

**RHB CAPITAL BERHAD**

(312952-H)

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**ANNOUNCEMENT OF UNAUDITED RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

The Board of Directors of RHB Capital Berhad ("The Board") wishes to announce that the unaudited results of the Group and Company for the nine months ended 30 September 2006 are as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

	Note	3rd quarter ended		Nine months ended	
		30 Sept 2006	30 Sept 2005	30 Sept 2006	30 Sept 2005
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	A8	1,173,032	922,555	3,206,447	2,565,690
Interest expense	A9	(666,710)	(486,231)	(1,778,893)	(1,401,368)
Net interest income		506,322	436,324	1,427,554	1,164,322
Other operating income	A10	208,238	204,912	581,791	582,714
		714,560	641,236	2,009,345	1,747,036
Income from Islamic Banking business		57,558	40,293	150,756	104,978
Net income		772,118	681,529	2,160,101	1,852,014
Other operating expenses	A11	(331,255)	(314,967)	(972,645)	(910,397)
Operating profit		440,863	366,562	1,187,456	941,617
Allowance for losses on loans and financing	A12	(215,105)	(199,549)	(486,174)	(393,534)
Impairment loss		(805)	(11,834)	(16,056)	(37,825)
		224,953	155,179	685,226	510,258
Share of results of associates		(510)	73	(439)	209
Profit before Irredeemable					
Non-cumulative Convertible					
Preference Shares ('INCPS')					
dividends, taxation and zakat					
INCPS dividends	A13	224,443	155,252	684,787	510,467
		(27,839)	(27,839)	(82,609)	(82,640)
Profit after INCPS dividends and					
before taxation and zakat					
		196,604	127,413	602,178	427,827
Taxation	B5	(52,141)	(21,145)	(169,791)	(102,410)
Zakat		-	-	920	(1)
Profit for the financial period		144,463	106,268	433,307	325,416
Attributable to:					
- Equity holders of the parent		102,336	79,131	314,568	244,255
- Minority interests		42,127	27,137	118,739	81,161
		144,463	106,268	433,307	325,416
Earnings per share					
- Basic (sen)	B13	5.6	4.3	17.3	13.4
- Fully diluted (sen)		n/a	n/a	n/a	n/a

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005.

RHB CAPITAL BERHAD (312952 – H)
**CONDENSED INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

	Note	3rd quarter ended		Nine months ended	
		30 Sept 2006 RM'000	30 Sept 2005 RM'000	30 Sept 2006 RM'000	30 Sept 2005 RM'000
<u>Company</u>					
Interest income	A8	21,746	19,680	62,940	58,911
Interest expense	A9	(31,126)	(24,697)	(79,233)	(85,839)
Net interest expense		<u>(9,380)</u>	<u>(5,017)</u>	<u>(16,293)</u>	<u>(26,928)</u>
Other operating income	A10	252,159	75,749	441,834	327,794
Net income		<u>242,779</u>	<u>70,732</u>	<u>425,541</u>	<u>300,866</u>
Other operating expenses	A11	(6,538)	(7,985)	(15,953)	(27,370)
Profit before taxation		<u>236,241</u>	<u>62,747</u>	<u>409,588</u>	<u>273,496</u>
Taxation	B5	(66,918)	(19,409)	(115,259)	(83,399)
Profit for the financial period		<u><u>169,323</u></u>	<u><u>43,338</u></u>	<u><u>294,329</u></u>	<u><u>190,097</u></u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005.

RHB CAPITAL BERHAD (312952 – H)
CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006

	Note	As at <u>30 Sept 2006</u> RM'000	As at <u>31 Dec 2005</u> RM'000
Group			
ASSETS			
Cash and short term funds		10,782,180	11,364,271
Securities purchased under resale agreements		8,270,725	2,219,491
Deposits and placements with banks and other financial institutions		4,298,989	2,614,091
Securities held-for-trading	A14	5,428,106	3,368,967
Securities available-for-sale ('Securities AFS')	A15	2,365,811	2,161,147
Securities held-to-maturity	A16	16,044,650	13,913,301
Loans, advances and financing	A17	52,438,971	48,273,708
Clients' and brokers' balances		262,282	247,268
Other assets	A18	692,647	481,201
Amount due from holding company	A19	1,213,658	1,153,601
Statutory deposits		1,690,457	1,695,831
Tax recoverable		70,759	58,466
Deferred tax assets		267,303	247,505
Investments in associates		15,315	15,734
Property, plant and equipment		906,675	922,610
Goodwill		1,167,513	1,167,513
Total assets		<u>105,916,041</u>	<u>89,904,705</u>
LIABILITIES AND EQUITY			
Deposits from customers	A20/B9(a)	59,100,465	49,921,110
Deposits and placements of banks and other financial institutions	A21/B9(a)	11,075,506	11,028,831
Obligations on securities sold under repurchase agreements		16,646,794	10,942,799
Bills and acceptances payable		3,583,812	3,313,060
Clients' and brokers' balances		212,935	198,490
Other liabilities	A22	1,808,846	1,623,629
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		3,380,877	3,356,992
Taxation		112,726	26,412
Deferred tax liabilities		10,487	2,904
Borrowings	B9(b)	1,474,375	1,349,125
Subordinated obligations	B9(c)	1,516,665	1,530,252
INCPS		1,104,469	1,104,469
Total liabilities		<u>100,027,957</u>	<u>84,398,073</u>
Share capital		1,823,475	1,823,475
Reserves		2,471,993	2,417,683
Retained profits		504,261	251,397
		4,799,729	4,492,555
Minority interests		1,088,355	1,014,077
Total equity		<u>5,888,084</u>	<u>5,506,632</u>
Total liabilities and equity		<u>105,916,041</u>	<u>89,904,705</u>
Commitments and contingencies	A27	<u>54,461,350</u>	<u>46,115,240</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>2.63</u>	<u>2.46</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005.

RHB CAPITAL BERHAD (312952 – H)
CONDENSED BALANCE SHEET AS AT 30 SEPTEMBER 2006

	Note	As at <u>30 Sept 2006</u> RM'000	As at <u>31 Dec 2005</u> RM'000
<u>Company</u>			
ASSETS			
Cash and short term funds		7,986	1,695
Deposits and placements with banks and other financial institutions		1,165	87,574
Other assets	A18	48,067	39,467
Amount due from holding company	A19	1,213,658	1,153,601
Amounts due from subsidiaries		135,665	136,417
Tax recoverable		23,980	16,094
Investments in subsidiaries		6,911,026	6,780,246
Property, plant and equipment		1,442	2,028
Total assets		<u><u>8,342,989</u></u>	<u><u>8,217,122</u></u>
LIABILITIES AND EQUITY			
Other liabilities	A22	23,698	40,062
Amounts due to subsidiaries		3,272,697	3,339,412
Borrowings	B9(b)	1,290,000	1,349,125
Total liabilities		<u><u>4,586,395</u></u>	<u><u>4,728,599</u></u>
Share capital		1,823,475	1,823,475
Reserves		1,114,593	1,114,593
Retained profits		818,526	550,455
Total equity		<u><u>3,756,594</u></u>	<u><u>3,488,523</u></u>
Total liabilities and equity		<u><u>8,342,989</u></u>	<u><u>8,217,122</u></u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005.

RHB CAPITAL BERHAD (312952 – H)
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

	Attributable to equity holders of the parent							Minority interests	Total equity	
	Share capital	Share premium	Reserve funds	Merger reserves	Other reserves	AFS reserves	Retained profits			Sub-total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Group										
Balance as at 1 January 2006	1,823,475	1,114,593	1,292,229	6,431	8,563	(4,133)	251,397	4,492,555	1,014,077	5,506,632
Transfer in respect of statutory requirements	-	-	40,285	-	-	-	(40,285)	-	-	-
Net gain not recognised in the income statement - translation differences	-	-	-	-	-	-	4,839	4,839	1,202	6,041
Unrealised net gain/(loss) on revaluation of securities AFS	-	-	-	-	-	34,469	-	34,469	(10,490)	23,979
Net transfer to income statement on disposal or impairment	-	-	-	-	-	(16,126)	-	(16,126)	3,140	(12,986)
Deferred tax	-	-	-	-	-	(4,318)	-	(4,318)	2,194	(2,124)
Profit for the financial period	-	-	-	-	-	-	314,568	314,568	118,739	433,307
Total recognised income and expenses for the financial period	1,823,475	1,114,593	1,332,514	6,431	8,563	9,892	530,519	4,825,987	1,128,862	5,954,849
Ordinary dividends	-	-	-	-	-	-	(26,258)	(26,258)	-	(26,258)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	(40,507)	(40,507)
Balance as at 30 September 2006	1,823,475	1,114,593	1,332,514	6,431	8,563	9,892	504,261	4,799,729	1,088,355	5,888,084

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005.

