently requested for extensions of the deadline to respond to the above Business Acquisition Offer, to which, EONCap had agreed to extend such deadline to 9 March 2007.

On 9 March 2007, the Company announced its Board had noted that on 8 March 2007, UBG had announced that the UBG Board of Directors had decided to accept the offer from the EPF to acquire UBG's interest in the securities of RHB. Subsequently the Board had also received letters from EPF and RHB indicating that they will not support the resolution for the Business Acquisition Offer at any Extraordinary General Meeting convened by the Company. The Company had on 9 March 2007 informed EONCap the above.

(b) EPF proposed unconditional take-over offer for all the remaining ordinary shares of RM1.00 each in RHB Capital not held by EPF

On 12 March 2007 the Company received notification from EPF in respect of the proposed acquisition of the entire UBG interest in the securities of RHB for a total cash consideration of approximately RM2,253.0 million ('Proposed EPF Acquisition').

Upon EPF obtaining control of RHB through the completion of the SPA, by virtue of the Company being a subsidiary of RHB and pursuant to Practice Note 2.2 of the Malaysian Code on Take-Overs and Mergers 1998, EPF will also extend an unconditional take-over offer for all the remaining shares of the Company not already owned by EPF. The offer price will be RM4.80 per share.

Accordingly, on the date on which the SPA becomes unconditional, EPF will similarly serve a Notice of Take-Over Offer on the Board of Directors of the Company. The Company was informed by EPF that it may also be obliged to extend an unconditional take-over offer for all the remaining shares in RHB Bank and RHB Insurance Berhad not already owned by EPF.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

48 CONTINGENT LIABILITIES

Guarantees issued

As at balance sheet date, the Company has extended unsecured guarantees totalling RM44,500,000 (2005: RM169,500,000) and RM100,000,000 (2005: RM100,000,000) for borrowings and performance of its subsidiaries respectively. As at balance sheet date, RM1,000,000 (2005: RM1,000,000) of the borrowings were utilised by the subsidiaries of the Company.

Other contingent liabilities

(a) The Company

On 19 October 2001, the Company filed a suit against CBSB, the vendor of SJ Securities, for the recovery of the deposit of RM32,800,000 ('Deposit') paid by the Company pursuant to the sale and purchase agreement dated 7 November 2000 between CBSB and the Company for the sale and purchase of 60 million shares in SJ Securities. CBSB subsequently filed a counterclaim of RM258,688,153.42 together with interest thereon, and costs.

The suit is still ongoing and the solicitors for the Company are of the opinion that the chances of successfully recovering the Deposit are good. In addition, the solicitors for the Company are also of the opinion that the prospects of successfully defending the counterclaim filed by CBSB against the Company are good and that the said counterclaim is unlikely to succeed.

In view of the above, the Company has not made any provision in relation to the said counterclaim, in the financial statements for the financial year ended 31 December 2006.

(b) RHB Excel and RHB Equities Sdn Bhd ('RHB Equities')

RHB Excel, a wholly-owned subsidiary of RHB Investment Bank and RHB Equities, a wholly-owned subsidiary of the Company, are parties, as the first and second defendants, to a suit for damages and for the return of shares pledged by the plaintiff as third party collateral for margin finance facilities initially provided by RHB Equities, which were subsequently transferred to RHB Excel together with the third party collateral. The plaintiff claimed that the transfer was made without the plaintiff's consent and has obtained an interim injunction to restrain disposal of the collateral. RHB Excel and RHB Equities have filed a defence and counterclaim against the said suit.

Plaintiff's suit against RHB Excel and RHB Equities was dismissed with costs on 19 May 2005. Plaintiff filed Notice of Appeal against the dismissal on 30 May 2005. With the dismissal, the injunction previously obtained against RHB Excel to deal with the collateral lapses. On 14 June 2005, the plaintiff filed an application for a stay of execution.

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

With effect from 30 December 2006, the assets and liabilities of RHB Excel including the above suit have been vested into RHB Investment Bank pursuant to a vesting order of the High Court.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's financial risk management policy is adopted from the main operating subsidiaries' risk management policies. Various programs have been initiated at the operating subsidiaries in order to identify, measure, control and monitor all identifiable risks.

The Group operates within a clearly defined set of principles and guidelines based on best practices that have been approved by the Board. Various working committees were formed at the operating subsidiaries in carrying out the process to ensure that all identifiable risks are addressed and managed adequately.

The main areas of financial risks faced by the Company and the Group and the policies to address these financial risks in respect of the Company and the major areas of banking activities represented by the commercial bank, RHB Bank and the investment bank, RHB Investment Bank are set out as follows:

RHB CAPITAL BERHAD

Liquidity risk

The Company manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding requirements are met. The Company's cash flows is reviewed regularly to ensure that it has sufficient level of cash and cash equivalents to meet its working capital requirements and is able to settle its commitments when they fall due.

Interest rate risk

The Company's primary interest rate risk relates to interest-bearing borrowings. The Company manages its interest rate exposure through the use of fixed and floating rate debt. The objectives for the mix between fixed and floating rate borrowings are set to manage the fluctuations in interest rates and their impact on the Company.

BANKING SUBSIDIARIES:

RHB BANK & RHB INVESTMENT BANK

Market risk

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

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

A framework of approved risk policies, measurement methodologies and limits, as approved by the respective Boards, controls financial market activities. The Asset Liability Committees ('ALCOs') play a fundamental role in the asset/liability of the banking subsidiaries, and establishes strategies which assist in controlling and reducing any potential exposures to market risk. The Risk Management Divisions play independent roles in the monitoring and assessing of risk exposures arising from these, and report independently to Risk Management Committees of the Boards.

Apart from monitoring compliance with risk policies, methodologies and limits, a number of techniques, both statistical and non-statistical are used to measure and control market risks. Value at Risk ('VAR') method is used for estimation of potential loss arising from positions held for a specified period of time with back-testing against actual financial results.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Market risk (continued)

Extreme market movements are simulated under stress testing scenarios. Stress testing examines the impact that abnormally large movements in market factors, and years of prolonged inactivity, might have on portfolios. The stress test is carried out using multiple scenarios that are continually reviewed and updated to reflect changes in economic events.

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

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

(i) Currency risk

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

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

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.

(ii) Interest rate risk

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

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

Liquidity risk

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

The banking subsidiaries' liquidity risk management is modeled based on BNM's New Liquidity Framework ('NLF'). The NLF analyses cash flows of assets, liabilities and potential off-balance sheet funding requirements under specific normal behaviour assumptions to ensure that the banking subsidiaries have sufficient liquidity to meet potential future cash requirements. In addition to NLF, the banking subsidiaries use various qualitative and quantitative tools and techniques to manage and control liquidity risk.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Credit risk

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

Credit risk arises from the lending activities, primarily through loans and advances and guarantees. In addition, credit risk also occurs from funding, investment, trading and derivatives activities, where counterparties may not be able to fulfil their obligations when they fall due.

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

In this respect, both RHB Bank and RHB Investment Bank have carried out the following various initiatives:

RHB Bank

- (i) The credit policy is to develop a strong credit culture with the objective of maintaining a well diversified, evaluated and current portfolio, fully satisfied for credit risk, giving no concern for unexpected losses and which ensures a reliable and satisfactory risk weighted return. This policy, the bedrock of credit risk management, is in the form of a written statement of credit standards, principles and guidelines, which is distributed bank-wide and used as a common source of reference. Market best practices are incorporated into this policy.
- (ii) Stringent measures and processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being independently evaluated by the Chief Credit Officer ('CCO'). The Credit Committee and the Loans Committee of the Board sanction credits beyond the individual discretionary limit of the CCO. The strict adherence to the discretionary powers sanctioned by the Board is monitored by the Compliance Division.
- (iii) A risk rating system is used to categorise the risk of individual credits and determine whether RHB Bank is adequately compensated. Client accounts are reviewed at regular intervals and weakening credits are transferred to the Loan Recovery Division for more effective management.
- (iv) RHB Bank strives to maintain a diverse credit profile and track changing risk concentrations in response to market changes and external events. Risks are further mitigated through counterparty, industry and product exposure limits and risk reward mapping. A sector lending direction guide has been updated for 2005.
- (v) RHB Bank has a comprehensive budget and plan to move towards the advanced Basel II approaches. In line with BNM's implementation timeline, RHB Bank shall implement its Basel II Standardised Approach for Credit Risks by first quarter of 2007 for parallel reporting to BNM. In respect of RHB Bank's progression towards compliance to the Basel II Internal Rating Based ('IRB') Approach, RHB Bank is in the process of implementing key program components which includes (i) enhancing the economic returns of RHB Bank using established and proven credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit grading for models business loans, and (iii) designing and implementing modelling of expected and unexpected losses.

In addition, an economic capital management framework incorporating advanced risk based pricing and funds transfer pricing has been developed, which also facilitates RHB Bank in meeting the Pillar II requirements of the Basel II Accord's IRB Approach.

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

RHB Investment Bank

- (i) The credit approving authority has been delegated to the Underwriting and Credit Committee comprising senior executives of RHB Investment Bank. An Internal Risk Rating System has been developed and implemented to ensure credits are objectively measured and rated using a consistent methodology. All credit facilities are assigned an internal rating on a scale of one to thirteen based on a standard set of qualitative and quantitative factors. The internal rating process is a two-tier approach that assigns rating to obligor and facility separately. In addition, an independent Credit Administration & Rehabilitation Department ('CARD') performs pre-approval credit review to ensure that credit proposals are independently evaluated and adherence to RHB Investment Bank's Credit Policy. CARD is also responsible for managing problem credits.
- (ii) Credit exposures are reviewed at least once a year for signs of deterioration in financial condition, which could affect the client's ability to meet its obligation to RHB Investment Bank. Frequency of credit review is dependent on the internal rating assigned whereby higher risk credits are reviewed more than once a year.
- (iii) CARD works in tandem with Risk Management Department to formulate policies, limits, guidelines and risk measurement methodologies. These models are subject to ongoing review and back-testing to ensure the continuing validity of their parameters.

RHB INVESTMENT BANK STOCKBROKING DIVISION ('the Division')

Market risk

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

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

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

Credit risk

Credit or counterparty risk refers to the potential losses attributable to an unexpected default or deterioration in a client's creditworthiness.

