

**RHB CAPITAL BERHAD**

(312952-H)

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**ANNOUNCEMENT OF UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

The Board of Directors of RHB Capital Berhad ('The Board') wishes to announce that the unaudited results of the Group and the Company for the six months ended 30 June 2007 are as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Note	2nd quarter ended		Six months ended	
		30 June 2007	30 June 2006	30 June 2007	30 June 2006
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	A8	1,241,847	1,053,902	2,449,641	2,033,415
Interest expense	A9	(709,381)	(584,650)	(1,415,125)	(1,112,183)
Net interest income		532,466	469,252	1,034,516	921,232
Other operating income	A10	260,544	214,249	506,102	388,639
		793,010	683,501	1,540,618	1,309,871
Income from Islamic Banking business		128,281	46,471	184,103	93,198
		921,291	729,972	1,724,721	1,403,069
Other operating expenses	A11	(341,520)	(344,509)	(683,862)	(656,476)
Operating profit before allowances		579,771	385,463	1,040,859	746,593
Allowance for losses on loans and financing	A12	(248,629)	(155,121)	(404,867)	(271,069)
Impairment loss		(16,187)	(561)	(20,348)	(15,251)
		314,955	229,781	615,644	460,273
Share of results of associates		22	39	68	71
Profit before Irredeemable					
Non-cumulative Convertible					
Preference Shares ('INCPS')					
dividends, taxation and zakat					
INCPS dividends	A13	314,977	229,820	615,712	460,344
		(27,536)	(27,536)	(54,770)	(54,770)
Profit after INCPS dividends and					
before taxation and zakat					
		287,441	202,284	560,942	405,574
Taxation	B5	(72,024)	(53,754)	(145,331)	(117,650)
Zakat		-	920	-	920
Profit for the financial period		215,417	149,450	415,611	288,844
Attributable to:					
- Equity holders of the Company		162,198	111,091	308,521	212,232
- Minority interests		53,219	38,359	107,090	76,612
		215,417	149,450	415,611	288,844
Earnings per share					
- Basic (sen)	B13	8.9	6.1	16.9	11.6
- 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 2006.

RHB CAPITAL BERHAD (312952 – H)
**CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Note	2nd quarter ended		Six months ended	
		30 June	30 June	30 June	30 June
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
<u>Company</u>					
Interest income	A8	21,693	21,310	43,373	41,194
Interest expense	A9	(21,157)	(24,840)	(43,319)	(48,107)
Net interest income/(expense)		536	(3,530)	54	(6,913)
Other operating income	A10	194,487	35,209	195,242	189,675
Net income		195,023	31,679	195,296	182,762
Other operating expenses	A11	(6,207)	(5,377)	(10,513)	(9,415)
Profit before taxation		188,816	26,302	184,783	173,347
Taxation	B5	(50,134)	(7,301)	(50,134)	(48,341)
Profit for the financial period		138,682	19,001	134,649	125,006

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006.

RHB CAPITAL BERHAD (312952 – H)
CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