RHB CAPITAL BERHAD (312952 – H)
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

	Attributable to equity holders of the parent							Minority interests	Total equity	
	Share capital	Share premium	Reserve funds	Merger reserves	Other reserves	AFS reserves	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
							Sub-total			
							RM'000	RM'000	RM'000	
Group										
Balance as at 1 January 2005	1,823,475	1,114,593	1,171,771	(8,693)	8,563	(9,727)	112,397	4,212,379	945,646	5,158,025
Transfer in respect of statutory requirements	-	-	93,727	-	-	-	(93,727)	-	-	-
Net loss not recognised in the income statement - translation differences	-	-	-	-	-	-	(14,134)	(14,134)	(5,648)	(19,782)
Unrealised net loss on revaluation of securities AFS	-	-	-	-	-	(47,605)	-	(47,605)	(17,392)	(64,997)
Net transfer to income statement on disposal or impairment	-	-	-	-	-	(5,940)	-	(5,940)	1,167	(4,773)
Deferred tax	-	-	-	-	-	14,835	-	14,835	4,467	19,302
Fair value adjustment on assets acquired in previous financial year	-	-	-	-	-	-	-	-	281	281
Profit for the financial period	-	-	-	-	-	-	244,255	244,255	81,161	325,416
Total recognised income and expenses for the financial period	1,823,475	1,114,593	1,265,498	(8,693)	8,563	(48,437)	248,791	4,403,790	1,009,682	5,413,472
Ordinary dividends	-	-	-	-	-	-	(45,952)	(45,952)	-	(45,952)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	(52,128)	(52,128)
Balance as at 30 September 2005	1,823,475	1,114,593	1,265,498	(8,693)	8,563	(48,437)	202,839	4,357,838	957,554	5,315,392

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005.

RHB CAPITAL BERHAD (312952 – H)

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

	<u>Share capital</u> RM'000	<u>Non- distributable Share premium</u> RM'000	<u>Distributable Retained profits</u> RM'000	<u>Total</u> RM'000
<u>Company</u>				
Balance as at 1 January 2006	1,823,475	1,114,593	550,455	3,488,523
Profit for the financial period	-	-	294,329	294,329
Ordinary dividends	-	-	(26,258)	(26,258)
Balance as at 30 September 2006	<u><u>1,823,475</u></u>	<u><u>1,114,593</u></u>	<u><u>818,526</u></u>	<u><u>3,756,594</u></u>
Balance as at 1 January 2005	1,823,475	1,114,593	426,685	3,364,753
Profit for the financial period	-	-	190,097	190,097
Ordinary dividends	-	-	(45,952)	(45,952)
Balance as at 30 September 2005	<u><u>1,823,475</u></u>	<u><u>1,114,593</u></u>	<u><u>570,830</u></u>	<u><u>3,508,898</u></u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005.

RHB CAPITAL BERHAD (312952 – H)
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

	9 months ended 30 Sept 2006	9 months ended 30 Sept 2005
	RM'000	RM'000
Group		
Operating activities		
Profit before INCPS dividends, taxation and zakat	684,787	510,467
Adjustments for investing and financing items and other items not involving the movement of cash and cash equivalents	(51,276)	82,910
Operating profit before working capital changes	633,511	593,377
Net changes in operating assets	(14,596,717)	(12,621,574)
Net changes in operating liabilities	15,383,872	7,003,919
Cash generated from/(used in) operations	1,420,666	(5,024,278)
Taxation and zakat paid	(102,969)	(135,501)
Taxation recovered	19,876	2,126
Net cash generated from/(used in) operating activities	1,337,573	(5,157,653)
Investing activities		
Net (purchase)/sale of securities	(2,337,580)	2,537,806
Interest received from securities	458,131	308,334
Proceeds from disposal of property, plant and equipment	2,726	916
Dividend income received from securities	5,207	2,892
Dividend income received from an associate	-	716
Purchase of property, plant and equipment	(56,735)	(56,612)
Increase in investments in an associate	(20)	(20)
Net cash (used in)/generated from investing activities	(1,928,271)	2,794,032
Financing activities		
Drawdown of borrowings	420,505	147,100
Repayment of borrowings	(266,732)	(479,200)
Net proceeds from issuance of bonds	340,900	592,275
Redemption of bonds	(375,000)	(200,000)
Dividends paid to shareholders	(26,258)	(45,952)
INCPS dividends paid to other shareholders by a subsidiary	(39,652)	(39,657)
Dividends paid to minority interests in subsidiaries	(40,507)	(52,128)
Payment to hire-purchase creditors	(476)	(277)
Net cash generated from/(used in) financing activities	12,780	(77,839)
Net decrease in cash and cash equivalents	(577,918)	(2,441,460)
Cash and cash equivalents		
- at the beginning of the financial period	11,360,098	12,698,295
- at the end of the financial period	10,782,180	10,256,835
Cash and cash equivalents comprise the following:		
Cash and short term funds	10,782,180	10,259,445
Overdrafts	-	(2,610)
	10,782,180	10,256,835

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005.

RHB CAPITAL BERHAD (312952 – H)
**CONDENSED CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

	9 months ended 30 Sept 2006	9 months ended 30 Sept 2005
	RM'000	RM'000
<u>Company</u>		
Operating activities		
Profit before taxation	409,588	273,496
Adjustments for investing and financing items and other items not involving the movement of cash and cash equivalents	<u>(424,041)</u>	<u>(301,910)</u>
Operating loss before working capital changes	(14,453)	(28,414)
Net changes in operating assets	86,401	(58,302)
Net changes in operating liabilities	<u>(72,868)</u>	<u>716</u>
Net cash used in operating activities	<u>(920)</u>	<u>(86,000)</u>
Investing activities		
Dividend income received from subsidiaries	318,436	234,326
Interest income received	3,027	1,500
Proceeds from disposal of property, plant and equipment	310	-
Investment in a subsidiary	<u>(130,780)</u>	<u>-</u>
Purchase of property, plant and equipment	(82)	(754)
Net cash generated from investing activities	<u>190,911</u>	<u>235,072</u>
Financing activities		
Drawdown of borrowings	236,780	99,600
Repayment of borrowings	<u>(266,732)</u>	<u>(426,700)</u>
Net proceeds from issuance of bonds	340,900	592,275
Redemption of bonds	<u>(375,000)</u>	<u>(200,000)</u>
Interest expense paid	(88,741)	(65,358)
Payment to hire-purchase creditors	(476)	(277)
Dividends paid to shareholders	<u>(26,258)</u>	<u>(45,952)</u>
Net cash used in financing activities	<u>(179,527)</u>	<u>(46,412)</u>
Net increase in cash and cash equivalents	10,464	102,660
Cash and cash equivalents		
- at the beginning of the financial period	<u>(2,478)</u>	<u>74,852</u>
- at the end of the financial period	<u><u>7,986</u></u>	<u><u>177,512</u></u>
Cash and cash equivalents comprise the following:		
Cash and short term funds	7,986	180,122
Overdrafts	-	(2,610)
	<u><u>7,986</u></u>	<u><u>177,512</u></u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005.

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with the Financial Reporting Standards ('FRS') 134, 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board ('MASB') and paragraph 9.22 of the Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited financial statements of the Group and the Company for the last financial year ended 31 December 2005.

The accounting policies and presentation adopted by the Group and the Company for the interim financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2005 except for the adoption of 18 new and revised FRS standards and other interpretations issued by MASB that are effective for financial statements commencing 1 January 2006.

The adoption of the new FRS and other interpretations do 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 A31.

The basis for determining impairment loss on loans, advances and financing are computed based on Guidelines on Classification of Non-performing Loans, Advances and Financing ('NPLs') and Provision for Substandard, Bad and Doubtful Debts (BNM/GP3) requirements issued by Bank Negara Malaysia ('BNM').

A2. Audit Report

The audit report for the financial year ended 31 December 2005 was not subject to any qualification.

A3. Seasonal or Cyclical Factors

The business operations of the Group have not been affected by any material seasonal or cyclical factors.

A4. Exceptional or Unusual Items

There were no exceptional or unusual items for the nine months ended 30 September 2006.

A5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current financial period.

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

A6. Changes in Debt and Equity Securities

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the nine months ended 30 September 2006 other than as follows:

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

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

(b) Redeemable Serial Fixed Rate Bonds 2002/2007

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 Bonds as disclosed in A6(a).

A7. Dividends Paid

During the nine months ended 30 September 2006, the Company has paid a first interim dividend of 2.0% less 28% income tax in respect of the financial year ending 31 December 2006 on 28 June 2006.