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Credit risk (continued)

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

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

Interest rate risk

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

Liquidity and cash flow risk

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates:

Group	< -----Non-trading book ----- >						Non- interest bearing	Trading book	Total	Effective interest rate %
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	RM'000				
2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS										
Cash and short term funds	10,282,356	-	-	-	-	389,197	-	10,671,553		3.56
Securities purchased under resale agreements	1,034,585	1,656,956	-	-	-	-	-	2,691,541		3.81
Deposits and placements with banks and other financial institutions	45,869	4,904,294	640,257	-	-	-	-	5,590,420		3.63
Securities held-for-trading	-	-	-	-	-	900	5,159,742	5,160,642		4.02
Securities AFS	2,572,387	1,379,380	766,748	905,409	452,459	192,967	-	6,269,350		4.02
Securities held-to-maturity	2,537,605	2,625,594	1,646,359	4,965,970	1,563,320	(231,263)	-	13,107,585		3.80
Loans, advances and financing										
- performing	30,268,891	6,494,649	4,934,467	7,622,456	2,526,870	138	-	51,847,471		6.84
- non-performing *	-	-	-	-	-	1,545,415	-	1,545,415		
Clients' and brokers' balances	36,824	-	-	-	-	140,203	-	177,027		0.66
Other assets and derivative assets	1,798	-	245	753	1,139	561,363	168,819	734,117		5.82
Amount due from holding company	1,236,030	-	-	-	-	-	-	1,236,030		6.91
Statutory deposits	-	-	-	-	-	1,905,043	-	1,905,043		
Tax recoverable	-	-	-	-	-	53,032	-	53,032		
Deferred tax assets	-	-	-	-	-	254,767	-	254,767		
Investments in associates	-	-	-	-	-	15,289	-	15,289		
Property, plant and equipment	-	-	-	-	-	883,180	-	883,180		
Goodwill	-	-	-	-	-	1,167,513	-	1,167,513		
TOTAL ASSETS	48,016,345	17,060,873	7,988,076	13,494,588	4,543,788	6,877,744	5,328,561	103,309,975		

* This is arrived at after deducting the general allowance and specific allowance from the outstanding non-performing loans.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Group (continued) 2006	< -----Non-trading book ----- >						Non- interest bearing RM'000	Trading book RM'000	Total RM'000	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					
LIABILITIES AND EQUITY										
Deposits from customers	22,611,554	7,156,792	12,883,730	614,609	200	14,258,647	-	57,525,532	3.17	
Deposits and placements of banks and other financial institutions	5,999,638	3,427,159	1,110,117	949,725	89,050	1,429	-	11,577,118	3.67	
Obligations on securities sold under repurchase agreements	12,720,136	2,275,063	-	-	-	-	-	14,995,199	3.38	
Bills and acceptances payable	1,272,468	1,493,303	605,157	-	-	407,830	-	3,778,758	3.88	
Clients' and brokers' balances	56,973	-	-	-	-	194,399	-	251,372	2.84	
Other liabilities and derivative liabilities	296,649	9,225	269	706	-	1,529,431	158,231	1,994,511	3.63	
Recourse obligation on loans sold to Cagamas	122,267	-	658,771	1,882,468	215,778	-	-	2,879,284	4.52	
Taxation	-	-	-	-	-	90,518	-	90,518		
Deferred tax liabilities	-	-	-	-	-	16,522	-	16,522		
Borrowings	615,600	-	-	594,904	341,308	-	-	1,551,812	6.55	
Subordinated obligations	-	-	-	1,493,158	-	-	-	1,493,158	6.91	
INCPs	-	-	-	1,104,469	-	-	-	1,104,469	10.00	
Total liabilities	43,695,285	14,361,542	15,258,044	6,640,039	646,336	16,498,776	158,231	97,258,253		
Total equity	-	-	-	-	-	6,051,722	-	6,051,722		
TOTAL LIABILITIES AND EQUITY	43,695,285	14,361,542	15,258,044	6,640,039	646,336	22,550,498	158,231	103,309,975		
TOTAL INTEREST- SENSITIVITY GAP	4,321,060	2,699,331	(7,269,968)	6,854,549	3,897,452					

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Group (continued) 2005	< -----Non-trading book ----- >					Non- interest bearing RM'000	Trading book RM'000	Total RM'000	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				
ASSETS									
Cash and short term funds	11,049,058	-	-	-	-	315,213	-	11,364,271	2.97
Securities purchased under resale agreements	907,147	1,252,377	59,967	-	-	-	-	2,219,491	3.00
Deposits and placements with banks and other financial institutions	275,616	2,283,123	55,352	-	-	-	-	2,614,091	3.06
Securities held-for-trading	-	-	-	-	-	740	3,368,227	3,368,967	3.57
Securities AFS	170,164	467,306	431,634	795,186	218,143	78,714	-	2,161,147	3.79
Securities held-to-maturity	1,730,533	1,764,960	3,352,671	4,557,924	2,686,672	(179,459)	-	13,913,301	3.52
Loans, advances and financing									
- performing	27,118,975	4,746,067	3,876,081	6,793,917	4,227,122	46	-	46,762,208	6.42
- non-performing *	-	-	-	-	-	1,596,548	-	1,596,548	
Clients' and brokers' balances	-	-	-	-	-	162,220	-	162,220	
Other assets and derivative assets	150	-	167	631	1,301	424,942	47,554	474,745	3.95
Amount due from holding company	1,153,601	-	-	-	-	-	-	1,153,601	6.69
Statutory deposits	-	-	-	100	-	1,695,731	-	1,695,831	3.00
Tax recoverable	-	-	-	-	-	58,466	-	58,466	
Deferred tax assets	-	-	-	-	-	247,505	-	247,505	
Investments in associates	-	-	-	-	-	15,734	-	15,734	
Property, plant and equipment	-	-	-	-	-	922,610	-	922,610	
Goodwill	-	-	-	-	-	1,167,513	-	1,167,513	
TOTAL ASSETS	42,405,244	10,513,833	7,775,872	12,147,758	7,133,238	6,506,523	3,415,781	89,898,249	

* This is arrived at after deducting the general allowance and specific allowance from the outstanding non-performing loans.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Group (continued)	-----Non-trading book-----						Non- interest bearing	Trading book	Total	Effective interest rate %
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	RM'000				
2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
LIABILITIES AND EQUITY										
Deposits from customers	19,847,105	6,485,876	10,223,129	523,227	3,865	12,837,908	-	49,921,110	2.76	
Deposits and placements of banks and other financial institutions	5,840,946	2,720,626	1,144,412	1,239,611	79,556	3,680	-	11,028,831	2.98	
Obligations on securities sold under repurchase agreements	8,562,259	1,760,202	620,338	-	-	-	-	10,942,799	2.86	
Bills and acceptances payable	1,094,038	1,329,676	550,901	-	-	338,445	-	3,313,060	3.31	
Clients' and brokers' balances	35,794	-	-	-	-	162,696	-	198,490	2.60	
Other liabilities and derivative liabilities	256,713	64	297	1,231	-	1,296,073	69,251	1,623,629	2.86	
Recourse obligation on loans sold to Cagamas	-	-	441,711	1,600,025	1,315,256	-	-	3,356,992	4.44	
Taxation	-	-	-	-	-	26,412	-	26,412		
Deferred tax liabilities	-	-	-	-	-	2,904	-	2,904		
Borrowings	374,125	-	125,000	546,772	296,772	-	-	1,342,669	6.43	
Subordinated obligations	-	-	-	1,530,252	-	-	-	1,530,252	6.91	
INCPS	-	-	-	1,104,469	-	-	-	1,104,469	10.00	
Total liabilities	36,010,980	12,296,444	13,105,788	6,545,587	1,695,449	14,668,118	69,251	84,391,617		
Total equity	-	-	-	-	-	5,506,632	-	5,506,632		
TOTAL LIABILITIES AND EQUITY	36,010,980	12,296,444	13,105,788	6,545,587	1,695,449	20,174,750	69,251	89,898,249		
TOTAL INTEREST- SENSITIVITY GAP	6,394,264	(1,782,611)	(5,329,916)	5,602,171	5,437,789					

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Company 2006	< -----Non-trading book ----- >					Non- interest bearing RM'000	Trading book RM'000	Total RM'000	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				
ASSETS									
Cash and short term funds	12,800	-	-	-	-	598	-	13,398	3.00
Deposits and placements with banks and other financial institutions	-	704	467	-	-	-	-	1,171	3.46
Other assets	-	-	-	-	-	32,857	-	32,857	
Amount due from holding company	1,236,030	-	-	-	-	-	-	1,236,030	6.91
Amounts due from subsidiaries	-	-	-	-	-	126,200	-	126,200	
Tax recoverable	-	-	-	-	-	19,172	-	19,172	
Investments in subsidiaries	-	-	-	-	-	6,911,026	-	6,911,026	
Property, plant and equipment	-	-	-	-	-	1,295	-	1,295	
TOTAL ASSETS	1,248,830	704	467	-	-	7,091,148	-	8,341,149	
LIABILITIES AND EQUITY									
Other liabilities	29	58	269	706	-	39,790	-	40,852	5.40
Amounts due to subsidiaries	11,180	-	-	-	-	3,251,408	-	3,262,588	5.92
Deferred tax liabilities	-	-	-	-	-	45	-	45	
Borrowings	333,200	-	-	594,904	341,308	-	-	1,269,412	6.71
Total liabilities	344,409	58	269	595,610	341,308	3,291,243	-	4,572,897	
Total equity	-	-	-	-	-	3,768,252	-	3,768,252	
TOTAL LIABILITIES AND EQUITY	344,409	58	269	595,610	341,308	7,059,495	-	8,341,149	
TOTAL INTEREST- SENSITIVITY GAP	904,421	646	198	(595,610)	(341,308)				

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest/Profit rate risk (continued)