	Note	As at 30 June 2007 RM'000	As at 31 Dec 2006 RM'000
Group			
ASSETS			
Cash and short term funds		15,238,672	10,671,553
Securities purchased under resale agreements		3,633,583	2,691,541
Deposits and placements with banks and other financial institutions		3,517,549	5,590,420
Securities held-for-trading	A14	4,969,019	5,160,642
Securities available-for-sale ('Securities AFS')	A15	10,910,894	6,269,350
Securities held-to-maturity	A16	7,562,204	13,107,585
Loans, advances and financing	A17	54,512,058	53,392,886
Clients' and brokers' balances		445,868	177,027
Other assets	A18	755,328	834,362
Amount due from holding company	A19	1,279,310	1,236,030
Statutory deposits		1,622,726	1,905,043
Tax recoverable		45,109	53,032
Deferred tax assets		264,131	254,767
Investments in associates		15,377	15,289
Property, plant and equipment		774,167	782,935
Goodwill		1,167,513	1,167,513
Total assets		106,713,508	103,309,975
LIABILITIES AND EQUITY			
Deposits from customers	A20/B9(a)	69,130,845	57,525,532
Deposits and placements of banks and other financial institutions	A21/B9(a)	13,680,114	11,577,118
Obligations on securities sold under repurchase agreements		3,969,977	14,995,199
Bills and acceptances payable		4,270,683	3,778,758
Clients' and brokers' balances		531,142	251,372
Other liabilities	A22	1,937,503	1,994,511
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		2,514,146	2,879,284
Taxation		150,953	90,518
Deferred tax liabilities		12,409	16,522
Borrowings	B9(b)	1,595,550	1,551,812
Subordinated obligations	B9(c)	1,481,371	1,493,158
INCPS		1,104,469	1,104,469
Total liabilities		100,379,162	97,258,253
Share capital		1,823,475	1,823,475
Reserves		3,325,657	3,104,564
		5,149,132	4,928,039
Minority interests		1,185,214	1,123,683
Total equity		6,334,346	6,051,722
Total liabilities and equity		106,713,508	103,309,975
Commitments and contingencies	A27(a)	64,002,292	56,939,867
Net assets per share attributable to equity holders of the Company (RM)		2.82	2.70

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006.

RHB CAPITAL BERHAD (312952 – H)
CONDENSED BALANCE SHEET AS AT 30 JUNE 2007

	Note	As at <u>30 June 2007</u> RM'000	As at <u>31 Dec 2006</u> RM'000
<u>Company</u>			
ASSETS			
Cash and short term funds		383	13,398
Deposits and placements with banks and other financial institutions		1,195	1,171
Other assets	A18	33,359	32,857
Amount due from holding company	A19	1,279,310	1,236,030
Amounts due from subsidiaries		126,392	126,200
Tax recoverable		21,438	19,172
Investments in subsidiaries		6,910,874	6,911,026
Property, plant and equipment		981	1,295
Total assets		<u><u>8,373,932</u></u>	<u><u>8,341,149</u></u>
LIABILITIES AND EQUITY			
Other liabilities	A22	37,847	40,852
Amounts due to subsidiaries		3,262,507	3,262,588
Deferred tax liabilities		45	45
Borrowings	B9(b)	1,250,500	1,269,412
Total liabilities		<u><u>4,550,899</u></u>	<u><u>4,572,897</u></u>
Share capital		1,823,475	1,823,475
Reserves		1,999,558	1,944,777
Total equity		<u><u>3,823,033</u></u>	<u><u>3,768,252</u></u>
Total liabilities and equity		<u><u>8,373,932</u></u>	<u><u>8,341,149</u></u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006.

RHB CAPITAL BERHAD (312952 – H)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Attributable to equity holders of the Company								Minority interests	Total equity	
	Share capital	Share premium	Reserve funds	Merger reserves	Other reserves	AFS reserves	Translation reserves	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			Sub-total
Group											
Balance as at 1 January 2007	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
Currency translation differences	-	-	-	-	-	-	(5,445)	-	(5,445)	(2,051)	(7,496)
Unrealised net loss on revaluation of securities AFS	-	-	-	-	-	(10,158)	-	-	(10,158)	(2,593)	(12,751)
Net transfer to income statement on disposal or impairment	-	-	-	-	-	6,340	-	-	6,340	3,985	10,325
Deferred tax	-	-	-	-	-	1,703	-	-	1,703	(268)	1,435
Income and expenses recognised directly in equity	-	-	-	-	-	(2,115)	(5,445)	-	(7,560)	(927)	(8,487)
Profit for the financial period	-	-	-	-	-	-	-	308,521	308,521	107,090	415,611
Total income and expenses recognised for the financial period	-	-	-	-	-	(2,115)	(5,445)	308,521	300,961	106,163	407,124
Transfer in respect of statutory requirements	-	-	45,595	-	-	-	-	(45,595)	-	-	-
Ordinary dividends	-	-	-	-	-	-	-	(79,868)	(79,868)	-	(79,868)
Dividends paid to minorities	-	-	-	-	-	-	-	-	-	(44,632)	(44,632)
Balance as at 30 June 2007	1,823,475	1,114,593	1,489,392	6,431	8,563	27,475	(12,013)	691,216	5,149,132	1,185,214	6,334,346