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

	3rd quarter ended		Nine months ended	
	30 Sept 2006	30 Sept 2005	30 Sept 2006	30 Sept 2005
	RM'000	RM'000	RM'000	RM'000
A8. Interest Income				
<u>Group</u>				
Loans, advances and financing				
- interest income other than recoveries from NPLs	713,294	602,935	2,041,866	1,718,943
- recoveries from NPLs	64,849	56,499	165,430	131,640
Money at call, deposits and placements with financial institutions	107,950	117,544	335,372	304,088
Securities held-for-trading	108,540	29,903	207,885	55,059
Securities AFS	17,289	21,458	48,590	59,662
Securities held-to-maturity	152,327	111,655	420,498	312,865
Margin financing	2,435	2,000	6,338	5,862
Others	21,429	20,092	62,205	60,156
	<u>1,188,113</u>	<u>962,086</u>	<u>3,288,184</u>	<u>2,648,275</u>
Amortisation of premium less accretion of discount	215	(8,496)	(9,268)	(27,657)
Interest suspended	(15,296)	(31,035)	(72,469)	(54,928)
	<u>1,173,032</u>	<u>922,555</u>	<u>3,206,447</u>	<u>2,565,690</u>
<u>Company</u>				
Money at call, deposits and placements with financial institutions	1,131	928	3,008	2,765
Others	20,615	18,752	59,932	56,146
	<u>21,746</u>	<u>19,680</u>	<u>62,940</u>	<u>58,911</u>
A9. Interest Expense				
<u>Group</u>				
Deposits and placements of banks and other financial institutions	102,911	46,363	257,614	129,591
Deposits from customers	395,661	312,965	1,072,466	883,005
Borrowings	30,597	23,535	75,341	80,593
Subordinated obligations	26,346	26,611	78,539	79,494
Recourse obligation on loans sold to Cagamas	40,113	38,239	115,321	119,259
Others	71,082	38,518	179,612	109,426
	<u>666,710</u>	<u>486,231</u>	<u>1,778,893</u>	<u>1,401,368</u>
<u>Company</u>				
Borrowings	30,597	23,515	75,282	80,073
Others	529	1,182	3,951	5,766
	<u>31,126</u>	<u>24,697</u>	<u>79,233</u>	<u>85,839</u>

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

	3rd quarter ended		Nine months ended	
	30 Sept 2006	30 Sept 2005	30 Sept 2006	30 Sept 2005
	RM'000	RM'000	RM'000	RM'000
A10. Other Operating Income				
Group				
Fee income				
- Service charges and fees	39,823	37,246	104,382	104,282
- Commission	27,228	24,786	82,033	71,735
- Brokerage	12,169	14,108	43,069	41,016
- Commitment fees	10,576	9,570	31,702	27,779
- Guarantee fees	9,264	8,049	28,599	20,116
- Unit trust fee income	8,583	6,900	19,244	19,309
- Corporate advisory fees	1,756	2,073	5,846	6,311
- Fund management fees	1,542	1,704	4,766	5,055
- Arrangement fees	1,295	1,717	3,486	13,736
- Underwriting fees	676	715	3,025	3,288
- Rollover fees	761	813	1,945	4,912
- Placement fees	-	441	81	634
- Other fee income	3,020	3,148	9,275	9,922
	116,693	111,270	337,453	328,095
Net gain/(loss) arising from sale/ redemption of securities and derivatives				
- Net gain from sale of				
- securities held-for-trading	14,885	11,811	17,623	62,495
- securities AFS	4,002	1,553	22,804	41,574
- Net gain from redemption of				
- securities held-to-maturity	-	4,162	1,403	16,935
- Derivatives	(163)	-	110	-
	18,724	17,526	41,940	121,004
Unrealised gain/(loss) on revaluation of securities and derivatives				
- Securities held-for-trading	22,205	1,563	14,429	(3,964)
- Derivatives	(26,161)	4,922	6,325	(5,495)
	(3,956)	6,485	20,754	(9,459)

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	3rd quarter ended		Nine months ended	
	30 Sept 2006	30 Sept 2005	30 Sept 2006	30 Sept 2005
	RM'000	RM'000	RM'000	RM'000
A10. Other Operating Income (continued)				
<u>Group (continued)</u>				
Gross dividend income from				
- Securities held-for-trading	563	445	3,929	1,379
- Securities AFS	574	716	2,499	2,018
- Securities held-to-maturity	184	-	804	620
	<u>1,321</u>	<u>1,161</u>	<u>7,232</u>	<u>4,017</u>
Other income				
- Foreign exchange gain/(loss)				
- realised	46,466	60,145	95,662	108,166
- unrealised	8,663	(5,729)	32,488	(8,370)
- Underwriting surplus before management expenses	14,466	10,404	30,387	22,933
- Rental income	728	731	2,346	2,369
- Net gain on disposal of property, plant and equipment	231	178	1,409	663
- Other operating income	2,451	2,360	5,982	11,348
- Other non-operating income	2,451	381	6,138	1,948
	<u>75,456</u>	<u>68,470</u>	<u>174,412</u>	<u>139,057</u>
	<u>208,238</u>	<u>204,912</u>	<u>581,791</u>	<u>582,714</u>
<u>Company</u>				
Gross dividend income from				
- Subsidiaries	252,396	75,075	441,581	325,453
	<u>252,396</u>	<u>75,075</u>	<u>441,581</u>	<u>325,453</u>
Other income				
- Foreign exchange (loss)/gain				
- unrealised	(652)	380	(889)	877
- Net gain on disposal of property, plant and equipment	-	-	131	-
- Other operating income	270	294	815	1,374
- Other non-operating income	145	-	196	90
	<u>(237)</u>	<u>674</u>	<u>253</u>	<u>2,341</u>
	<u>252,159</u>	<u>75,749</u>	<u>441,834</u>	<u>327,794</u>

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FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

	3rd quarter ended		Nine months ended	
	30 Sept 2006	30 Sept 2005	30 Sept 2006	30 Sept 2005
	RM'000	RM'000	RM'000	RM'000
A11. Other Operating Expenses				
<u>Group</u>				
Personnel costs				
- Salaries, bonus, wages and allowances	137,578	135,972	414,141	394,336
- Defined contribution plan	17,662	19,355	60,440	57,207
- Other staff related costs	17,754	12,377	64,525	36,245
	<u>172,994</u>	<u>167,704</u>	<u>539,106</u>	<u>487,788</u>
Establishment costs				
- Depreciation	25,157	26,027	75,638	79,762
- Information technology expenses	25,329	20,611	69,564	56,630
- Repair and maintenance	11,278	10,855	32,933	33,110
- Rental of premises	7,860	7,941	23,784	23,644
- Water and electricity	4,440	3,904	11,890	11,481
- Insurance	2,622	3,258	8,197	3,600
- Rental of equipment	2,846	1,698	7,506	5,157
- Others	816	1,914	2,339	5,561
	<u>80,348</u>	<u>76,208</u>	<u>231,851</u>	<u>218,945</u>
Marketing expenses				
- Dealers' handling fee	8,562	14,592	29,693	38,001
- Advertisements and publicity	8,461	8,785	21,931	27,651
- Sales commission	9,463	6,337	18,616	16,868
- Others	9,136	6,363	24,719	18,525
	<u>35,622</u>	<u>36,077</u>	<u>94,959</u>	<u>101,045</u>
Administration and general expenses				
- Communication expenses	19,949	19,625	53,379	58,018
- Legal and professional fee	4,400	3,591	12,223	14,023
- Others	17,942	11,762	41,127	30,578
	<u>42,291</u>	<u>34,978</u>	<u>106,729</u>	<u>102,619</u>
	<u>331,255</u>	<u>314,967</u>	<u>972,645</u>	<u>910,397</u>

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	3rd quarter ended		Nine months ended	
	30 Sept 2006	30 Sept 2005	30 Sept 2006	30 Sept 2005
	RM'000	RM'000	RM'000	RM'000
A11. Other Operating Expenses (continued)				
Company				
Personnel costs				
- Salaries, bonus, wages and allowances	2,318	2,880	6,867	11,770
- Defined contribution plan	277	369	840	1,740
- Other staff related costs	419	755	1,129	2,306
	<u>3,014</u>	<u>4,004</u>	<u>8,836</u>	<u>15,816</u>
Establishment costs				
- Rental of premises	340	365	1,059	1,084
- Depreciation	164	225	489	515
- Repair and maintenance	100	196	344	413
- Information technology expenses	30	6	92	24
- Water and electricity	16	23	38	41
- Rental of equipment	11	14	36	35
- Insurance	-	1	2	2
	<u>661</u>	<u>830</u>	<u>2,060</u>	<u>2,114</u>
Marketing expenses				
- Advertisements and publicity	433	1,654	722	2,517
- Others	164	359	711	823
	<u>597</u>	<u>2,013</u>	<u>1,433</u>	<u>3,340</u>
Administration and general expenses				
- Legal and professional fee	2,050	914	3,016	5,440
- Communication expenses	118	99	381	290
- Others	98	125	227	370
	<u>2,266</u>	<u>1,138</u>	<u>3,624</u>	<u>6,100</u>
	<u>6,538</u>	<u>7,985</u>	<u>15,953</u>	<u>27,370</u>

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	3rd quarter ended		Nine months ended	
	30 Sept 2006	30 Sept 2005	30 Sept 2006	30 Sept 2005
	RM'000	RM'000	RM'000	RM'000
A12. Allowance for Losses on Loans and Financing				
<u>Group</u>				
Allowance for bad and doubtful debts				
- specific allowance made	275,175	209,480	665,395	486,013
- specific allowance written back	(64,853)	(40,819)	(176,692)	(149,660)
- specific allowance (net)	210,322	168,661	488,703	336,353
- general allowance (net)	38,280	41,650	60,245	87,646
Bad debts written off	-	-	5	117
Bad debts recovered	(33,497)	(10,762)	(61,991)	(23,312)
Final settlement received from Danaharta	-	-	-	(1,982)
Write back on amount recoverable from Danaharta	-	-	(788)	(5,288)
	<u>215,105</u>	<u>199,549</u>	<u>486,174</u>	<u>393,534</u>
A13. INCPS Dividends				
<u>Group</u>				
INCPS dividends paid and payable				
- 10% per annum (gross)	27,839	27,839	82,609	82,640