Company (continued) 2005	-----Non-trading book-----						Non- interest bearing RM'000	Trading book RM'000	Total RM'000	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					
ASSETS										
Cash and short term funds	1,421	-	-	-	-	274	-	1,695	2.62	
Deposits and placements with banks and other financial institutions	-	87,122	452	-	-	-	-	87,574	2.85	
Other assets	-	-	-	-	-	33,011	-	33,011		
Amount due from holding company	1,153,601	-	-	-	-	-	-	1,153,601	6.69	
Amounts due from subsidiaries	-	-	-	-	-	136,417	-	136,417		
Tax recoverable	-	-	-	-	-	16,094	-	16,094		
Investments in subsidiaries	-	-	-	-	-	6,780,246	-	6,780,246		
Property, plant and equipment	-	-	-	-	-	2,028	-	2,028		
TOTAL ASSETS	1,155,022	87,122	452	-	-	6,968,070	-	8,210,666		
LIABILITIES AND EQUITY										
Other liabilities	32	64	297	1,231	-	38,438	-	40,062	5.40	
Amounts due to subsidiaries	95,664	-	-	-	-	3,243,748	-	3,339,412	4.10	
Borrowings	374,125	-	125,000	546,772	296,772	-	-	1,342,669	6.43	
Total liabilities	469,821	64	125,297	548,003	296,772	3,282,186	-	4,722,143		
Total equity	-	-	-	-	-	3,488,523	-	3,488,523		
TOTAL LIABILITIES AND EQUITY	469,821	64	125,297	548,003	296,772	6,770,709	-	8,210,666		
TOTAL INTEREST- SENSITIVITY GAP	685,201	87,058	(124,845)	(548,003)	(296,772)					

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk

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

Group	Short term funds and deposits and placements with financial institutions	Securities purchased under resale agreements	Securities held-for- trading	Securities AFS	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
Agriculture, hunting, forestry and fishing	-	-	5,082	14,307	97,489	2,663,003	1,130	2,781,011	885,524
Mining and quarrying	-	-	-	-	-	117,708	-	117,708	93,879
Manufacturing	-	-	389,263	297,461	338,488	10,059,874	9,781	11,094,867	11,643,846
Electricity, gas and water	-	-	385,407	136,501	-	287,458	4,021	813,387	1,308,061
Construction	-	-	-	123,375	156,522	2,820,327	265	3,100,489	4,131,956
Real estate	-	-	92,653	177,709	15,555	1,209,889	1,361	1,497,167	841,563
Purchase of landed property	-	-	-	-	-	14,182,286	-	14,182,286	1,230,738
Wholesale & retail trade and restaurants & hotels	-	-	49,879	51,275	15,326	6,256,073	1,847	6,374,400	6,365,120
Transport, storage and communication	-	-	204,307	5,894	2,059,139	2,697,674	1,455	4,968,469	1,088,642
Finance, insurance and business services	14,783,494	2,689,491	1,892,934	4,422,097	7,112,775	2,910,896	179,835	33,991,522	20,102,616
Government and government agencies	1,097,200	2,050	1,736,429	764,784	3,307,292	169,262	28,125	7,105,142	79,015
Purchase of securities	-	-	-	49,109	-	1,494,654	177,027	1,720,790	226,037
Purchase of transport vehicles	-	-	-	-	-	5,091,441	-	5,091,441	300,658
Consumption credit	-	-	-	-	-	3,334,387	-	3,334,387	4,089,784
Others	-	-	354,251	19,518	3,776	1,074,168	1,844,471	3,296,184	4,552,428
	15,880,694	2,691,541	5,110,205	6,062,030	13,106,362	54,369,100	2,249,318	99,469,250	56,939,867

* Excludes general allowances amounting to RM976,214,000.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk (continued)

Group (continued) 2005	Short term funds and deposits and placements with financial institutions	Securities purchased under resale agreements	Securities held-for- trading	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	
Agriculture, hunting, forestry and fishing	-	-	-	9,922	52,431	1,791,656	335	1,854,344	724,014
Mining and quarrying	-	-	-	4,872	-	89,006	-	93,878	50,453
Manufacturing	-	-	303,314	181,532	337,127	8,835,423	3,001	9,660,397	10,286,138
Electricity, gas and water	-	-	314,697	29,970	-	299,206	4,787	648,660	1,734,185
Construction	-	-	39,760	23,318	15,177	2,429,568	254	2,508,077	2,836,216
Real estate	-	-	29,577	144,267	65,207	1,265,008	2,183	1,506,242	405,329
Purchase of landed property	-	-	-	-	-	13,030,537	2,037	13,032,574	1,648,832
Wholesale & retail trade and restaurants & hotels	-	-	29,963	51,026	18,187	5,653,212	606	5,752,994	5,707,016
Transport, storage and communication	-	-	75,715	43,748	2,079,319	2,771,719	799	4,971,300	1,134,712
Finance, insurance and business services	12,737,807	2,213,042	1,096,125	1,225,693	7,987,335	2,268,528	160,964	27,689,494	13,431,697
Government and government agencies	545,300	6,449	1,310,760	226,247	3,185,557	309,186	133,687	5,717,186	705,603
Purchase of securities	-	-	-	3,298	-	2,063,519	141,928	2,208,745	242,962
Purchase of transport vehicles	-	-	-	-	-	4,346,921	-	4,346,921	131,801
Consumption credit	-	-	-	-	-	2,746,906	15	2,746,921	2,898,004
Others	-	-	119,892	4,269	171,739	1,379,944	1,541,112	3,216,956	4,178,278
	13,283,107	2,219,491	3,319,803	1,948,162	13,912,079	49,280,339	1,991,708	85,954,689	46,115,240

* Excludes general allowances amounting to RM921,583,000.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

49 FINANCIAL INSTRUMENTS (CONTINUED)**(c) Credit risk (continued)**

Company 2006	Short term funds and deposits and placements with financial institutions RM'000	Amounts due from subsidiaries RM'000	Amount due from holding company RM'000	Other financial assets RM'000	On- balance sheet total RM'000
Finance, insurance and business services	14,569	–	–	20	14,589
Others	–	126,200	1,236,030	32,800	1,395,030
	14,569	126,200	1,236,030	32,820	1,409,619
2005					
Finance, insurance and business services	89,269	–	–	54	89,323
Others	–	136,417	1,153,601	32,848	1,322,866
	89,269	136,417	1,153,601	32,902	1,412,189

50 FAIR VALUES OF FINANCIAL INSTRUMENTS

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, investments in subsidiaries and associates and intangibles.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

50 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Therefore, for a significant portion of the Group'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 could have realised in a sales transaction at the balance sheet date.

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

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

	Group		Company	
	Carrying value RM'000	Estimated fair value RM'000	Carrying value RM'000	Estimated fair value RM'000
2006				
Financial assets				
Loans, advances and financing	53,392,886	53,272,658 [@]	-	-
Securities held-to-maturity	13,107,585	13,134,874	-	-
Financial liabilities				
Deposits and placements of banks and other financial institutions	11,577,118	11,578,407	-	-
Recourse obligation on loans sold to Cagamas	2,879,284	2,909,218	-	-
Borrowings	1,551,812	1,563,219	1,269,412	1,280,819
Subordinated obligations	1,493,158	1,525,856	-	-
INCPS	1,104,469	2,016,829	-	-
Hire-purchase creditors	1,062	990	1,062	990
2005				
Financial assets				
Loans, advances and financing	48,358,756	48,668,988	-	-
Securities held-to-maturity	13,913,301*	13,911,064	-	-
Financial liabilities				
Deposits and placements of banks and other financial institutions	11,028,831	11,028,821	-	-
Recourse obligation on loans sold to Cagamas	3,356,992	3,365,638	-	-
Borrowings	1,342,669	1,357,855	1,342,669	1,357,855
Subordinated obligations	1,530,252	1,592,535	-	-
INCPS	1,104,469	1,918,860	-	-
Hire-purchase creditors	1,624	1,464	1,624	1,464

[@] 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 is of the view that there is no further impairment other than that already provided for.

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

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

50 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(a) 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 of 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.

(b) 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.

(c) 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.

(d) 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.

(e) Clients' and brokers' balances

The fair values of clients' and brokers' balances approximate their carrying amounts as at balance sheet date due to their short term tenure of less than one year.

(f) 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.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

50 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(g) Amounts due from/to holding company and subsidiaries

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

(h) 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.

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

The estimated fair values of deposits and placements of banks and other financial institutions, repos and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities of 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.

(j) Recourse obligation on loans sold to Cagamas

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 periods to maturity.

(k) Borrowings

The estimated fair values of borrowings with maturities of less than six months approximate the carrying values. For borrowings with maturities of six months or more, the fair values are estimated based on either discounted cash flow model using a current yield curve appropriate for the remaining term to maturity or discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(l) Subordinated obligations

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

(m) INCPS

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

(n) Hire-purchase creditors

The estimated fair values of hire-purchase creditors are based on discounted expected future cash flows using the current interest rates for liabilities with similar risk profiles.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

50 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**(o) Credit related commitment and contingencies**

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

(p) Foreign exchange and interest rate related contracts

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

51 EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW FRS

Set out below are changes in accounting policies that resulted in reclassification of prior year comparatives but did not affect the recognition and measurement of the Group's net assets:

- (a) FRS 101 has affected the presentation of minority interests. In the consolidated balance sheet, minority interests is now presented within equity, separately from parent shareholders' equity. Profit or loss in the consolidated income statement as well as total income and expenses for the year recognised directly in equity are now allocated between minority interests and equity holders of the Company.
- (b) Under FRS 101, the Group's share of results of associates are now shown net of tax and minority interests.

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

	Group	
	As previously reported RM'000	As restated RM'000
Income Statement		
Share of results of associates	523	295
Profit before INCPS dividends, taxation and zakat	689,096	688,868
Profit after INCPS dividends and before taxation and zakat	578,649	578,421
Share of taxation of associates	(228)	-

The adoption of this FRS has no impact to the Group's financial results.

Notes to the Financial Statements

for the financial year ended 31 December 2006 (continued)

52 COMPARATIVE FIGURES

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

	As previously reported RM'000	Group Effect of the change RM'000	As restated RM'000
Balance Sheet			
Loans, advances and financing	48,273,708	85,048	48,358,756
Clients' and brokers' balances – asset	247,268	(85,048)	162,220
Other assets	433,647	(6,456)	427,191
Borrowings	1,349,125	(6,456)	1,342,669
Income Statement			
Other operating income	781,991	28,094	810,085
Net income	2,555,918	28,094	2,584,012
Other operating expenses	(1,244,440)	(28,094)	(1,272,534)
Company			
	As previously reported RM'000	Effect of the change RM'000	As restated RM'000
Balance Sheet			
Other assets	39,467	(6,456)	33,011
Borrowings	1,349,125	(6,456)	1,342,669

53 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 March 2007.