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Attributable to equity holders of the Company								Minority interests	Total equity	
	Share capital	Share premium	Reserve funds	Merger reserves	Other reserves	AFS reserves	Translation reserves	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			Sub-total
Group											
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	-	-	-	-	-	-	183	-	183	(656)	(473)
Unrealised net gain/(loss) on revaluation of securities AFS	-	-	-	-	-	10,958	-	-	10,958	(11,710)	(752)
Net transfer to income statement on disposal or impairment	-	-	-	-	-	(12,654)	-	-	(12,654)	2,966	(9,688)
Deferred tax	-	-	-	-	-	570	-	-	570	2,489	3,059
Income and expenses recognised directly in equity	-	-	-	-	-	(1,126)	183	-	(943)	(6,911)	(7,854)
Profit for the financial period	-	-	-	-	-	-	-	212,232	212,232	76,612	288,844
Total income and expenses recognised for the financial period	-	-	-	-	-	(1,126)	183	212,232	211,289	69,701	280,990
Transfer in respect of statutory requirements	-	-	19,190	-	-	-	-	(19,190)	-	-	-
Ordinary dividends	-	-	-	-	-	-	-	(26,258)	(26,258)	-	(26,258)
Dividends paid to minorities	-	-	-	-	-	-	-	-	-	(21,697)	(21,697)
Balance as at 30 June 2006	<u>1,823,475</u>	<u>1,114,593</u>	<u>1,311,419</u>	<u>6,431</u>	<u>8,563</u>	<u>(5,259)</u>	<u>4,186</u>	<u>414,178</u>	<u>4,677,586</u>	<u>1,062,081</u>	<u>5,739,667</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006.

RHB CAPITAL BERHAD (312952 – H)

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	<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 2007	1,823,475	1,114,593	830,184	3,768,252
Profit for the financial period	-	-	134,649	134,649
Ordinary dividends	-	-	(79,868)	(79,868)
Balance as at 30 June 2007	<u><u>1,823,475</u></u>	<u><u>1,114,593</u></u>	<u><u>884,965</u></u>	<u><u>3,823,033</u></u>
Balance as at 1 January 2006	1,823,475	1,114,593	550,455	3,488,523
Profit for the financial period	-	-	125,006	125,006
Ordinary dividends	-	-	(26,258)	(26,258)
Balance as at 30 June 2006	<u><u>1,823,475</u></u>	<u><u>1,114,593</u></u>	<u><u>649,203</u></u>	<u><u>3,587,271</u></u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006.

RHB CAPITAL BERHAD (312952 – H)
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Six months ended	
	30 June 2007	30 June 2006
	RM'000	RM'000
Group		
Operating activities		
Profit before INCPS dividends, taxation and zakat	615,712	460,344
Adjustments for investing and financing items and other items not involving the movement of cash and cash equivalents	158,812	(32,426)
Operating profit before working capital changes	774,524	427,918
Net changes in operating assets	(234,010)	(2,019,445)
Net changes in operating liabilities	3,031,537	5,500,000
Cash generated from operations	3,572,051	3,908,473
Taxation and zakat paid	(130,224)	(61,718)
Taxation recovered	40,763	8
Net cash generated from operating activities	3,482,590	3,846,763
Investing activities		
Net sale/(purchase) of securities	898,565	(2,294,573)
Interest received from securities	340,148	306,631
Proceeds from disposal of property, plant and equipment	3,015	2,459
Dividend income received from securities	1,787	4,256
Purchase of property, plant and equipment	(42,842)	(28,891)
Increase in investments in an associate	(20)	(20)
Net cash generated from/(used in) investing activities	1,200,653	(2,010,138)
Financing activities		
Drawdown of borrowings	167,310	389,705
Repayment of borrowings	(121,200)	(131,532)
Dividends paid to equity holders of the Company	(79,868)	(26,258)
INCPS dividends paid	(40,203)	(39,652)
Dividends paid to minorities	(44,632)	(21,697)
Payment to hire-purchase creditors	(176)	(391)
Net cash (used in)/generated from financing activities	(118,769)	170,175
Net increase in cash and cash equivalents	4,564,474	2,006,800
Cash and cash equivalents		
- at the beginning of the financial period	10,671,553	11,360,098
- at the end of the financial period	15,236,027	13,366,898
Cash and cash equivalents comprise the following:		
Cash and short term funds	15,238,672	13,370,769
Overdrafts	(2,645)	(3,871)
	15,236,027	13,366,898

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006.