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	Group	
	As at 30 Sept 2006	As at 31 Dec 2005
	RM'000	RM'000
A14. Securities Held-for-trading		
At fair value		
<u>MONEY MARKET INSTRUMENTS:</u>		
Quoted		
Government investment issues	366,397	208,084
Malaysian government securities	342,775	25,030
Singapore government stocks	193,623	317,799
Khazanah bonds	47,805	198,389
Unquoted		
Negotiable instrument of deposits	1,329,837	59,994
Private debt securities	1,004,826	800,332
BNM bills/notes	751,006	444,592
Bankers' acceptances and Islamic accepted bills	743,925	763,727
Fixed rate notes	240,443	249,057
Malaysian government treasury bills	136,332	20,654
	<u>5,156,969</u>	<u>3,087,658</u>
<u>QUOTED SECURITIES:</u>		
In Malaysia		
Shares	38,361	44,008
Unit trust	3,351	4,416
Outside Malaysia		
Other government securities	123,252	126,856
Bonds	105,631	105,289
Shares	214	424
<u>UNQUOTED SECURITIES:</u>		
Outside Malaysia		
Shares	328	316
	<u>5,428,106</u>	<u>3,368,967</u>

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	Group	
	As at 30 Sept 2006	As at 31 Dec 2005
	RM'000	RM'000
A15. Securities Available-for-sale ('Securities AFS')		
At fair value		
<u>MONEY MARKET INSTRUMENTS:</u>		
Quoted		
Cagamas bonds and Cagamas Mudharabah bonds	449,948	585,534
Singapore government stocks	58,561	-
Government investment issues	44,986	-
Khazanah bonds	9,249	-
Unquoted		
Private debt securities	1,004,083	736,520
Singapore government treasury bills	112,653	56,761
Malaysian government treasury bills	45,003	42,534
BNM bills	-	99,575
Other government securities	-	4,546
	<u>1,724,483</u>	<u>1,525,470</u>
<u>QUOTED SECURITIES:</u>		
In Malaysia		
Corporate loan stocks	48,938	74,849
Malaysian government securities	21,909	22,134
Shares	20,195	44,353
Private debt securities	6,303	4,433
Outside Malaysia		
Floating rate notes	305	313
Shares	198	135
<u>UNQUOTED SECURITIES:</u>		
In Malaysia		
Shares	172,600	168,152
Corporate loan stocks	172,193	193,691
Corporate debt securities	82,221	85,350
Private debt securities	64,049	38,386
Outside Malaysia		
Private debt securities	51,834	3,298
Shares	345	345
Trading rights	238	238
	<u>2,365,811</u>	<u>2,161,147</u>

**RHB CAPITAL BERHAD (312952 – H)
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	Group	
	As at 30 Sept 2006	As at 31 Dec 2005
	RM'000	RM'000
A16. Securities Held-to-maturity		
At amortised cost		
<u>MONEY MARKET INSTRUMENTS:</u>		
Quoted		
Malaysian government securities	2,375,359	2,424,601
Cagamas bonds and Cagamas Mudharabah bonds	951,250	656,125
Khazanah bonds	612,907	635,686
Government investment issues	80,521	-
Unquoted		
Negotiable instrument of deposits	7,352,893	5,367,009
Prasarana bonds	2,080,514	2,052,791
Private debt securities	1,180,682	1,226,572
Bankers' acceptances and Islamic accepted bills	447,210	714,033
Other government securities	190,996	140,747
Cagamas notes	97,129	-
Malaysian government treasury bills	44,752	73,406
Thailand government treasury bills	19,430	47,235
	15,433,643	13,338,205
<u>QUOTED SECURITIES:</u>		
In Malaysia		
Floating rate notes	97,600	100,162
<u>UNQUOTED SECURITIES:</u>		
In Malaysia		
Private debt securities	393,349	399,183
Corporate loan stocks	173,955	187,992
Bonds	29,070	29,070
Shares	2,700	2,700
Promissory notes	-	375
Outside Malaysia		
Credit link notes	55,245	37,796
Callable range accrual notes	36,830	-
Floating rate notes	11,049	-
	16,233,441	14,095,483
Accumulated impairment loss	(188,791)	(182,182)
	16,044,650	13,913,301

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FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

	Group	
	As at	As at
	30 Sept 2006	31 Dec 2005
	RM'000	RM'000
A17. Loans, Advances and Financing		
Overdrafts	6,831,875	6,465,593
Term loans/financing		
- housing loans/financing	12,291,428	11,706,298
- syndicated term loans/financing	2,547,418	2,335,285
- hire-purchase receivables	9,450,042	7,669,206
- lease receivables	289,336	295,953
- other term loans/financing	11,746,218	11,438,603
Bills receivable	2,020,458	1,628,524
Trust receipts	505,864	498,867
Claims on customers under acceptance credits	4,827,952	4,124,751
Staff loans/financing	415,671	425,831
Credit/charge cards receivables	1,187,947	994,954
Revolving credits	4,967,880	4,707,948
	<u>57,082,089</u>	<u>52,291,813</u>
Unearned interest and income	<u>(1,565,257)</u>	<u>(1,281,394)</u>
Gross loans, advances and financing	<u>55,516,832</u>	<u>51,010,419</u>
Allowance for bad and doubtful debts and financing		
- general	(981,759)	(921,583)
- specific	<u>(2,096,102)</u>	<u>(1,815,128)</u>
Net loans, advances and financing	<u><u>52,438,971</u></u>	<u><u>48,273,708</u></u>
(a) By type of customers		
Domestic non-bank financial institutions		
- stockbroking companies	3,145	2,862
- others	1,058,040	1,538,252
Domestic business enterprises		
- small medium enterprises	9,068,750	9,094,506
- others	21,520,995	18,564,041
Government and statutory bodies	255,183	167,350
Individuals	23,014,540	21,173,785
Other domestic entities	51,465	54,419
Foreign entities	544,714	415,204
	<u>55,516,832</u>	<u>51,010,419</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

	Group	
	As at	As at
	30 Sept 2006	31 Dec 2005
	RM'000	RM'000
A17. Loans, Advances and Financing (continued)		
(b) By interest/profit rate sensitivity		
Fixed rate		
- housing loans/financing	1,497,327	1,447,587
- hire-purchase receivables	7,980,567	6,485,481
- other fixed rate loans/financing	3,427,927	2,965,560
Variable rate		
- base lending rate plus	20,109,986	19,155,385
- cost-plus	17,301,502	16,761,171
- other variable rates	5,199,523	4,195,235
	<u>55,516,832</u>	<u>51,010,419</u>
(c) By purpose		
Purchase of securities	1,809,282	1,852,579
Purchase of transport vehicles	6,473,627	5,140,926
Purchase of landed property:		
- residential	12,761,726	12,218,075
- non-residential	1,360,663	1,169,819
Purchase of property, plant and equipment other than land and building	2,364,504	1,955,749
Personal use	1,889,930	1,832,967
Credit card	1,187,947	994,954
Purchase of consumer durables	119,718	141,801
Construction	2,340,667	2,538,221
Working capital	23,311,158	21,671,992
Other purpose	1,897,610	1,493,336
	<u>55,516,832</u>	<u>51,010,419</u>

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FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

	Group	
	As at	As at
	30 Sept 2006	31 Dec 2005
	RM'000	RM'000
A17. Loans, Advances and Financing (continued)		
(d) NPLs by purpose		
Purchase of securities	67,189	108,128
Purchase of transport vehicles	420,449	295,827
Purchase of landed property:		
- residential	1,304,221	1,135,649
- non-residential	155,475	149,262
Purchase of property, plant and equipment other than land and building	112,792	104,634
Personal use	158,069	182,282
Credit card	42,458	36,500
Purchase of consumer durables	10,536	14,541
Construction	429,347	441,254
Working capital	2,002,311	1,773,332
Other purpose	65,646	90,546
	<u>4,768,493</u>	<u>4,331,955</u>

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	Group	
	As at 30 Sept 2006	As at 31 Dec 2005
	RM'000	RM'000
A17. Loans, Advances and Financing (continued)		
(e) Movements in NPLs are as follows:		
Balance as at the beginning of the financial period/year	4,331,955	5,119,057
Classified as non-performing during the financial period/year	3,066,802	2,523,170
Amount recovered	(391,891)	(391,096)
Reclassified as performing during the financial period/year	(2,012,405)	(1,695,732)
Amount written off	(204,196)	(1,190,825)
Loans/financing converted to securities	(21,501)	(29,131)
Exchange difference	(271)	(3,488)
Balance as at the end of the financial period/year	<u>4,768,493</u>	<u>4,331,955</u>
Specific allowance	<u>(2,096,102)</u>	<u>(1,814,999)</u>
Net NPLs	<u><u>2,672,391</u></u>	<u><u>2,516,956</u></u>
Ratio of net NPLs as % of gross loans, advances and financing less specific allowance	<u><u>5.00%</u></u>	<u><u>5.11%</u></u>