Statement by Directors

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

We, Dato' Vaseehar Hassan Abdul Razack and Johari Abdul Muid, being two of the directors of RHB Capital Berhad state that, in the opinion of the directors, the accompanying financial statements set out on pages 51 to 150 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2006 and of the financial results and cash flows of the Group and the Company for the financial year ended 31 December 2006 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 in accordance with a resolution of the Board of Directors dated 29 March 2007.

DATO' VASEEHAR HASSAN ABDUL RAZACK
DIRECTOR

JOHARI ABDUL MUID
DIRECTOR

Statutory Declaration

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

I, Wong Yoke Ming, being the officer primarily responsible for the financial management of RHB Capital Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 51 to 150 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.

WONG YOKE MING

Subscribed and solemnly declared by the abovenamed Wong Yoke Ming at Kuala Lumpur in Malaysia on 29 March 2007 before me.

HARON HASHIM
COMMISSIONER FOR OATHS

Report of the Auditors

to the members of RHB CAPITAL BERHAD

We have audited the financial statements set out on pages 51 to 150. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

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

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 15 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' report thereon.

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

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

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

SOO HOO KHOON YEAN

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

Partner of the firm

Kuala Lumpur
29 March 2007

Analysis of Shareholdings

as at 26 March 2007

Authorised Share Capital	:	RM2,500,000,000.00 comprising 2,500,000,000 ordinary shares of RM1.00 each
Issued and Paid-up Share Capital	:	RM1,823,474,695.00 comprising 1,823,474,695 ordinary shares of RM1.00 each
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	Each shareholder present in person or by proxy at any Shareholders' Meeting shall be entitled to a show of hands of one vote and on a poll, each shareholder who is present in person or by proxy shall have one vote for each ordinary share held.
Number of Shareholders	:	23,746

Size of shareholdings	No. of shareholders	% of shareholders	No. of shares held	% of shareholdings
Less than 100	487	2.05	23,866	0.00
100 - 1,000	7,745	32.62	7,129,222	0.39
1,001 - 10,000	13,046	54.94	50,268,785	2.76
10,001 - 100,000	2,119	8.92	61,465,282	3.37
100,001 to 91,173,734 (Less than 5% of the issued shares)	345	1.45	619,069,200	33.95
91,173,735 (5% and above of the issued shares)	4	0.02	1,085,518,340	59.53
Total	23,746	100.00	1,823,474,695	100.00

List of Top (30) Shareholders

as at 26 March 2007

Rank	Name	Units	%
1	MAYBAN NOMINEES (TEMPATAN) SDN BHD <J.P. MORGAN CHASE BANK BERHAD FOR RASHID HUSSAIN BERHAD (JPMC LABUAN)>	417,602,129	22.90
2	UOBM NOMINEES (TEMPATAN) SDN BHD <ABN AMRO BANK N.V. LABUAN BRANCH FOR RASHID HUSSAIN BERHAD (PLEGGED SEC A/C)>	416,800,000	22.86
3	MAYBAN NOMINEES (TEMPATAN) SDN BHD <ABN AMRO BANK N.V. FOR RASHID HUSSAIN BERHAD (250092)>	128,616,211	7.05
4	MAYBAN NOMINEES (TEMPATAN) SDN BHD <RASHID HUSSAIN BERHAD (514011724902)>	122,500,000	6.72
5	EMPLOYEES PROVIDENT FUND BOARD	77,979,335	4.28
6	RHB NOMINEES (TEMPATAN) SDN BHD <RASHID HUSSAIN BERHAD>	41,143,570	2.26
7	HSBC NOMINEES (ASING) SDN BHD <BBH AND CO BOSTON FOR GMO EMERGING MARKETS FUND>	37,462,700	2.05
8	BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN BHD <RASHID HUSSAIN BERHAD (3396 KLBR)>	35,000,000	1.92
9	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <SKIM AMANAH SAHAM BUMIPUTERA>	29,000,000	1.59
10	HSBC NOMINEES (ASING) SDN BHD <EXEMPT AN FOR MORGAN STANLEY & CO. INCORPORATED>	21,930,775	1.20
11	PERMODALAN NASIONAL BERHAD	21,763,510	1.19
12	CITIGROUP NOMINEES (ASING) SDN BHD <GSCO FOR FARALLON CAPITAL MGMT LLC FAO FARALLON CAPITAL OFFSHORE INVESTORS, INC.>	19,790,600	1.09
13	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)>	15,750,000	0.86
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD <RASHID HUSSAIN BERHAD (PBL)>	14,380,000	0.79
15	HSBC NOMINEES (TEMPATAN) SDN BHD <NOMURA ASSET MGMT SG FOR EMPLOYEES PROVIDENT FUND>	13,432,800	0.74

List of Top (30) Shareholders

as at 26 March 2007 (continued)

Rank	Name	Units	%
16	CITIGROUP NOMINEES (ASING) SDN BHD <EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE COMPANY LIMITED>	13,215,000	0.72
17	CITIGROUP NOMINEES (ASING) SDN BHD <UBS AG>	12,449,873	0.68
18	CITIGROUP NOMINEES (ASING) SDN BHD <CBNY FOR DFA EMERGING MARKETS FUND>	11,729,900	0.64
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <EXEMPT AN FOR PRUDENTIAL ASSURANCE MALAYSIA BERHAD>	9,889,400	0.54
20	HSBC NOMINEES (ASING) SDN BHD <PICTET AND CIE FOR PICTET ASIA GROWTH FUND FCP (PAM REF 3186)>	9,714,000	0.53
21	HSBC NOMINEES (ASING) SDN BHD <PICTET AND CIE FOR PICTET ASIA TARGETED FUND FCP (PAM REF 0933)>	8,353,300	0.46
22	CITIGROUP NOMINEES (ASING) SDN BHD <GSCO FOR FARALLON CAPITAL PARTNERS, L.P.>	8,333,100	0.46
23	CARTABAN NOMINEES (ASING) SDN BHD <INVESTORS BANK AND TRUST COMPANY FOR ISHARES, INC.>	7,500,300	0.41
24	CITIGROUP NOMINEES (ASING) SDN BHD <GSCO FOR FARALLON CAPITAL OFFSHORE INVESTORS II>	6,517,400	0.36
25	CITIGROUP NOMINEES (ASING) SDN BHD <EXEMPT AN FOR MELLON BANK (MELLON)>	5,371,900	0.29
26	HSBC NOMINEES (ASING) SDN BHD <EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL LIMITED>	4,688,900	0.26
27	HSBC NOMINEES (ASING) SDN BHD <EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NETHERLANDS)>	4,649,275	0.25
28	HSBC NOMINEES (ASING) SDN BHD <EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)>	4,135,043	0.23
29	LIM KAH NGAM (MALAYSIA) SDN BHD	3,557,005	0.20
30	HSBC NOMINEES (ASING) SDN BHD <BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND>	3,481,500	0.19

Substantial Shareholders

as at 26 March 2007

No.	Substantial Shareholders	No. of Shares			
		Direct	%	Indirect	%
1.	Rashid Hussain Berhad ("RHB")	1,176,041,910	64.49	–	–
2.	Utama Banking Group Berhad ("UBG") ^a	–	–	1,176,041,910	64.49
3.	Concordance Holdings Sdn Bhd ("Concordance") ^b	–	–	1,176,041,910	64.49
4.	Cahaya Mata Sarawak Berhad ("CMSB") ^c	–	–	1,176,041,910	64.49
5.	YBhg Dato' Vaseehar Hassan Abdul Razack ^d	–	–	1,176,041,910	64.49
6.	EPF	96,503,435	5.29	1,176,041,910 ^e	64.49
7.	Kenyelang Utama Sdn Bhd ("KUSB") ^f	–	–	1,176,041,910	64.49

Notes:

- ^a UBG is a substantial shareholder of RHB. Under Section 6A of the Companies Act, 1965, UBG is deemed interested in RHB's interest in RHB Capital.
- ^b Concordance is a substantial shareholder of UBG. Under Section 6A of the Companies Act, 1965, Concordance is deemed interested in UBG's interest in RHB Capital.
- ^c CMSB holds 100% equity interest in Concordance. Under Section 6A of the Companies Act, 1965, CMSB is deemed interested in Concordance's deemed interest in RHB Capital.
- ^d YBhg Dato' Vaseehar Hassan Abdul Razack is an indirect substantial shareholder of RHB. Under Section 6A of the Companies Act, 1965, he is deemed interested in RHB's interest in RHB Capital.
- ^e EPF is a substantial shareholder of RHB. Under Section 6A of the Companies Act, 1965, EPF is deemed interested in RHB's interest in RHB Capital.
- ^f KUSB is an indirect substantial shareholder of RHB. Under Section 6A of the Companies Act, 1965, KUSB is deemed interested in RHB's interest in RHB Capital.

List of Directors' Interests in Securities of the Company and its Related Corporations

as at 26 March 2007

	Ordinary Shares of RM1.00 each	
	No.	%
The Company		
YBhg Dato' Vaseehar Hassan Abdul Razack - indirect ¹	1,176,041,910	64.49
YBhg Dato' Mohd Salleh Hj Harun - direct	15,000	*
Holding company		
<u>RHB</u>		
YBhg Dato' Vaseehar Hassan Abdul Razack - indirect ²	238,127,000	32.53

	ICULS	
	Nominal value (RM)	%
Holding company		
<u>RHB</u>		
Nominal Amount (RM) of 2002/2012 0.5% Irredeemable Convertible Unsecured Loan Stocks of RM1.00 each nominal value ("RHB ICULS-A")		
YBhg Dato' Vaseehar Hassan Abdul Razack - indirect ²	449,206,479	99.81
Nominal Amount (RM) of 2002/2012 3.0% Irredeemable Convertible Unsecured Loan Stocks of RM1.00 each nominal value ("RHB ICULS-B")		
YBhg Dato' Vaseehar Hassan Abdul Razack - indirect ²	403,471,898	67.25

Notes:

- ¹ Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his indirect substantial interest in the holding company, RHB.
- ² Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his indirect substantial interest in Utama Banking Group Berhad.
- * Negligible percentage.

By virtue of his indirect substantial interests in the shares of RHB, YBhg Dato' Vaseehar Hassan Abdul Razack is also deemed to have an indirect substantial interest in the securities of the subsidiaries of RHB to the extent RHB has an interest.

Sanctions and Penalties

There were no public sanctions and/or penalties imposed on RHB Capital Berhad and its subsidiaries, Directors or Management by the relevant regulatory bodies from 1 January 2006 to 31 December 2006.