RHB CAPITAL BERHAD (312952 – H)
**CONDENSED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Six months ended	
	30 June 2007	30 June 2006
	RM'000	RM'000
<u>Company</u>		
Operating activities		
Profit before taxation	184,783	173,347
Adjustments for investing and financing items and other items not involving the movement of cash and cash equivalents	(194,429)	(181,841)
Operating loss before working capital changes	(9,646)	(8,494)
Net changes in operating assets	(765)	86,108
Net changes in operating liabilities	(1,859)	(73,132)
Net cash (used in)/generated from operating activities	(12,270)	4,482
Investing activities		
Dividend income received from subsidiaries	141,672	136,711
Interest income received	140	1,685
Proceeds from disposal of a subsidiary	152	-
Proceeds from disposal of property, plant and equipment	5	310
Purchase of property, plant and equipment	(18)	(69)
Net cash generated from investing activities	141,951	138,637
Financing activities		
Drawdown of borrowings	98,300	205,980
Repayment of borrowings	(121,200)	(131,532)
Interest expense paid	(42,397)	(45,417)
Payment to hire-purchase creditors	(176)	(391)
Dividends paid to shareholders	(79,868)	(26,258)
Net cash (used in)/generated from financing activities	(145,341)	2,382
Net (decrease)/increase in cash and cash equivalents	(15,660)	145,501
Cash and cash equivalents		
- at the beginning of the financial period	13,398	(2,478)
- at the end of the financial period	(2,262)	143,023
Cash and cash equivalents comprise the following:		
Cash and short term funds	383	146,894
Overdrafts	(2,645)	(3,871)
	(2,262)	143,023

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006.

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

A1. Basis of Preparation

The interim financial statements are unaudited and has 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 2006.

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 2006 except for the adoption of FRS 117, 'Leases' which is effective for accounting periods beginning on or after 1 October 2006. The Group has adopted FRS 117 commencing from financial period beginning 1 January 2007. The adoption of FRS 117 has resulted in the restatement of the comparative figures as disclosed in A31.

A2. Audit Report

The audit report for the financial year ended 31 December 2006 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 six months ended 30 June 2007.

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.

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 six months ended 30 June 2007.

A7. Dividends Paid

During the six months ended 30 June 2007, the Company has paid a final dividend of 6.0% less 27% income tax amounting to RM79,868,000 in respect of the financial year ended 31 December 2006 on 7 June 2007.