(f) Movements in allowance for bad and doubtful debts and financing accounts are as follows:

General allowance

Balance as at the beginning of the financial period/year	921,583	824,954
Net allowance made during the financial period/year	60,245	97,689
Exchange difference	(69)	(1,060)
Balance as at the end of the financial period/year	<u>981,759</u>	<u>921,583</u>
As % of gross loans, advances and financing less specific allowance	<u><u>1.84%</u></u>	<u><u>1.87%</u></u>

Specific allowance

Balance as at the beginning of the financial period/year	1,815,128	2,455,523
Allowance made during the financial period/year	665,031	757,958
Transferred to accumulated impairment loss in value of securities	(11,345)	(12,498)
Amount recovered	(175,137)	(186,810)
Amount written off	(196,467)	(1,197,510)
Exchange difference	(1,108)	(1,535)
Balance as at the end of the financial period/year	<u>2,096,102</u>	<u>1,815,128</u>

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	Group		Company	
	As at	As at	As at	As at
	<u>30 Sept 2006</u>	<u>31 Dec 2005</u>	<u>30 Sept 2006</u>	<u>31 Dec 2005</u>
	RM'000	RM'000	RM'000	RM'000
A18. Other Assets				
Other debtors, deposits and prepayments	364,514	266,964	48,060	39,441
Accrued interest receivable	220,661	166,683	7	26
Derivatives	105,972	47,554	-	-
Amount recoverable from BNM	1,500	-	-	-
	<u>692,647</u>	<u>481,201</u>	<u>48,067</u>	<u>39,467</u>

A19. Amount Due from Holding Company

During the nine months ended 30 September 2006, there were no advances made by the Company to its holding company, Rashid Hussain Berhad. The amount due from holding company is unsecured, carries an interest rate of 0.2% per annum above the Company's average cost of funds and is repayable on demand.

	Group	
	As at	As at
	<u>30 Sept 2006</u>	<u>31 Dec 2005</u>
	RM'000	RM'000
A20. Deposits from Customers		
(a) By type of deposits		
Demand deposits	14,435,704	13,641,429
Savings deposits	4,731,439	4,722,989
Fixed deposits	33,381,642	29,522,918
Negotiable instrument of deposits	6,551,680	2,033,774
	<u>59,100,465</u>	<u>49,921,110</u>
(b) By type of customers		
Government and statutory bodies	4,931,577	3,181,956
Business enterprises	30,279,244	22,649,695
Individuals	21,969,561	22,823,334
Others	1,920,083	1,266,125
	<u>59,100,465</u>	<u>49,921,110</u>

A21. Deposits and Placements of Banks and Other Financial Institutions

Licensed banks	8,736,921	7,179,159
Licensed finance companies	-	62,770
Licensed merchant banks	180,169	523,788
BNM	1,238,308	948,947
Other financial institutions	920,108	2,314,167
	<u>11,075,506</u>	<u>11,028,831</u>

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	Group		Company	
	As at	As at	As at	As at
	<u>30 Sept 2006</u>	<u>31 Dec 2005</u>	<u>30 Sept 2006</u>	<u>31 Dec 2005</u>
	RM'000	RM'000	RM'000	RM'000
A22. Other Liabilities				
Other creditors and accruals	472,274	444,172	4,124	7,972
Accrued interest payable	426,321	347,041	18,426	30,466
Amount due to BNM	287,484	256,738	-	-
Accruals for operational expenses	134,759	146,772	-	-
General insurance fund	132,454	130,055	-	-
Short term employee benefits	96,705	83,015	-	-
Derivatives	89,778	69,251	-	-
Lessee deposits	85,364	80,935	-	-
Prepaid instalment	59,448	51,594	-	-
Amount payable for creation of units due to funds	12,298	865	-	-
Remisiers' trust deposits	8,601	8,954	-	-
Amount due to Danaharta	2,212	1,909	-	-
Hire-purchase creditors	1,148	1,624	1,148	1,624
Credit Guarantee Corporation Funding Program	-	704	-	-
	<u>1,808,846</u>	<u>1,623,629</u>	<u>23,698</u>	<u>40,062</u>

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A23. Segment Information

Revenue and Results

Nine months ended 30 September 2006

	Wholesale banking	Retail banking	Treasury and money market	Islamic Banking business	Financial advisory and underwriting	Stockbroking and other securities related business	Insurance	Others	Intersegment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
External revenue	1,311,413	1,237,719	1,041,512	150,756	7,815	78,796	41,622	69,361	-	3,938,994
Intersegment revenue	10,623	2,637	16,033	-	5	345	11,285	23,704	(64,632)	-
Segment revenue	<u>1,322,036</u>	<u>1,240,356</u>	<u>1,057,545</u>	<u>150,756</u>	<u>7,820</u>	<u>79,141</u>	<u>52,907</u>	<u>93,065</u>	<u>(64,632)</u>	<u>3,938,994</u>
Profit before unallocated expenses	384,644	205,473	265,660	110,531	3,576	26,980	32,190	57,244		1,086,298
Unallocated expenses										<u>(401,072)</u>
Profit after unallocated expenses										685,226
Share of results of associates	-	-	-	-	-	359	-	(798)		<u>(439)</u>
Profit before INCPS dividends, taxation and zakat										684,787
INCPS dividends										<u>(82,609)</u>
Profit after INCPS dividends and before taxation and zakat										602,178
Taxation and zakat										<u>(168,871)</u>
Profit for the financial period										<u><u>433,307</u></u>

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A23. Segment Information (continued)

Revenue and Results

Nine months ended 30 September 2005

	Wholesale banking	Retail banking	Treasury and money market	Islamic Banking business	Financial advisory and underwriting	Stockbroking and other securities related business	Insurance	Others	Intersegment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
External revenue	1,145,440	1,033,119	781,902	104,978	7,876	81,480	30,797	67,790	-	3,253,382
Intersegment revenue	3,552	5,360	46,189	-	-	288	12,772	19,487	(87,648)	-
Segment revenue	<u>1,148,992</u>	<u>1,038,479</u>	<u>828,091</u>	<u>104,978</u>	<u>7,876</u>	<u>81,768</u>	<u>43,569</u>	<u>87,277</u>	<u>(87,648)</u>	<u>3,253,382</u>
Profit before unallocated expenses	273,844	233,404	238,978	72,197	3,050	7,743	23,224	41,639		894,079
Unallocated expenses										<u>(383,821)</u>
Profit after unallocated expenses										510,258
Share of results of associates	-	-	-	-	-	222	-	(13)		<u>209</u>
Profit before INCPS dividends, taxation and zakat										510,467
INCPS dividends										<u>(82,640)</u>
Profit after INCPS dividends and before taxation and zakat										427,827
Taxation and zakat										<u>(102,411)</u>
Profit for the financial period										<u><u>325,416</u></u>

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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A24. Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

A25. Material Events Subsequent to the Balance Sheet Date

There are no material events subsequent to the balance sheet date that have not been reflected in the interim financial statements.

A26. Changes in Composition of the Group

The significant changes in the composition of the Group for the nine months ended 30 September 2006 are summarised below:

(a) Members' voluntary winding up - Straits Nominees (Asing) Sdn Bhd ('SNA') and Straits Nominees (Tempatan) Sdn Bhd ('SNT')

The Company announced on 3 April 2006 that SNA and SNT, wholly-owned subsidiaries of RHB Securities Sdn Bhd ('RHB Securities'), which in turn is a wholly-owned subsidiary of RHB Investment Bank Berhad ('RHB Investment Bank') [formerly known as RHB Sakura Merchant Bankers Berhad ('RHB Sakura')], a company that is wholly-owned by the Company have commenced members' voluntary winding up on 30 March 2006 pursuant to Section 254(1) of the Companies Act, 1965.

SNA and SNT are companies incorporated in Malaysia and are presently dormant companies with issued and paid up capital of RM25,000 divided into 25,000 ordinary shares of RM1 each, respectively.

The winding up of the said companies will not have any material effect on the Group's performance.

(b) Merger of RHB Bank Berhad ('RHB Bank') and RHB Delta Finance Berhad's ('RHB Delta Finance') 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 Finance with the exception of the Islamic assets and liabilities, were transferred to RHB Bank;
- (ii) All businesses and operations of RHB Delta Finance will be conducted through RHB Bank;
- (iii) The Islamic assets and liabilities of RHB Delta Finance 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

A26. Changes in Composition of the Group (continued)

(c) Dissolution of RHB Overseas Limited ('RHBOL')

The Company announced on 21 June 2006 that RHBOL, a wholly-owned subsidiary of RHB Capital (Jersey) Limited, which in turn is a wholly-owned subsidiary of the Company, has been dissolved on 9 June 2006 upon registration of the relevant documents with the Jersey Financial Services Commission on the same date.