Material Contracts

There were no material contracts of RHB Capital Berhad and its subsidiaries involving directors' and major shareholders' interests which subsisted at the end of 12 months financial period from 1 January 2006 to 31 December 2006 or, if not then subsisting, entered into since the end of the financial year ended 31 December 2005.

List of Properties

Location	Owner	Description of Property	Area (sq m.)	Usage	Age of building (Years)	Tenure	Year of Expiry on Lease	Net Book Value 31.12.2006 (RM' 000)	Year of Acquisition or Revaluation
MALAYSIA									
Kuala Lumpur									
1. 424 Jalan Tun Razak	RHB Hartanah Sdn Bhd	12 storey office building	20,440	Office Space	16	Freehold	–	131,416	1989
2. 426 Jalan Tun Razak	RHB Hartanah Sdn Bhd	16 storey office building	22,516	Office Space	10	Freehold	–	125,925	1989
3. 19 & 21 Jalan Tun Perak Kuala Lumpur	RHB Bank Berhad	1 unit of 4-1/2 storey corner commercial building	589	Office	8	Freehold	–	9,384	1999
Selangor									
4. Lot No. 8 Jalan Institusi Bandar Baru Bangi	RHB Bank Berhad	6 storey office Block, 5 storey Training Block, 7 storey IT Block & 5 storey Car Park Block	56,188	Training Centre	5	Leasehold	2090	96,479	1999
Perak									
5. No. 2, 4, 6 & 8 Jalan Tun Sambathan Ipoh	RHB Bank Berhad	4 storey office building	630	Bank Branch	8	Freehold	–	6,112	1999
SINGAPORE									
6. 90 Cecil Street	Banfora Pte Ltd	2 commercial buildings	796	Commercial Building	26	Leasehold	2980	96,468	1997
7. 10, Jalan Besar 01-03 Sim Lim Tower	RHB Bank Berhad	Ground Floor of office buildings	543	Bank Branch	27	Freehold	–	26,958	1999
8. 14A/B, 16A/B & 18A/B East Coast Road	RHB Bank Berhad	3 units of 3 storey shophouses	442	Bank Branch	47	Freehold	–	14,228	1999
9. 1/1A / 1B Yio Chu Kang Road	RHB Bank Berhad	First Floor of office buildings	101	Bank Branch	25	Freehold	–	10,743	1999
10. No. 537/539 Geylang Road	RHB Bank Berhad	3 storey shophouses	374	Bank Branch	82	Freehold	–	8,689	1999

Group branch network

as at 31 March 2007

KLANG VALLEY SOUTH RCB (CONSUMER)

1) Ampang Point

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

2) Bahau

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

3) Bandar Baru Ampang, Selangor

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

4) Bandar Baru Nilai

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

5) Jenjarom

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

6) Kajang

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

7) KLIA

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

8) Mines Shopping Fair, Selangor

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

9) Pandan Indah, Selangor

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

10) Kuala Pilah

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

11) Putrajaya (Precinct 8)

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

12) Rantau

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

13) Salak South, KL

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

14) Seremban

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

including :-

Giant Senawang (Service Center)

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

15) Seri Kembangan, Selangor

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

16) Simpang Pertang

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

17) Sungai Pelek

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

18) Taman Indah, Selangor

7 & 9, Jalan SS2/1
Off Jalan Balakong
Taman Indah, Batu 11
43200 Cheras, Selangor
Tel : (03) 9074 0998, 9074 0997,
9074 1000

19) Taman Midah, KL

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

20) Taman Permata, Selangor

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

Group branch network

as at 31 March 2007 (continued)

- 21) Taman Shamelin, KL**
38-1-5, Shamelin Business Center
Jalan 4/91, Taman Shamelin Perkasa,
56100 Kuala Lumpur
(Located right in front of the
existing premise.)
Tel : (03) 9282 7385, 7386, 7382
- 22) Taman Sungai Besi, KL**
30, Ground & First Floor, Jalan 7/ 108C
Taman Sungai Besi
57100 Kuala Lumpur
Tel : (03) 7983 2105, 2794, 7984,
3014, 3016
- 23) Taman Suintex, Selangor**
5 & 6, Jalan Kijang 1
Taman Suintex, Batu 9
43200 Cheras, Selangor
Tel : (03) 9074 7888, 9074 7804
- 24) Taman Taming Jaya, Selangor**
1, Jalan Taming Kanan 2
Taman Taming Jaya
43300 Balakong, Selangor
Tel : (03) 8961 1194, 8961 1195,
8961 1164
- 25) Tanjung Sepat**
1 & 3, Jalan Senangin Satu
Taman Tanjung
P. O. Box No. 201
42809 Tanjung Sepat, Selangor
Tel : (03) 3197 4035, 3197 4235, 4788
- KLANG VALLEY CENTRAL RCB
(CONSUMER)**
- 1) '1' Utama, Petaling Jaya**
Lot F38 & F39 (1st Floor)
'1' Utama Shopping Centre
Lebuhraya Bandar Utama
47800 Petaling Jaya, Selangor
Tel : (03) 7728 3454, 7728 3470
- 2) 11, 13 & 15, Jalan Niaga, Shah Alam**
11, 13 & 15
Jalan Niaga 16/3A, Section 16
40000 Shah Alam, Selangor
Tel : (03) 5510 3131, 3135, 6289,
3931, 3849
- 3) 48 - 50, Jalan SS15/4D, Subang Jaya**
Lot 48-50 Jln SS15/4D
Subang Jaya
47500 Selangor
Tel : (03) 5634 4970, 5634 4976, 4973
- 4) Bandar Baru Sungai Buloh**
391 & 392, Jalan 1A/1
Bandar Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : (03) 6156 1712, 1713, 1711,
4034, 5707
- 5) Bandar Sri Damansara**
1 & 2, Jalan Tanjung SD 13/1
52200 Bandar Sri Damansara, Selangor
Tel : (03) 6274 5287, 6274 5532,
6274 5576
- 6) Damansara Jaya**
22 & 24, Jalan SS 22/25
Damansara Jaya
47400 Petaling Jaya, Selangor
Tel : (03) 7729 5132, 7729 5137,
7729 3853
- 7) IOI Mall, Puchong**
Lot G18A (Ground Floor), IOI Mall
Batu 9, Jalan Puchong
Bandar Puchong Jaya
47100 Puchong, Selangor
Tel : (03) 5882 0870, 0874, 0875,
0879
- including:-
TESCO PUCHONG (Service Centre)
Lot 4A, Tingkat 1
Tesco Puchong, Jalan Bandar 3
Pusat Bandar Puchong
47100 Selangor
Tel : (03) 8075 7980, 8075 8196
- 8) Jalan Meru, Kelang**
147 & 149
1 1/2 Miles, Jalan Meru
41050 Kelang, Selangor
Tel : (03) 3344 2751, 3344 2750
- 9) Jalan SS21/39, Damansara Utama**
2M & 2G Jalan SS 21/39
Damansara Utama
47400 Petaling Jaya, Selangor
Tel : (03) 7726 2306, 7726 2307,
7726 2308
- 10) Jalan Stesen, Kelang**
24 & 26, Jalan Stesen
41000 Kelang, Selangor
Tel : (03) 3371 9669, 3371 9652,
3372 7242
- 11) Jln T. Amp Zabedah, Shah Alam**
16 & 18, Ground & First Floor
Jln T. Amp Zabedah D9/D, Section 9
40100 Shah Alam, Selangor
Tel : (03) 5510 0559, 5511 4127,
5511 4128, 5512 9829
- including:-
Giant Shah Alam (Service Center)
Lot B26 - B27
Giant Hypermarket, Shah Alam
2, Persiaran Sukan, Seksyen 13
40100 Shah Alam, Selangor
Tel : (03) 5511 9085
- 12) Kampung Baru Sungai Buloh**
25, Jalan Public
Kampung Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : (03) 6156 9301, 6156 9302,
6156 9344
- 13) Meru**
1, Lorong Pepauh 1A
Taman Pekan Meru
41050 Kelang, Selangor
Tel : (03) 3392 4501, 3392 4502,
3392 4503
- 14) New Town, Petaling Jaya**
1, 3 & 5, Jalan 52/18
New Town Centre
46200 Petaling Jaya, Selangor
Tel : (03) 7956 9611, 7956 9612,
7956 1994
- 15) Persiaran Sultan Ibrahim, Kelang**
33, Persiaran Sultan Ibrahim
41300 Kelang, Selangor
Tel : (03) 3342 0433, 3342 0434,
3342 0435
- 16) Section 14, Petaling Jaya**
1, Jalan 14/20
46100 Petaling Jaya, Selangor
Tel : (03) 7957 4742, 7957 4460

Group branch network

as at 31 March 2007 (continued)

17) Port Klang

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

including:-

Giant Bukit Tinggi, (Service Centre)

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

18) SS2, PJ

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

including:-

Giant Kelana Jaya (Service Centre) (25-3-2004)

Lot F1, F2 and F3
Tingkat 1
Giant Hypermarket
No. 33 Jalan SS 6/12
SS6 Kelana Jaya
47301 Petaling Jaya, Selangor Darul Ehsan
Tel : (03) 7804 3658

19) Taman Megah, Petaling Jaya

11 - 15, Jalan SS24/11
Taman Megah
47301 Petaling Jaya, Selangor
Tel : (03) 7804 1258, 7481, 7090,
9040

20) Tanjong Karang

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

21) UEP Subang Jaya

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

KLANG VALLEY NORTH 1 RCB (CONSUMER)

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

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

2) Bangsar Shopping Complex, KL (KVN 1)

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

3) Damansara Heights, KL (KVN 1)

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

4) Jalan Bukit Bintang, KL (KVN 1)

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

5) Jalan Maharajalela, KL (KVN 1)

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

KL Sentral (Service Center) (KVN 1)

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

6) Jalan Pasar, KL (KVN 1)

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

7) KLCC (KVN 1)

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

8) Kuala Lumpur Main (KVN 1)

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

Including:-

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

9) Plaza OSK, KL (KVN 1)

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

including:-

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

KLANG VALLEY NORTH 2 RCB (CONSUMER)

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

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

Group branch network

as at 31 March 2007 (continued)

2) Desa Sri Hartamas, KL (KVN 2)

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

3) Jalan Ipoh, KL (KVN 2)

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

4) Jinjang Utara, KL(KVN 2)