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	2nd quarter ended		Six months ended	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	RM'000	RM'000	RM'000	RM'000
A8. Interest Income				
<u>Group</u>				
Loans, advances and financing				
- interest income other than recoveries from Non-performing Loans, Advances and Financing ('NPLs')	762,464	677,096	1,504,411	1,332,475
- recoveries from NPLs	51,757	54,098	98,186	100,581
Money at call, deposits and placements with financial institutions	163,245	125,856	321,211	227,422
Securities purchased under resale agreements	35,915	27,314	66,896	52,676
Securities held-for-trading	43,203	24,068	92,445	46,669
Securities AFS	120,206	15,127	205,629	31,301
Securities held-to-maturity	69,680	138,644	165,249	268,171
Others	22,820	21,042	46,004	40,776
	<u>1,269,290</u>	<u>1,083,245</u>	<u>2,500,031</u>	<u>2,100,071</u>
Amortisation of premium less accretion of discount	(866)	(4,191)	2	(9,483)
Interest suspended	(26,577)	(25,152)	(50,392)	(57,173)
	<u>1,241,847</u>	<u>1,053,902</u>	<u>2,449,641</u>	<u>2,033,415</u>
<u>Company</u>				
Money at call, deposits and placements with financial institutions	112	1,214	133	1,877
Others	21,581	20,096	43,240	39,317
	<u>21,693</u>	<u>21,310</u>	<u>43,373</u>	<u>41,194</u>
A9. Interest Expense				
<u>Group</u>				
Deposits and placements of banks and other financial institutions	133,594	82,993	258,954	154,703
Deposits from customers	450,610	353,645	893,622	676,805
Obligations on securities sold under repurchase agreements	35,003	48,017	79,273	89,113
Borrowings	20,962	22,570	42,905	44,744
Subordinated obligations	25,683	26,094	51,315	52,193
Recourse obligation on loans sold to Cagamas	29,404	40,546	60,570	75,208
Others	14,125	10,785	28,486	19,417
	<u>709,381</u>	<u>584,650</u>	<u>1,415,125</u>	<u>1,112,183</u>
<u>Company</u>				
Borrowings	20,880	22,551	42,821	44,685
Others	277	2,289	498	3,422
	<u>21,157</u>	<u>24,840</u>	<u>43,319</u>	<u>48,107</u>

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	2nd quarter ended		Six months ended	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	RM'000	RM'000	RM'000	RM'000
A10. Other Operating Income				
Group				
Fee income				
- Service charges and fees	38,498	34,703	82,804	65,743
- Brokerage	28,629	16,879	64,445	30,900
- Commission	33,364	28,483	63,451	54,805
- Unit trust fee income	8,990	4,827	23,102	10,661
- Commitment fees	10,385	10,592	21,600	21,126
- Guarantee fees	10,719	10,646	18,568	19,335
- Underwriting and arrangement fees	5,529	2,048	9,853	4,621
- Corporate advisory fees	5,564	2,130	8,524	4,090
- Fund management fees	6,139	1,508	7,838	3,224
- Other fee income	3,338	2,914	12,469	6,255
	151,155	114,730	312,654	220,760
Net gain/(loss) arising from sale/ redemption of securities and derivatives				
- Net gain/(loss) from sale of				
- securities held-for-trading	48,921	(2,092)	68,880	2,738
- securities AFS	2,328	16,155	5,688	18,802
- Net gain from redemption of				
- securities held-to-maturity	77	1,347	103	1,403
- Derivatives	421	98	194	273
	51,747	15,508	74,865	23,216
Unrealised gain/(loss) on revaluation of securities and derivatives				
- Securities held-for-trading	(24,325)	(4,141)	(32,294)	(7,776)
- Derivatives	5,096	23,689	4,499	32,486
	(19,229)	19,548	(27,795)	24,710

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2007	2006	2007	2006
	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	840	1,798	1,192	3,366
- Securities AFS	1,254	1,920	1,256	1,925
- Securities held-to-maturity	-	436	-	620
	<u>2,094</u>	<u>4,154</u>	<u>2,448</u>	<u>5,911</u>
Other income				
- Foreign exchange gain/(loss)				
- realised	67,843	12,534	146,554	49,196
- unrealised	(10,693)	25,902	(42,433)	23,825
- Underwriting surplus before management expenses	5,722	8,958	12,996	15,921
- Rental income	870	883	1,659	1,618
- Net gain on disposal of property, plant and equipment	163	856	507	1,178
- Gain on liquidation of a subsidiary	-	-	69	-
- Other operating income	7,640	9,583	19,383	19,162
- Other non-operating income	3,232	1,593	5,195	3,142
	<u>74,777</u>	<u>60,309</u>	<u>143,930</u>	<u>114,042</u>
	<u>260,544</u>	<u>214,249</u>	<u>506,102</u>	<u>388,639</u>
<u>Company</u>				
Gross dividend income from				
- Subsidiaries	194,071	34,868	194,071	189,185
	<u>194,071</u>	<u>34,868</u>	<u>194,071</u>	<u>189,185</u>
Other income				
- Foreign exchange gain/(loss)				
- unrealised	145	(99)	629	(237)
- Net gain on disposal of property, plant and equipment	1	131	2	131
- Other operating income	270	275	540	545
- Other non-operating income	-	34	-	51
	<u>416</u>	<u>341</u>	<u>1,171</u>	<u>490</u>
	<u>194,487</u>	<u>35,209</u>	<u>195,242</u>	<u>189,675</u>