RHBOL, a company incorporated in Jersey, Channel Islands, has been dormant since its incorporation on 26 February 1997.

The dissolution of RHBOL will not have any material effect on the Group's performance.

(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.

(e) Incorporation of new subsidiaries - RHB Private Equity Management Ltd and RHB Private Equity Fund Ltd

The Company announced on 16 October 2006 that two new companies, RHB Private Equity Management Ltd ('RHB PE Management') and RHB Private Equity Fund Ltd ('RHB PE Fund') have been incorporated in the Federal Territory of Labuan on 15 September 2006 and Cayman Islands on 29 September 2006 respectively.

RHB PE Fund is a wholly-owned subsidiary of RHB PE Management, whilst RHB PE Management is a wholly-owned subsidiary of RHB Private Equity Holdings Sdn Bhd ('RHB PE Holdings') (formerly known as RHB Holdings Sdn Bhd). RHB PE Holdings is a wholly-owned subsidiary of RHB Investment Bank.

Both RHB PE Management and RHB PE Fund are set up to conduct private equity business.

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A27. Changes in Contingent Liabilities since the last Annual Balance Sheet Date

(a) 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 interim financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

	← Group →					
	As at 30 Sept 2006			As at 31 Dec 2005		
	Principal amount RM'million	Credit equivalent amount* RM'million	Risk weighted amount RM'million	Principal amount RM'million	Credit equivalent amount* RM'million	Risk weighted amount RM'million
Direct credit substitutes	1,948	1,948	1,779	1,633	1,633	1,471
Transaction-related contingent items	2,533	801	505	2,373	603	483
Short term self-liquidating trade-related contingencies	2,198	439	256	1,979	396	212
Obligations under underwriting agreements	555	132	132	511	132	132
Housing loans sold directly and indirectly to Cagamas with recourse	42	42	21	44	44	22
Other assets sold with recourse and commitments with certain drawdowns	122	-	-	-	-	-
Irrevocable commitments to extend credit						
- maturity not exceeding one year	20,746	-	-	20,136	-	-
- maturity exceeding one year	3,808	1,904	1,630	3,606	1,803	1,471
Foreign exchange related contracts						
- less than one year	13,101	218	75	7,924	116	38
- one year to less than five years	18	1	-	153	9	6
Interest rate related contracts						
- less than one year	1,814	3	1	1,154	1	-
- one year to less than five years	6,452	88	23	5,851	112	35
- more than five years	400	28	9	188	6	2
Others	724	1	1	563	21	21
	54,461	5,605	4,432	46,115	4,876	3,893

* The credit equivalent amount is arrived at using the credit conversion factors as per BNM's circulars.

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

A27. Changes in Contingent Liabilities since the last Annual Balance Sheet Date (continued)

(b) Guarantees Issued

As at balance sheet date, the Company has extended unsecured guarantees totalling RM44,500,000 (31 December 2005: RM169,500,000) and RM100,000,000 (31 December 2005: RM100,000,000) for borrowings and performance of its securities subsidiaries respectively. As at balance sheet date, RM1,000,000 (31 December 2005: RM1,000,000) of the borrowings were utilised by the securities subsidiaries of the Company.

(c) Other Contingent Liabilities

(i) The Company

On 19 October 2001, the Company filed a suit against Carta Bintang Sdn Bhd ('CBSB'), the vendor of SJ Securities Sdn Bhd ('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 (Please refer to B11(a) 'Material Litigation' for further details).

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 interim financial statements for the nine months ended 30 September 2006.

(ii) RHB Securities and RHB Equities Sdn Bhd ('RHB Equities')

RHB Securities and RHB Equities, both wholly-owned subsidiaries 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 Securities 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 Securities and RHB Equities have filed a defence and counterclaim against the said suit.

Plaintiff's suit against RHB Securities 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 Securities to deal with the collateral lapses. On 14 June 2005, the plaintiff filed an application for a stay of execution.

RHB Securities 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 Securities is prohibited from disposing the shares until the hearing and disposal of the Appeal to the Court of Appeal.

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 NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	Group	
	As at	As at
	30 Sept 2006	31 Dec 2005
	RM'000	RM'000
A28. Capital Commitments		
Capital expenditure for property, plant and equipment:		
- authorised and contracted for	30,057	42,900
- authorised but not contracted for	30,403	36,290
	<u>60,460</u>	<u>79,190</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

A29. Interest/Profit Rate Risk

Group As at 30 September 2006	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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short term funds	9,880,912	-	-	-	-	901,268	-	10,782,180	3.56
Securities purchased under resale agreements	3,047,732	5,222,993	-	-	-	-	-	8,270,725	3.76
Deposits and placements with banks and other financial institutions	39,369	3,355,147	904,473	-	-	-	-	4,298,989	3.72
Securities									
- held-for-trading	-	-	-	-	-	542	5,427,564	5,428,106	4.09
- AFS	142,951	141,462	657,993	873,516	527,419	22,470	-	2,365,811	4.72
- held-to-maturity	3,321,552	3,705,632	1,861,034	5,892,646	1,449,854	(186,068)	-	16,044,650	3.93
Loans, advances and financing									
- performing	29,601,504	5,933,740	5,442,450	7,561,233	2,209,262	150	-	50,748,339	6.85
- non-performing*	-	-	-	-	-	1,690,632	-	1,690,632	
Clients' and brokers' balances	88,854	-	-	-	-	173,428	-	262,282	9.35
Other assets	1,948	-	187	629	1,367	582,544	105,972	692,647	5.75
Amount due from holding company	1,213,658	-	-	-	-	-	-	1,213,658	6.98
Statutory deposits	-	-	-	-	-	1,690,457	-	1,690,457	
Tax recoverable	-	-	-	-	-	70,759	-	70,759	
Deferred tax assets	-	-	-	-	-	267,303	-	267,303	
Investments in associates	-	-	-	-	-	15,315	-	15,315	
Property, plant and equipment	-	-	-	-	-	906,675	-	906,675	
Goodwill	-	-	-	-	-	1,167,513	-	1,167,513	
Total assets	47,338,480	18,358,974	8,866,137	14,328,024	4,187,902	7,302,988	5,533,536	105,916,041	

* This is arrived at after deducting the general allowance and specific allowance from the outstanding NPLs.

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

A29. Interest/Profit Rate Risk (continued)

Group As at 30 September 2006	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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities and equity									
Deposits from customers	22,804,640	8,962,626	13,362,316	768,475	380	13,202,028	-	59,100,465	3.16
Deposits and placements of banks and other financial institutions	6,210,078	2,319,988	1,341,942	1,109,145	93,244	1,109	-	11,075,506	3.71
Obligations on securities sold under repurchase agreements	15,322,494	1,324,300	-	-	-	-	-	16,646,794	3.07
Bills and acceptances payable	1,170,612	1,556,860	504,488	-	-	351,852	-	3,583,812	3.98
Clients' and brokers' balances	40,420	-	-	-	-	172,515	-	212,935	2.84
Other liabilities	295,369	803	265	796	-	1,421,835	89,778	1,808,846	3.21
Recourse obligation on loans sold to Cagamas	206,734	322,919	309,656	2,322,645	218,923	-	-	3,380,877	4.46
Taxation	-	-	-	-	-	112,726	-	112,726	
Deferred tax liabilities	-	-	-	-	-	10,487	-	10,487	
Borrowings	340,000	-	-	600,000	534,375	-	-	1,474,375	6.69
Subordinated obligations	-	-	-	1,516,665	-	-	-	1,516,665	6.91
									Effective dividend rate %
INCPS	-	-	-	1,104,469	-	-	-	1,104,469	10.00
Total liabilities	46,390,347	14,487,496	15,518,667	7,422,195	846,922	15,272,552	89,778	100,027,957	
Total equity	-	-	-	-	-	5,888,084	-	5,888,084	
Total liabilities and equity	46,390,347	14,487,496	15,518,667	7,422,195	846,922	21,160,636	89,778	105,916,041	
Total interest-sensitivity gap	948,133	3,871,478	(6,652,530)	6,905,829	3,340,980				

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

A29. Interest/Profit Rate Risk (continued)

Company As at 30 September 2006	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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash and short term funds	6,300	-	-	-	-	1,686	-	7,986	3.00
Deposits and placements with banks and other financial institutions	-	698	467	-	-	-	-	1,165	3.46
Other assets	-	-	-	-	-	48,067	-	48,067	
Amount due from holding company	1,213,658	-	-	-	-	-	-	1,213,658	6.98
Amounts due from subsidiaries	-	-	-	-	-	135,665	-	135,665	
Tax recoverable	-	-	-	-	-	23,980	-	23,980	
Investments in subsidiaries	-	-	-	-	-	6,911,026	-	6,911,026	
Property, plant and equipment	-	-	-	-	-	1,442	-	1,442	
Total assets	1,219,958	698	467	-	-	7,121,866	-	8,342,989	
Liabilities and equity									
Other liabilities	29	58	265	796	22,550	-	-	23,698	5.42
Amounts due to subsidiaries	20,870	-	-	-	3,251,827	-	-	3,272,697	5.95
Borrowings	340,000	-	-	600,000	350,000	-	-	1,290,000	6.81
Total liabilities	360,899	58	265	600,796	3,624,377	-	-	4,586,395	
Total equity	-	-	-	-	-	3,756,594	-	3,756,594	
Total liabilities and equity	360,899	58	265	600,796	3,624,377	3,756,594	-	8,342,989	
Total interest-sensitivity gap	859,059	640	202	(600,796)	(3,624,377)				