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

5) Kepong, KL(KVN 2)

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

6) Mid Valley, KL (KVN 2)

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

7) Overseas Union Garden, KL (KVN 2)

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

8) Rawang (KVN 2)

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

9) Segambut, KL (KVN 2)

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

10) Setapak, KL (KVN 2)

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

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

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

12) Wisma UOA (KVN 2)

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

NORTHERN RCB (CONSUMER)**1) 2784 & 2785, Jln Chain Ferry, Prai**

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

2) Ayer Itam

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

3) Bayan Baru

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

4) Bukit Mertajam

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

5) Burmah House, Penang

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

6) Jalan Raja Uda, Penang

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

7) Jalan Tunku Ibrahim, Alor Setar

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

8) Jelutong

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

9) Kangar

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

10) Padang Serai

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

11) Pulau Langkawi

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

12) Sungai Bakap

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

13) Sungai Dua

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

14) Taman Pekan Baru, Sg Petani

104, 105 & 106, Jalan Pengkalan
Tmn Pekan Baru, Sg Petani Baru
08000 Sungai Petani, Kedah
Tel : (04) 421 0786, 421 1600,
421 9090

Group branch network

as at 31 March 2007 (continued)

15) Butterworth

6774, 6775 & 6776, Jalan Kg Gajah
12200 Butterworth, Pulau Pinang
Tel : (04) 331 5871, 331 5872

16) Jalan Bakar Arang, Sungai Petani

27 & 28, Jalan Bakar Arang
08000 Sungai Petani, Kedah
Tel : (04) 422 2151, 422 2152

17) Kuala Kedah

Ground & First Floor
262 & 263, Block C, Bangunan Peruda
06600 Kuala Kedah, Kedah
Tel : (04) 762 5367, 762 5366

18) Lebu Pantai, Penang

44, Lebu Pantai
Georgetown, 10300 Pulau Pinang
Tel : (04) 262 1144, 262 1109

19) Mergong, Alor Setar

97J, Seberang Jalan Putra
05150 Alor Setar, Kedah
Tel : (04) 733 9279, 733 9304

20) Taman Semarak, Kulim

43, Lorong Semarak 1
Taman Semarak
09000 Kulim, Kedah
Tel : (04) 491 5912, 491 5913

JOHOR RCB (CONSUMER)

1) Jalan Bandar, Pasir Gudang

10A, Pusat Perdagangan
Jalan Bandar
81700 Pasir Gudang, Johor
Tel : (07) 251 1578, 251 1573,
252 7717, 251 6292

2) Jalan Dedap, Taman Johor Jaya

7 & 9, Jalan Dedap 18
Taman Johor Jaya
81100 Johor Bahru, Johor
Tel : (07) 355 5226, 355 5327,
355 0844, 355 3277

3) Jln Bendahara 12,

Taman Ungku Tun Aminah
62, 64 & 66, Jalan Bendahara 12
Taman Ungku Tun Aminah
81300 Sekudai, Johor
Tel : (07) 557 1477, 557 1097,
554 9926, 554 1790

4) Johor Bahru City Square

Lot J1-22 & J2-31
Level 1 & 2, Johor Bahru City Square
106 & 108, Jalan Wong Ah Fook
80000 Johor Bahru, Johor
Tel : (07) 224 5333, 224 0333,
223 0573

5) Kulai

4 & 5, Taman Seraya
Kulai Besar
81000 Kulai, Johor
Tel : (07) 663 1911, 663 1912

6) Permas Jaya, Johor

Ground Floor
35 & 37, Jalan Permas 10/2
Bandar Baru Permas Jaya
81750 Johor Bahru, Johor
Tel : (07) 388 6741, 388 6744,
388 6746

7) Plentong, Johor

Lot A17, Ground Floor
Giant Hypermarket
3, Jalan Masai Lama
Plentong
81750 Johor Bahru, Johor
Tel : (07) 352 7684, 358 2715,
358 2716

8) Pontian Kechil

192, Jalan Bakek
Pontian Kechil
82000 Pontian, Johor
Tel : (07) 687 8368, 687 8369,
687 8123

9) Senai

180 & 181, Jalan Belimbing 1
81400 Senai, Johor
Tel : (07) 599 6960, 599 6546

10) Simpang Renggam

8 & 9, Jalan Kijang
86200 Simpang Renggam, Johor
Tel : (07) 755 8531, 755 8532,
755 7366

11) Taman Molek, Johor

56 & 58, Jalan Molek 2/2
Taman Molek
81100 Johor Bahru, Johor
Tel : (07) 351 4641, 351 4642

12) Taman Pelangi, Johor

Suite 1-2, Level 1
Menara Pelangi
2, Jalan Kuning
Taman Pelangi
80400 Johor Bahru, Johor
Tel : (07) 334 3476, 334 3481

13) Taman Sentosa, Johor

9 & 11, Jalan Sutera
Taman Sentosa
80150 Johor Bahru, Johor
Tel : (07) 332 2243, 332 2244,
332 2246, 332 7251

14) Tampoi

3, 3-01, 5, 5-01, Jalan Pembangunan
Desa Rahmat, Tampoi
81200 Johor Bahru, Johor
Tel : (07) 234 0678, 234 0729

15) Ulu Tiram

1 & 2, Jalan Raya
81800 Ulu Tiram, Johor
Tel : (07) 861 3002, 861 7609,
861 3003, 3001

MELAKA RCB (CONSUMER)

1) 9, Jalan Abdullah, Muar

9, Jalan Abdullah
84000 Muar, Johor
Tel : (06) 952 2234, 951 9080

2) Batu Pahat

89, Jalan Rahmat
83000 Batu Pahat, Johor
Tel : (07) 431 7011, 431 7022

Group branch network

as at 31 March 2007 (continued)

- 3) Bekok**
G34 & G36, Jalan Wijaya
86500 Bekok, Johor
Tel : (07) 922 1639, 922 1643
- 4) Bukit Baru, Melaka**
Ground Floor, 5 & 6, Jalan DR 1
Taman Delima Raya
Bukit Baru, 75150 Melaka
Tel : (06) 232 1302, 232 1298
- 5) Jalan Dato' Rauf, Kluang**
18 & 20, Jalan Dato' Rauf
86000 Kluang, Johor
Tel : (07) 772 4111, 772 4112
- 6) Jalan Hang Tuah, Melaka**
477, Plaza Melaka
Jalan Hang Tuah
75300 Melaka
Tel : (06) 284 0473, 284 0476
- including:-
Tesco Melaka (Sales Kiosk)
Lot 7, Tingkat Bawah
No. 1, Jalan Tun Razak
75400 Peringgit Melaka
Tel : (06) 283 5533
- 7) Jementah**
Ground Floor, MCA Building
Jalan Muar
85200 Jementah, Johor
Tel : (07) 947 1578, 947 1353
- 8) Kota Melaka**
No. 57 & 59, Prime Square
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 5030, 282 5029
- 9) Segamat**
110 & 111, Jalan Genuang
85000 Segamat, Johor
Tel : (07) 931 1366, 931 1367,
931 5442, 931 5379
- 10) Tangkak**
351 & 352, Jalan Muar
84900 Tangkak, Johor
Tel : (06) 978 6588, 978 6591
- 11) Yong Peng**
106, Jalan Besar
83700 Yong Peng, Johor
Tel : (07) 467 1006, 467 1146
- PERAK RCB (CONSUMER)**
- 1) Air Tawar**
33A & B, Jalan Besar
32400 Air Tawar, Perak
Tel : (05) 672 2385, 672 4148
- 2) Bagan Serai**
243, Jalan Besar
34300 Bagan Serai, Perak
Tel : (05) 721 5715, 721 5716
- 3) Gopeng**
Ground Floor
67 & 69, High Street
31600 Gopeng, Perak
Tel : (05) 359 1169, 359 4524
- 4) Gunung Rapat**
57 & 59, Medan Gopeng 1
Jalan Gopeng, Gunung Rapat
31350 Ipoh, Perak
Tel : (05) 312 3599, 312 3851
- 5) Jalan Tun Sambanthan, Ipoh**
Lot 2, 4, 6 & 8, Jalan Tun Sambanthan
30000 Ipoh, Perak
Tel : (05) 254 2135, 254 2136
- 6) Ipoh Garden South**
12 & 14 Tingkat, Taman Ipoh 6
Ipoh Garden South
31400 Ipoh, Perak
Tel : (05) 548 2532, 547 7888
- 7) Jelapang**
433 & 435, Jalan Silibin
Taman Silibin, P. O Box No. 585
30760 Ipoh, Perak
Tel : (05) 526 6515, 526 8518
- 8) Kampar**
81, 83 & 85, Jalan Gopeng
31900 Kampar, Perak
Tel : (05) 466 6202, 466 6203,
465 1592, 466 1599
- 9) Kuala Kangsar**
6 & 7, Jalan Daeng Selili
33000 Kuala Kangsar, Perak
Tel : (05) 776 3772, 776 1762
- 10) Kuala Kurau**
Ground & First Floor
19, Jalan Besar
34350 Kuala Kurau, Perak
Tel : (05) 727 7953, 727 0939
- 11) Menglembu**
Ground & First Floor
50 & 52, Jalan Besar
31450 Menglembu, Perak
Tel : (05) 281 6011, 281 6017
- 12) Parit Buntar**
44, Jalan Teh Peh Kong
34200 Parit Buntar, Perak
Tel : (05) 716 1626, 716 1627
- 13) Persiaran Greenhill, Ipoh**
62, Persiaran Greenhill
30450 Ipoh, Perak
Tel : (05) 253 3355, 255 4195
- 14) Simpang Empat, Hutan Melintang**
Lots P.T 1374 & 1375,
Jalan Hutan Melintang
Taman Seri Perak, Simpang Empat
36400 Hutan Melintang, Perak
Tel : (05) 641 2363, 641 2362
- 15) Sitiawan**
25C, Jalan Datuk Ahmad Yunus
32000 Sitiawan, Perak
Tel : (05) 691 1411, 691 4669
- 16) Sungai Siput**
139 & 140, Jalan Besar
31100 Sungai Siput, Perak
Tel : (05) 598 2233, 598 2234,
598 8922
- 17) Sungkai**
18 & 19, Jalan Besar
35600 Sungkai, Perak
Tel : (05) 438 6708, 438 6710

Group branch network

as at 31 March 2007 (continued)