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	2nd quarter ended		Six months ended	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	RM'000	RM'000	RM'000	RM'000
A11. Other Operating Expenses				
<u>Group</u>				
Personnel costs				
- Salaries, bonus, wages and allowances	144,083	139,608	288,059	276,563
- Defined contribution plan	21,085	21,676	41,500	42,778
- Other staff related costs	17,756	37,088	34,230	46,771
	<u>182,924</u>	<u>198,372</u>	<u>363,789</u>	<u>366,112</u>
Establishment costs				
- Depreciation	22,178	22,887	47,964	50,257
- Information technology expenses	22,557	21,701	45,336	44,235
- Repair and maintenance	11,298	11,287	22,708	21,655
- Rental of premises	7,960	8,145	15,731	15,924
- Water and electricity	3,956	3,792	7,637	7,450
- Insurance	3,031	2,492	5,553	5,575
- Rental of equipment	2,822	2,995	5,475	4,660
- Amortisation of prepaid land lease	133	128	231	224
- Others	2,425	276	4,763	1,523
	<u>76,360</u>	<u>73,703</u>	<u>155,398</u>	<u>151,503</u>
Marketing expenses				
- Sales commission	9,153	3,871	24,908	9,153
- Advertisements and publicity	10,036	7,906	16,516	13,470
- Dealers' handling fee	4,928	9,904	10,083	21,131
- Others	16,979	15,036	34,425	28,547
	<u>41,096</u>	<u>36,717</u>	<u>85,932</u>	<u>72,301</u>
Administration and general expenses				
- Communication expenses	17,443	17,521	34,067	33,430
- Legal and professional fee	4,443	5,030	8,341	7,823
- Others	19,254	13,166	36,335	25,307
	<u>41,140</u>	<u>35,717</u>	<u>78,743</u>	<u>66,560</u>
	<u>341,520</u>	<u>344,509</u>	<u>683,862</u>	<u>656,476</u>

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
A11. Other Operating Expenses (continued)				
<u>Company</u>				
Personnel costs				
- Salaries, bonus, wages and allowances	1,969	2,729	4,107	4,549
- Defined contribution plan	232	339	489	563
- Other staff related costs	252	192	699	710
	<u>2,453</u>	<u>3,260</u>	<u>5,295</u>	<u>5,822</u>
Establishment costs				
- Rental of premises	365	357	711	719
- Depreciation	165	146	329	325
- Repair and maintenance	146	156	226	244
- Information technology expenses	4	30	20	62
- Water and electricity	9	11	19	22
- Rental of equipment	10	14	19	25
- Insurance	1	2	1	2
	<u>700</u>	<u>716</u>	<u>1,325</u>	<u>1,399</u>
Marketing expenses				
- Advertisements and publicity	584	289	622	289
- Others	130	280	338	546
	<u>714</u>	<u>569</u>	<u>960</u>	<u>835</u>
Administration and general expenses				
- Legal and professional fee	2,191	634	2,620	966
- Communication expenses	67	124	166	263
- Others	82	74	147	130
	<u>2,340</u>	<u>832</u>	<u>2,933</u>	<u>1,359</u>
	<u><u>6,207</u></u>	<u><u>5,377</u></u>	<u><u>10,513</u></u>	<u><u>9,415</u></u>

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	2nd quarter ended		Six months ended	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	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	338,261	202,258	644,947	390,220
- specific allowance written back	(77,261)	(56,893)	(217,050)	(111,839)
- specific allowance (net)	261,000	145,365	427,897	278,381
- general allowance (net)	15,478	26,387	24,013	21,965
Bad debts written off	14	5	408	5
Bad debts recovered	(24,696)	(15,848)	(44,284)	(28,494)
Write back on amount recoverable from Danaharta	(3,167)	(788)	(3,167)	(788)
	<u>248,629</u>	<u>155,121</u>	<u>404,867</u>	<u>271,069</u>
A13. INCPS Dividends				
<u>Group</u>				
INCPS dividends paid and payable				
- 10% per annum (gross)	27,536	27,536	54,770	54,770