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

A29. Interest/Profit Rate Risk (continued)

Group As at 31 December 2005	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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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
- AFS	170,164	467,306	431,634	795,186	218,143	78,714	-	2,161,147	3.79
- 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	27,035,101	4,746,067	3,876,081	6,793,917	4,227,122	47	-	46,678,335	6.42
- non-performing*	-	-	-	-	-	1,595,373	-	1,595,373	
Clients' and brokers' balances	85,048	-	-	-	-	162,220	-	247,268	8.80
Other assets	150	-	167	631	1,301	431,398	47,554	481,201	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	42,406,418	10,513,833	7,775,872	12,147,758	7,133,238	6,511,805	3,415,781	89,904,705	

* This is arrived at after deducting the general allowance and specific allowance from the outstanding NPLs.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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A29. Interest/Profit Rate Risk (continued)

Group As at 31 December 2005	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	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	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	550,000	300,000	-	-	1,349,125	6.43
Subordinated obligations	-	-	-	1,530,252	-	-	-	1,530,252	6.91
									Effective dividend rate
									%
INCPS	-	-	-	1,104,469	-	-	-	1,104,469	10.00
Total liabilities	36,010,980	12,296,444	13,105,788	6,548,815	1,698,677	14,668,118	69,251	84,398,073	
Total equity	-	-	-	-	-	5,506,632	-	5,506,632	
Total liabilities and equity	36,010,980	12,296,444	13,105,788	6,548,815	1,698,677	20,174,750	69,251	89,904,705	
Total interest-sensitivity gap	6,395,438	(1,782,611)	(5,329,916)	5,598,943	5,434,561				

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

A29. Interest/Profit Rate Risk (continued)

Company As at 31 December 2005	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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	-	39,467	-	39,467	
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	-	-	6,974,526	-	8,217,122	
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	550,000	300,000	-	-	1,349,125	6.43
Total liabilities	469,821	64	125,297	551,231	300,000	3,282,186	-	4,728,599	
Total equity	-	-	-	-	-	3,488,523	-	3,488,523	
Total liabilities and equity	469,821	64	125,297	551,231	300,000	6,770,709	-	8,217,122	
Total interest-sensitivity gap	685,201	87,058	(124,845)	(551,231)	(300,000)				

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	Group	
	As at	As at
	30 Sept 2006	31 Dec 2005
	RM'000	RM'000
A30. Capital Adequacy Ratio		
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	1,558,620	1,558,620
Deferred tax assets	(247,505)	(247,505)
Deferred tax liabilities	2,904	2,904
Minority interests	1,014,077	1,014,077
Less: Goodwill	<u>(1,167,513)</u>	<u>(1,167,513)</u>
Total Tier I capital	<u>5,203,120</u>	<u>5,203,120</u>
Tier II capital		
Subordinated obligations	1,516,665	1,530,252
General allowance for bad and doubtful debts	<u>981,759</u>	<u>921,583</u>
Total Tier II capital	<u>2,498,424</u>	<u>2,451,835</u>
Total capital	7,701,544	7,654,955
Less:		
Holdings of other financial institutions capital	<u>(41,868)</u>	<u>(43,710)</u>
Total capital base	<u><u>7,659,676</u></u>	<u><u>7,611,245</u></u>
<u>Before deducting proposed dividends</u>		
Core capital ratio	8.51%	9.39%
Risk-weighted capital adequacy ratio	<u>12.52%</u>	<u>13.73%</u>
<u>After deducting proposed dividends</u>		
Core capital ratio	8.51%	9.39%
Risk-weighted capital adequacy ratio	<u>12.52%</u>	<u>13.73%</u>

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

A31. Restatement of Comparative Financial Statements

FRS 101: Presentation of Financial Statements

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

- (i) Share of results of associates which is now presented net of tax in the consolidated income statement; and
- (ii) Minority interests which is now presented within total equity in the consolidated balance sheet and as an allocation from profit for the financial period in the consolidated income statement. The movement of minority interests is now presented in the consolidated statement of changes in equity.

The presentation of the comparative financial statements of the Group have been restated to conform with the presentation in the current financial period.

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

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

B1. Review of Group Results

For the nine months ended 30 September 2006, the Group recorded a profit before INCPS dividends, taxation and zakat of RM684.8 million, 34% higher than that of the previous year corresponding period of RM510.5 million. The higher profit was mainly due to higher operating profit and lower impairment loss, partly offset by higher allowance for losses on loans and financing.

B2. Changes in Profit for the Quarter

For the third quarter ended 30 September 2006, the Group recorded a profit before INCPS dividends, taxation and zakat of RM224.4 million as compared to the profit of RM229.8 million recorded in the preceding quarter ended 30 June 2006.

B3. Prospects for the Financial Year Ending 31 December 2006

Expansionary spending by the Federal Government and new initiatives for growth should give the economy momentum for further business expansion, softening any impact from slowdown in export and domestic demand.

Taking cognizance of the prevailing economic conditions, RHB Capital will continue its efforts to increase non-interest income and improve operational efficiency. We expect RHB Capital to perform satisfactorily for the Financial Year 2006.

B4. Variance of Actual Profit from Forecast Profit and Profit Guarantee

There were no profit forecast or profit guarantee issued by the Group and the Company.

	3rd quarter ended		Nine months ended	
	30 Sept 2006	30 Sept 2005	30 Sept 2006	30 Sept 2005
	RM'000	RM'000	RM'000	RM'000
B5. Taxation				
<u>Group</u>				
Income tax based on profit for the financial period				
- Malaysian income tax	74,633	57,988	206,561	173,658
- overseas tax	10	7	994	287
Deferred tax	(14,709)	(28,952)	(14,500)	(47,218)
Tax on INCPS dividends	(7,794)	(7,794)	(23,130)	(23,139)
	52,140	21,249	169,925	103,588
(Over)/Under provision in respect of prior years	1	(104)	(134)	(1,178)
	52,141	21,145	169,791	102,410

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

B5. Taxation (continued)

The effective tax rate of the Group for the third quarter ended 30 September 2006 was lower than statutory tax rate mainly due to the effect of the lower tax rate in Labuan.

The effective tax rate of the Group for the nine months ended 30 September 2006 was higher than statutory tax rate mainly due to certain expenses not being deductible for tax purposes.

	3rd quarter ended		Nine months ended	
	30 Sept 2006	30 Sept 2005	30 Sept 2006	30 Sept 2005
	RM'000	RM'000	RM'000	RM'000
Company				
Income tax based on profit for the financial period				
- Malaysian income tax	66,918	19,409	114,016	83,399
- overseas tax	-	-	1,243	-
	<u>66,918</u>	<u>19,409</u>	<u>115,259</u>	<u>83,399</u>

The effective tax rate of the Company for the third quarter and nine months ended 30 September 2006 was higher than statutory tax rate mainly due to certain expenses not being deductible for tax purposes.

B6. Purchase and Sale of Quoted Securities

Other than in the ordinary course of business, there were no purchases or sales of quoted securities during the nine months ended 30 September 2006.

B7. Profit on Sale of Unquoted Investments and/or Properties

Other than in the ordinary course of business, there were no sales of unquoted investments and/or properties during the nine months ended 30 September 2006.

B8. (a) Status of Corporate Proposals

Proposed 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 Securities and RHB Futures Sdn Bhd ('RHB Futures') ('Proposed IB Merger').

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

- (i) the Court Order being obtained for the transfer and vesting of the assets and liabilities of RHB Securities and RHB Futures to RHB Investment Bank;
- (ii) that the implementation of the Proposed IB Merger is to be completed within a period of one year from 30 June 2006; and
- (iii) 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 CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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B8. (a) Status of Corporate Proposals (continued)

Proposed creation of an Investment Bank (continued)

RHB Securities and RHB Futures 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 changed its name to RHB Investment Bank on 10 October 2006 in line with Rashid Hussain Berhad Group's plan to transform the merchant bank into an investment bank.

Other than the above, there were no other corporate proposals that have been announced but not completed as at the date of this announcement.

(b) Utilisation of Proceeds

Following the completion of the issuance of the Proposed PDS Program as disclosed in A6(a), the proceeds of the RM350 million Bonds were utilised as follows:

	RM'million
Early redemption of the Company's Redeemable Serial Fixed Rate Bonds 2002/2007	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 Bonds which is amortised throughout the tenure of the bonds.

As at 30 September 2006, the Company has not issued any CP/MTN Program.