18) Taiping

68 & 70, Jalan Kota
34000 Taiping, Perak
Tel : (05) 807 3276, 807 3257
808 3350

19) Tasek

699 & 701, Jalan Tasek
Taman Musim Bunga
31400 Ipoh, Perak
Tel : (05) 546 7363, 546 7386,
546 7370

20) Teluk Intan

31 & 33, Jalan Intan 2
Bandar Baru Teluk Intan
36000 Teluk Intan, Perak
Tel : (05) 622 1654, 622 1655

EAST COAST RCB (CONSUMER)

1) Bentong

Lot 13 & 14, Jalan Loke Yew
28700 Bentong, Pahang
Tel : (09) 222 1648, 222 1649

2) Jerantut

Lot 4360 & 4361, Jalan Kuantan
27000 Jerantut, Pahang
Tel : (09) 266 5900, 266 5901

3) Kemaman

K-156C, Jalan Sulaimani
24000 Chukai, Terengganu
Tel : (09) 859 2825, 859 2824

4) Kerteh

10B, Bandar Baru Kerteh
24300 Kerteh, Terengganu
Tel : (09) 826 1644, 826 1645

5) Ketereh

Lot PT 383 & PT 384
Kedai Ketereh, Bandar Ketereh
16450 Ketereh, Kelantan
Tel : (09) 788 6377, 788 6376

6) Jln Kebun Sultan, Kota Bharu

782 - 786, Jalan Tok Hakim
15000 Kota Bharu, Kelantan
Tel : (09) 748 1792, 748 1793,
744 1744, 1776, 1654

7) Kuala Dungun

K231, Jalan Besar, Kuala Dungun
23000 Dungun, Terengganu
Tel : (09) 848 1416, 848 1575

8) Kuala Terengganu

59, Jalan Sultan Ismail
20200 Kuala Terengganu, Terengganu
Tel : (09) 622 1478, 622 6478

9) Jalan Telok Sisek, Kuantan

45, Jalan Telok Sisek
25000 Kuantan, Pahang
Tel : (09) 517 7466, 516 4475,
516 4517, 516 3763

10) Mentakab

Lot 94 & 95, Jalan Temerloh
28400 Mentakab, Pahang
Tel : (09) 278 1976, 278 1971

11) Pasir Mas

18A, Jalan Tengku Ahmad
17000 Pasir Mas, Kelantan
Tel : (09) 790 9088

12) Raub

Lot PT 16477 & 16478
Pusat Perniagaan Indrapura, Jln Tras
27600 Raub, Pahang
Tel : (09) 355 5077, 355 5515

SARAWAK RCB (CONSUMER)

1) 31, Jln Tunku Osman, Sibul

No 31, Jln Tuanku Osman
P O Box 26
96007 Sibul, Sarawak
Tel : (084) 314 455

2) Boulevard Centre, Miri

Ground Floor
Lot 2469 & 2470
Boulevard Commercial Centre
Jalan Boulevard Utama
98000 Miri, Sarawak
Tel : (085) 429 880

3) Dalat, Sarawak

Ground Floor
Pejabat Daerah Dalat
96300 Dalat, Sarawak
Tel : (084) 864 841, 864 842

4) Jalan Kulas, Kuching

Ground Floor Lot 363
Section Jalan Kulas
P O Box 2049
93740 Kuching, Sarawak
Tel : (082) 419 050, 426 586

5) Jalan Masjid, Bintulu

Ground Floor & 1st Floor
258 Taman Sri Dagang
Jalan Masjid
97000 Bintulu, Sarawak
Tel : (086) 331 133

6) Jalan Nakhoda Gampar, Miri

Lot 362, Block 9
Jln Nakhoda Gampar
P O Box 1142
98008 Miri, Sarawak
Tel : (085) 411 882

7) Jalan Padungan, Kuching

256, Jalan Padungan
93100 Kuching, Sarawak
Tel : (082) 423 216, 252 088

8) Kanowit, Sarawak

Lots 127 & 128
No 65-66 Jalan Kubu
Kanowit Town District
96700 Kanowit, Sarawak
Tel : (084) 752 700

9) Lawas, Sarawak

Lot No 355
Jalan Punang
98850 Lawas
Tel : (085) 285 657, 285 659

10) Lundu, Sarawak

Lot 249-250
Jalan Blacksmith
Pekan Lundu
94500 Lundu, Sarawak
Tel : (082) 735 611

11) Medan Raya, Kuching (w.e.f. 01-07-2004)

Lot 4, Tingkat Bawah
Bangunan MASJA
Medan Raya, Petrajaya
93050 Kuching, Sarawak
Tel : (082) 442 741, 449 135, 445 611

Group branch network

as at 31 March 2007 (continued)

12) Sarikei, Sarawak

Lot 1468
Repok Road
P O Box 738
96108 Sarikei, Sarawak
Tel : (084) 657 030

13) Siburan, Sarawak

No 2, Siburan Bazaar
17th Mile, Kuching Serian Road
94200 Siburan, Sarawak
Tel : (082) 862 808

14) Simpang Tiga, Kuching

No 11, Jln Simpang Tiga
P O Box 3000
93758 Kuching, Sarawak
Tel : (082) 417 817, 411 817

15) Tabuan Jaya, Sarawak

891-892
Lorong Bayor Bukit 2A
Tabuan Jaya, Shopping Centre
Jalan Wan Alwi
93350 Kuching, Sarawak
Tel : (082) 366 823, 366 828

16) UNIMAS

Bangunan Hal Ehwal Pelajar
Campus Tetap Unimas, KM 17, Kuching
Kota Samarahan Expressway
94300 Kota Samarahan, Sarawak
Tel : (082) 665 622, 665 288

17) Wisma Mahmud, Kuching

Level 1
Wisma Mahmud
Jalan Sungei Sarawak
93100 Kuching, Sarawak
Tel : (082) 345 345, 345 610

18) Batu Kawah, Kuching (wef Dec. 2004)

Bd 104/204 & 105/205
Batu Kawah New Township
Jalan Batu Kawa, 93250 Kuching
Sarawak
Tel : (082) 455 650, 450 487

19) Limbang, Sarawak

Lot 1563 Jalan Buangsiol
98700 Limbang, Sarawak
Tel : (085) 212 398, 212 399

20) Sri Aman, Sarawak

Lot 839, Jalan Sabu, 95000
Sri Aman, Sarawak
Tel : (083) 320 979, 320 980

21) Kapit, Sarawak

Lot 504 Jalan Temenggong Jugah
96800, Kapit, Sarawak
Tel : (084) 797 771

22) Marudi, Sarawak

Lot 29, Jalan Kapitan Lim Ching Kiat
Marudi
98050, Baram, Sarawak
Tel : (085) 756 721, 756 722

SABAH RCB (CONSUMER)**1) Bandar Pasaraya, Sandakan**

Lot 59 Ground Floor
Bandar Pasaraya, Mile 4
90000 Sandakan, Sabah
Tel : (089) 208 101, 208 102,
208 104, 208 100

2) Inanam, Sabah

Ground & First Floor
Lot 20 & 22, Block E
Inanam New Township, Phase II
89350 Inanam, Sabah
Tel : (088) 422 883

3) Jalan Gaya, Kota Kinabalu

81 / 83, Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : (088) 216 188, 213 982

4) Jalan Tun Mustapha, Labuan

Lot 1 & 2, Jati Shop Houses
Off Jalan Tun Mustapha
87007 Labuan
Wilayah Persekutuan Labuan
Tel : (087) 414 822, 414 810

5) Lahad Datu, Sabah

Lot 1 & 2, Block A
Metro Commercial Complex
91100 Lahad Datu, Sabah
Tel : (089) 886 159, 886 418

6) Tawau, Sabah

Ground & First Floor
Lot 5 Block 27
Fajar Complex, Jalan Mahkamah
Town Extension II
91000 Tawau, Sabah
Tel : (089) 777 355, 777 233

7) Wisma Khoo, Sandakan

Sub Lot 1 - 7, Ground Floor
Wisma Khoo Siak Chiew
Lebuh Tiga, Jalan Sim Sim
Mail Bag No 4
90009 Sandakan, Sabah
Tel : (089) 218 777

RHB BUREAU DE CHANGE**1) KL International Airport (Departure)**

Lot 13a Departure Level
Main Terminal Building
Kuala Lumpur
International Airport
64000, Selangor
Tel : (03) 8787 3257

Open 24 hours daily.

2) KL International Airport (Arrival)

Lot No. ARR 5A
Arrival Level
Main Terminal Building
Kuala Lumpur
International Airport
64000, Selangor
Tel : (03) 8787 1562

Open 24 hours daily.

3) KL Sentral

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

Monday to Sunday 10.00 AM to 6.00 PM

Group branch network

as at 31 March 2007 (continued)

4) Penang International Airport

Lot CM 18
Penang International Airport
11900, Bayan Lepas
Pulau Pinang
Tel : (04) 643 4769

Monday to Sunday 6.30 AM to 11.30 PM

5) Kuching International Airport

Arrival Hall
Peti Surat 1070
93722, Kuching
Sarawak
Tel : (082) 463 768

Monday to Sunday 8.30 AM to 7.30 PM

6) Kota Raya Complex

Lot G17, Ground Floor
Kota Raya Complex
Jalan Cheng Lock
50000, Kuala Lumpur
Tel : (03) 2072 0881

Monday to Friday 11.00 AM to 7.00 PM
Saturday to Sunday 10.30 AM to 7.00 PM

RHB ISLAMIC BANK BERHAD

1) Corporate Office

Level 11, Menara Yayasan Tun Razak
200, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : (03) 2171 5000

2) Head Office

Level One, Tower Three
RHB Centre, 50400 Kuala Lumpur
Tel : (03) 9280 6078

3) Kota Bharu Marketing Centre

1185, Jalan Kebun Sultan
15350 Kota Bharu
Kelantan
Tel : (09) 747 2525

4) Kuala Terengganu Marketing Centre

1st Floor
59, Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu
Tel : (09) 626 2627

5) Jalan Masjid India Marketing Centre

No. 137, Ground Floor
Jalan Bunus
Off Jalan Masjid India
50100 Kuala Lumpur
Tel : (03) 2693 6300