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Group	
	As at 30 June 2007	As at 31 Dec 2006
	RM'000	RM'000
A14. Securities Held-for-trading		
At fair value		
<u>MONEY MARKET INSTRUMENTS:</u>		
Quoted		
Khazanah bonds	261,959	389,473
Malaysian government securities	249,729	196,338
Singapore government stocks	201,565	192,069
Government investment issues	169,204	421,241
Cagamas bonds	19,584	-
Unquoted		
Private debt securities	1,480,334	1,113,968
Negotiable instrument of deposits	1,034,427	955,019
Bank Negara Malaysia ('BNM') bills/notes	635,895	613,125
Bankers' acceptances and Islamic accepted bills	404,821	757,128
Fixed rate notes	223,603	229,710
Singapore government treasury bills	55,270	-
Malaysian government treasury bills	38,739	28,965
	4,775,130	4,897,036
<u>QUOTED SECURITIES:</u>		
In Malaysia		
Shares	58,024	42,817
Unit trust	4,139	6,720
Outside Malaysia		
Other government securities	109,678	114,487
Bonds	20,060	98,682
Shares	1,988	900
	4,969,019	5,160,642

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Group	
	As at 30 June 2007	As at 31 Dec 2006
	RM'000	RM'000

A15. Securities Available-for-sale ('Securities AFS')

At fair value

MONEY MARKET INSTRUMENTS:

Quoted

Cagamas bonds and Cagamas Mudharabah bonds	279,105	451,156
Singapore government stocks	144,267	103,952
Malaysian government securities	50,430	50,190
Khazanah bonds	9,599	9,405
Government investment issues	-	5,058

Unquoted

Negotiable instrument of deposits	5,454,412	3,220,039
Private debt securities	2,417,398	912,132
BNM bills/notes	1,628,273	401,056
Structured notes	184,742	306,351
Malaysian government treasury bills	88,376	85,678
Bankers' acceptances and Islamic accepted bills	55,748	-
Singapore government treasury bills	11,054	85,890
	<u>10,323,404</u>	<u>5,630,907</u>

QUOTED SECURITIES:

In Malaysia

Corporate loan stocks	62,191	54,813
Shares	26,186	23,856
Malaysian government securities	22,173	22,100
Private debt securities	15,778	9,209

Outside Malaysia

Floating rate notes	285	292
Shares	127	129

UNQUOTED SECURITIES:

In Malaysia

Shares	167,979	167,979
Corporate loan stocks	132,234	161,524
Corporate debt securities	86,098	83,212
Private debt securities	59,630	65,508

Outside Malaysia

Private debt securities	14,442	49,109
Trading rights	367	367
Shares	-	345
	<u>10,910,894</u>	<u>6,269,350</u>

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Group	
	As at 30 June 2007	As at 31 Dec 2006
	RM'000	RM'000
A16. Securities Held-to-maturity		
At amortised cost		
<u>MONEY MARKET INSTRUMENTS:</u>		
Quoted		
Malaysian government securities	2,105,901	2,124,505
Cagamas bonds and Cagamas Mudharabah bonds	655,881	911,120
Khazanah bonds	559,350	573,678
Government investment issues	81,810	80,964
Unquoted		
Prasarana bonds	1,979,641	1,979,791
Negotiable instrument of deposits	715,750	5,286,823
Private debt securities	621,549	881,827
Other government securities	229,318	234,310
Structured notes	34,505	353,052
Cagamas notes	-	98,157
Bankers' acceptances and Islamic accepted bills	-	99,065
	6,983,705	12,623,292
<u>QUOTED SECURITIES:</u>		
In Malaysia		
Floating rate notes	79,373	81,225
<u>UNQUOTED SECURITIES:</u>		
In Malaysia		
Private debt securities	381,762	389,458
Corporate loan stocks	199,787	205,231
Bonds	29,070	29,070
Shares	2,700	2,700
Outside Malaysia		
Structured notes	86,275	-
Floating rate notes	38,996	10,595
	7,801,668	13,341,571
Accumulated impairment loss	(239,464)	(233,986)
	7,562,204	13,107,585