B9. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings and Subordinated Obligations

	Group	
	As at 30 Sept 2006	As at 31 Dec 2005
	RM'000	RM'000
(a) Deposits from customers and placements of banks and other financial institutions		
Fixed deposits, promissory notes and negotiable instrument of deposits		
- one year or less (short term)	39,492,002	31,048,028
- more than one year (medium/long term)	441,320	508,664
Others	<u>19,167,143</u>	<u>18,364,418</u>
	<u>59,100,465</u>	<u>49,921,110</u>
Deposits and placements of banks and other financial institutions		
- one year or less (short term)	9,866,164	9,763,781
- more than one year (medium/long term)	1,209,342	1,265,050
	<u>11,075,506</u>	<u>11,028,831</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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B9. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings and Subordinated Obligations (continued)

	Group		Company	
	As at 30 Sept 2006 RM'000	As at 31 Dec 2005 RM'000	As at 30 Sept 2006 RM'000	As at 31 Dec 2005 RM'000
(b) Borrowings				
Secured:				
Revolving credits	-	18,000	-	18,000
Term loans	240,000	240,000	240,000	240,000
Unsecured:				
Revolving credits	100,000	111,952	100,000	111,952
Overdrafts	-	4,173	-	4,173
Term loans	184,375	-	-	-
Redeemable Serial Fixed				
Rate Bonds 2002/2007	-	375,000	-	375,000
RM600 million 6 years				
Serial Fixed Rate Bonds	600,000	600,000	600,000	600,000
RM350 million				
Fixed Rate Bonds	350,000	-	350,000	-
	1,474,375	1,349,125	1,290,000	1,349,125
Maturity period of borrowings:				
Repayable within one year	100,000	259,125	100,000	259,125
One year to three years	390,000	490,000	390,000	490,000
Three years to five years	450,000	300,000	450,000	300,000
Over five years	534,375	300,000	350,000	300,000
	1,474,375	1,349,125	1,290,000	1,349,125

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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B9. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings and Subordinated Obligations (continued)

	Group	
	As at 30 Sept 2006 RM'000	As at 31 Dec 2005 RM'000
(c) Subordinated obligations		
8.2% RM165 million Tier II subordinated bonds 2002/2012	165,000	165,000
6.85% RM800 million Tier II subordinated bonds 2002/2012	800,000	800,000
6.625% USD150 million Tier II subordinated notes 2002/2013	551,665 *	565,252
	<u>1,516,665</u>	<u>1,530,252</u>

* Net of unaccreted discount of RM1.5 million.

The subordinated obligations constitute unsecured liabilities of the commercial bank and investment bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issue and qualify as Tier II capital for the purpose of determining the capital adequacy ratios of the respective banking subsidiaries.

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B10. Off-Balance Sheet Financial Instruments

Value of Contracts Classified by Remaining Period to Maturity/Next Re-pricing Date (whichever is earlier) as at 30 September 2006

Group

Items	Principal amount RM'million	1 month or less RM'million	> 1 – 3 months RM'million	> 3 – 6 months RM'million	> 6 – 12 months RM'million	> 1 – 5 years RM'million	> 5 years RM'million	Margin requirement RM'million
Foreign exchange related contracts								
- forwards	4,564	2,284	1,391	646	230	13	-	-
- swaps	7,613	4,731	1,267	956	654	5	-	-
- options	190	62	103	25	-	-	-	-
- spots	438	438	-	-	-	-	-	-
- cross-currency interest rate swaps	314	-	-	-	314	-	-	-
Interest rate related contracts								
- futures	4,847	-	377	330	660	3,480	-	4
- swaps	3,819	386	352	15	239	2,541	286	-
Total	21,785	7,901	3,490	1,972	2,097	6,039	286	4

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.

Other than the above, there were no other off-balance sheet transactions in the Group which were not in the ordinary course of business.

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B10. Off-Balance Sheet Financial Instruments (continued)

Related accounting policies

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

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).

(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.

(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 income statement (for example, when the forecast sale that is hedged takes place).

(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.

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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B11. Material Litigation

(a) Carta Bintang Sdn Bhd

On 19 October 2001, the Company announced that a Writ of Summons had been filed at the High Court of Malaya in Kuala Lumpur ('High Court') 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 of shares agreement dated 7 November 2000 in respect of 60 million shares in SJ Securities ('Sale Shares').

On 29 November 2001, the Company announced that the Defence and Counterclaim of CBSB was served on the Company's solicitors on 26 November 2001. The overall amount claimed by CBSB in the Counterclaim is RM258,688,153.42 together with interest thereon and costs. The Company filed its reply to the Defence and a Defence to the Counterclaim on 19 December 2001.

On 22 November 2002, the Deputy Registrar of the High Court granted a summary judgment in favour of the Company for CBSB to return the Deposit to the Company and a summary judgment in favour of CBSB for the Company to return the share certificates and transfer forms in respect of the Sale Shares to CBSB.

Both parties had subsequently filed their respective appeals against the decision of the Deputy Registrar and on 7 August 2003, the Learned High Court Judge dismissed the respective appeals of the Company and CBSB and affirmed the Deputy Registrar's summary judgment orders.

On 15 August 2003 and 27 August 2003, the Company announced that the parties have filed their respective appeals to the Court of Appeal against the decisions of the Learned High Court Judge (Please refer to A27(c)(i) 'Other Contingent Liabilities' for the Company's solicitors' opinion on the above suit and counterclaim).

Hearing date for the appeals have yet to be fixed.

(b) Tan Sri Dato' Abdul Rashid Hussain

Trial in respect of the above suit has been going on since 2004 and the last hearing date was 24 February 2005.

On 16 December 2005, the Company announced that the High Court on 16 December 2005 dismissed with costs the Company's claim against the defendant and that the Company will be appealing against this decision.

On 9 January 2006, the Company filed a Notice of Appeal at the Court of Appeal against the decision.

No date has been fixed for hearing of the Notice of Appeal.

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

B11. Material Litigation (continued)

(c) Tan Sri Dato' Abdul Rashid Hussain, Chong Kin Leong, Seah Fook Chin, Tajul Ariffin, Ong Tiang Lock and Rosley Ahmad

On 28 January 2005, the Company announced that a Writ of Summons had been filed at the High Court of Malaya in Kuala Lumpur by the Company, RHB Securities and RHB Equities against the following individuals:

- (i) Tan Sri Dato' Abdul Rashid bin Hj Mohamed Hussain in his capacity as former Executive Chairman of the Company and RHB Securities and in his capacity as former director of RHB Equities;
- (ii) Mr Chong Kin Leong in his capacity as former director of the Company and RHB Equities;
- (iii) Mr Seah Fook Chin in his capacity as former director of the Company and RHB Equities;
- (iv) Encik Tajul Ariffin bin Mohd Tahir in his capacity as former Executive Director of RHB Securities and in his capacity as former director of RHB Equities;
- (v) Mr Ong Tiang Lock in his capacity as former director of RHB Equities; and
- (vi) Encik Rosley bin Ahmad in his capacity as former principal legal advisor and former Company Secretary of the Company, RHB Securities and RHB Equities;

for a total sum of RM1,430,410,355.96 on the grounds of breach of fiduciary duties, breach of trust, breach of contracts of employment and/or negligence in relation to certain margin finance facilities granted by RHB Equities during the abovenamed individuals' tenure as directors and/or officers of the Company and/or RHB Securities and/or RHB Equities.

On 2 March 2005, the Company announced that the Company, RHB Securities and RHB Equities have filed a fresh Writ of Summons ('New Writ') on the additional grounds of dishonest breach of fiduciary duties and fraudulent breach of trust. The earlier Writ of Summons was discontinued upon filing of the New Writ.

The Defendants, the amount claimed from them, and the grounds of claim as stated in the New Writ remains the same as in the earlier Writ of Summons filed on 28 January 2005, save and except for the addition of the grounds of dishonest breach of fiduciary duties and fraudulent breach of trust.

The defendants filed their defences on 12 May 2005. On 23 June 2005, the Company, RHB Securities and RHB Equities filed replies to the defences.

The hearing of the suit resumed on 7 November 2006 and will continue on 29, 30 and 31 January 2007 as earlier scheduled.

RHB Securities is a wholly-owned subsidiary of RHB Investment Bank which in turn is a wholly-owned subsidiary of the Company whereas RHB Equities is a wholly-owned subsidiary of the Company.

All the above material litigations are not expected to have any material adverse effect on the financial results of the Group.

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B12. Dividends Declared

The total gross dividend per share for the nine months ended 30 September 2006 was 2.0% less 28% income tax.

	3rd quarter ended		Nine months ended	
	30 Sept 2006	30 Sept 2005	30 Sept 2006	30 Sept 2005
B13. Earnings per Share				
Basic earnings per share				
Profit attributable to equity holders of the parent (RM'000)	<u>102,336</u>	<u>79,131</u>	<u>314,568</u>	<u>244,255</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,823,475</u>	<u>1,823,475</u>	<u>1,823,475</u>	<u>1,823,475</u>
Basic earnings per share (sen)	<u>5.6</u>	<u>4.3</u>	<u>17.3</u>	<u>13.4</u>

BY ORDER OF THE BOARD

AZMAN SHAH MD YAMAN
(Licence No. LS0006901)

Secretary

21 November 2006