6) Jalan Satok Marketing Centre

192-E & 192 - F
Jalan Satok
93400 Kuching, Sarawak
Tel : (082) 258 800

7) Jalan Gaya Marketing Centre

No. 104, Jalan Gaya
88000 Kota Kinabalu
Sabah
Tel : (088) 266 600

8) Taman Indah Automobile Business Centre

2nd Floor, No. 7 & 9, Jalan SS2/1
Off Jalan Balakong, Taman Indah
Batu 11, 43200 Cheras, Kuala Lumpur
Tel : (03) 9075 5959

RHB INVESTMENT BANK BERHAD

1) Head Office

Level 9, Tower Three
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9287 3888

2) Kuching Desk Office

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

3) Penang Desk Office

Level 4
44, Lebuhr Pantai
Georgetown
10300 Pulau Pinang
Tel : (04) 2631 122

4) Johor Bahru Desk Office

Suite 10.09, Level 10
Johor Bahru City Square
(Office Tower)
106-108, Jalan Wong Ah Fook
Johor Bahru
80000 Johor
Tel : (07) 2288 111

5) Melaka Branch

Lot 9 & 10
1st Floor Bangunan Tabung Haji
Jalan Banda Kaba
75000 Melaka
Tel : (06) 2833 622

RHB INSURANCE BERHAD

1) Head Office

Level 8, Tower One, RHB Centre
Jalan Tun Razak, P.O. Box 10835
50726 Kuala Lumpur
Tel : (03) 9281 2731

2) Pulau Pinang

Unit No 10.04
10th Floor Menara PSCI
39, Jalan Sultan Ahmad Shah
10050 Penang
Tel : (04) 228 0311, 228 0115

3) Ipoh

No 37, Jalan Medan Ipoh 5
Bandar Baru Medan Ipoh
31400 Ipoh
Perak
Tel : (05) 546 3123, 546 2021

4) Kajang

No.7, Jalan Raja Haroun
43000 Kajang
Selangor
Tel : (03) 8733 6479, 8737 6067

Group branch network

as at 31 March 2007 (continued)

5) Klang

No. 2A (Ground & 1st Floor)
Jalan Tiara 2D/KU1
Bandar Baru Klang
41150 Klang, Selangor
012-366 8526

6) Melaka

No 339-A
Jalan Melaka Raya 3
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 9978, 283 9460

7) Johor Bahru

Suite 18.06, Level 18
Johor Bahru City Square (Office Tower)
106 - 108, Jln Wong Ah Fook
80000 Johor Bahru, Johor
Tel : (07) 223 4982, 223 7068

8) Kuantan

1st Floor
No 74/1, Jalan Teluk Sisek
25000 Kuantan
Pahang
Tel : (09) 516 1749

9) Kota Bharu

Lot 344, Ground Floor
Jalan Sultan Yahya Petra
15200 Kota Bharu
Kelantan
Tel : (09) 746 1611

10) Kota Kinabalu

1st Floor
No 78, Jalan Gaya
88000 Kota Kinabalu
Sabah
Tel : (088) 216 192, 216 193

11) Kuching

G8 & 108, Ground & 1st Floor
Crown Towers
No.88, Jalan Pending
93450 Kuching
Sarawak
Tel : (082) 482 642, 482 643

12) Sandakan

Ground Floor, Block 11, Lot 8
Bandar Indah, Mile 4, North Road
90000 Sandakan
Sabah
Tel : (089) 235 893, 235 898

13) Sibiu

No.91, Ground Floor
Jalan Kampong Nyabor
96000 Sibiu
Sarawak
Tel : (084) 331 660, 331 876

**RHB OVERSEAS BRANCHES
NEGARA BRUNEI DARUSSALAM****1) Bandar Seri Begawan**

Unit G.02, Ground Floor, Block D
Kompleks Yayasan Sultan
Haji Hassanal Bolkiah
Jalan Pretty
Bandar Seri Begawan BS 8711
Negara Brunei Darussalam
Tel : (673) 223 1325

SINGAPORE

90 Cecil Street #05-00
Singapore 069531
Tel : (02) 6220 2736

SINGAPORE OPERATIONS**1) Cecil Street Branch**

90 Cecil Street #01-00
Singapore 069531
Tel : (02) 6222 1059

2) Bukit Timah Branch

440 / 442, Upper Bt Timah Road
The Rail Mall
Singapore 678064
Tel : (02) 6765 1678

3) Geylang Branch

537 Geylang Road
Singapore 389492
Tel : (02) 6747 8969

4) Katong Branch

14 - 18 East Coast Rd
Singapore 428741
Tel : (02) 6344 5353

5) Bukit Merah Branch

Blk 131, Jalan Bukit Merah
#01-1577 / 1579
Singapore 160131
Tel : (02) 6273 9168

6) Upper Serangoon Branch

1 Yio Chu Kang Road
Singapore 545506
Tel : (02) 6282 6778

7) Jalan Besar Branch

10, Jalan Besar #01-03
Sim Lim Tower
Singapore 208787
Tel : (02) 6296 5842

THAILAND**1) Country Head,
Bangkok**

Level 10, Liberty Square
287, Silom Road, Bangrak
Bangkok 10500
Thailand
Tel : (662) 631 2000

Notice of 12th Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held at Grand Prince Ballroom, Level 3, Prince Hotel & Residence, Jalan Conlay, 50450 Kuala Lumpur on Wednesday, 23 May 2007 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2006 and the Directors' and Auditors' Reports thereon. **Ordinary Resolution 1**

2. To declare a final dividend of 6% less 27% income tax in respect of the financial year ended 31 December 2006 as recommended by the Directors. **Ordinary Resolution 2**

3. To re-elect the following Directors retiring under Article 80 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:-
 - (i) YBhg Dato' Mohd Salleh Hj Harun; and **Ordinary Resolution 3**
 - (ii) Encik Johari Abdul Muid **Ordinary Resolution 4**

4. To approve the increase in Directors' fees from RM24,000.00 to RM60,000.00 for each non-executive Director and to fix a fee of RM80,000.00 for the non-executive Chairman and to approve the payment of Directors' fees totalling RM325,808.22 for the financial year ended 31 December 2006. **Ordinary Resolution 5**

5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be determined by the Directors. **Ordinary Resolution 6**

AS SPECIAL BUSINESS:-

6. To consider and, if thought fit, to pass the following Ordinary Resolution:-

Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

"That pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time, at such price, upon such terms and conditions and for such purpose or purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution for the following period of twelve (12) months after the date of this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

Ordinary Resolution 7

7. To transact any other business of which due notice shall have been given.

Notice of 12th Annual General Meeting (continued)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Annual General Meeting to be held on 23 May 2007, a final dividend of 6% less 27% income tax for the financial year ended 31 December 2006 will be paid on 7 June 2007 to Depositors whose names appear in the Record of Depositors as at 25 May 2007.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Securities transferred into the Depositor's securities account before 4.00 p.m. on 25 May 2007 in respect of transfers;
- b. Securities deposited into the Depositor's securities account before 12.30 p.m. on 23 May 2007 in respect of securities exempted from mandatory deposit; and
- c. Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Azman Shah Md Yaman (LS 0006901)

Company Secretary

Kuala Lumpur
30 April 2007

NOTES:

Appointment of Proxy

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.
3. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account which is credited with ordinary shares of the Company.
5. The Form of Proxy or other instruments of appointment must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd, at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur at least 48 hours before the time fixed for holding the meeting or any adjournment thereof.

Requirement under Appendix 8A, Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

The details of the Directors who are standing for re-election are set out from page 8 to page 9 of the Annual Report of the Company. The details of their interest in the securities of the Company and its related corporations, if any, are set out on page 157 of the Annual Report of the Company.

Explanatory Note On Special Business:-

Resolution pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution 7 if passed, will give the Directors of the Company authority to issue and allot shares for such purposes as the Directors in their absolute discretion consider would be in the best interest of the Company without having to convene a general meeting. This authority, unless revoke or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

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RHB CAPITAL BERHAD
(Company No. 312952-H)
(Incorporated in Malaysia under the Companies Act, 1965)

Proxy Form

No. of Shares held	
--------------------	--

I/We _____ NRIC/Passport/Company No. _____
(Name in block letters)

of _____
(Full address)

being a member of RHB CAPITAL BERHAD hereby appoint:-

(Name & NRIC No.) _____ of _____ and/or*

(Name & NRIC No.) _____ of _____

or failing him/her, the CHAIRMAN OF THE MEETING, as my/our* proxy to vote for me/us* and on my/our* behalf at the Twelfth Annual General Meeting of the Company to be held at Grand Prince Ballroom, Level 3, Prince Hotel & Residence, Jalan Conlay, 50450 Kuala Lumpur, on Wednesday, 23 May 2007 at 10.00 a.m. and at any adjournment thereof.

The proportion of my/our* holding to be represented by my/our* proxies are as follows:-

First Proxy (1) Second Proxy (2)

My/Our proxy* is to vote as indicated below:

	Resolutions	For	Against
Ordinary Resolution 1	To receive the Audited Financial Statements and Reports.		
Ordinary Resolution 2	To approve the payment of a final dividend of 6% less 27% incomes tax for the financial year ended 31 December 2006.		
Ordinary Resolution 3	To re-elect YBhg Dato' Mohd Salleh Hj Harun as Director.		
Ordinary Resolution 4	To re-elect Encik Johari Abdul Muid as Director.		
Ordinary Resolution 5	To approve the increase in Directors' fees from RM24,000.00 to RM60,000.00 for each non-executive Director and to fix a fee of RM80,000.00 for the non-executive Chairman and to approve the payment of Directors' fees totalling RM325,808.22 for the financial year ended 31 December 2006.		
Ordinary Resolution 6	To re-appoint the Auditors of the Company and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 7	To authorise the Directors to issue shares not exceeding 10% of the issued share capital.		

(Please indicate with an "X" in the spaces provided above as to how you wish to cast your vote. If no specific directions as to voting are given, the proxy shall vote or abstain from voting at his/her full discretion)

Dated, _____ 2007

Signature
(If shareholder is a corporation, this part should be executed under seal)

* Delete if not applicable

Note

1. A member entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.
3. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account which is credited with ordinary shares of the Company.
5. The Form of Proxy or other instruments of appointment must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd, at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur at least 48 hours before the time fixed for holding the meeting or any adjournment thereof.
6. Registration counter will open from 8.30 a.m. to 10.00 a.m. on the meeting day to facilitate shareholders/proxy registration.

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POSTAGE
STAMP

The Share Registrar of
RHB CAPITAL BERHAD
Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

Please Fold Here