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Group	
	As at 30 June 2007	As at 31 Dec 2006
	RM'000	RM'000
A17. Loans, Advances and Financing		
Overdrafts	6,713,775	6,797,088
Term loans/financing		
- housing loans/financing	12,669,310	12,545,069
- syndicated term loans/financing	2,687,906	2,632,160
- hire-purchase receivables	9,799,706	9,654,495
- lease receivables	273,894	281,120
- other term loans/financing	12,056,155	11,557,423
Bills receivable	2,286,362	1,877,730
Trust receipts	484,122	537,794
Claims on customers under acceptance credits	4,900,016	4,824,605
Staff loans/financing	411,539	413,583
Credit/charge cards receivables	1,392,671	1,288,406
Revolving credits	5,029,597	5,278,336
	<u>58,705,053</u>	<u>57,687,809</u>
Unearned interest and income	<u>(1,514,911)</u>	<u>(1,563,301)</u>
Gross loans, advances and financing	57,190,142	56,124,508
Allowance for bad and doubtful debts and financing		
- general	(998,899)	(976,214)
- specific	(1,679,185)	(1,755,408)
Net loans, advances and financing	<u>54,512,058</u>	<u>53,392,886</u>
(a) By type of customers		
Domestic non-bank financial institutions		
- stockbroking companies	712	1,856
- others	700,633	831,683
Domestic business enterprises		
- small medium enterprises	9,233,041	9,241,948
- others	22,157,921	21,692,647
Government and statutory bodies	255,487	248,651
Individuals	24,053,239	23,403,054
Other domestic entities	67,055	57,746
Foreign entities	722,054	646,923
	<u>57,190,142</u>	<u>56,124,508</u>

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Group	
	As at 30 June 2007	As at 31 Dec 2006
	RM'000	RM'000
A17. Loans, Advances and Financing (continued)		
(b) By interest/profit rate sensitivity		
Fixed rate		
- housing loans/financing	1,762,544	1,593,036
- hire-purchase receivables	8,353,283	8,129,916
- other fixed rate loans/financing	3,631,493	3,509,878
Variable rate		
- base lending rate plus	20,409,524	20,237,465
- cost-plus	17,441,096	17,221,488
- other variable rates	5,592,202	5,432,725
	<u>57,190,142</u>	<u>56,124,508</u>
(c) By purpose		
Purchase of securities	2,340,762	1,916,263
Purchase of transport vehicles	6,579,030	6,519,848
Purchase of landed property:		
- residential	13,123,097	12,864,401
- non-residential	1,645,794	1,595,519
Purchase of property, plant and equipment other than land and building	2,741,597	2,578,022
Personal use	2,019,269	1,950,596
Credit card	1,392,671	1,288,406
Purchase of consumer durables	102,045	114,206
Construction	1,941,758	2,239,055
Working capital	23,054,978	22,919,685
Other purpose	2,249,141	2,138,507
	<u>57,190,142</u>	<u>56,124,508</u>

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Group	
	As at	As at
	30 June 2007	31 Dec 2006
	RM'000	RM'000
A17. Loans, Advances and Financing (continued)		
(d) NPLs by purpose		
Purchase of securities	101,165	70,256
Purchase of transport vehicles	326,388	391,342
Purchase of landed property:		
- residential	1,225,584	1,282,280
- non-residential	165,750	141,531
Purchase of property, plant and equipment other than land and building	107,718	102,341
Personal use	134,841	171,162
Credit card	46,931	45,484
Purchase of consumer durables	7,711	10,558
Construction	275,005	342,741
Working capital	1,548,651	1,662,265
Other purpose	58,511	57,077
	<u>3,998,255</u>	<u>4,277,037</u>

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Group	
	As at	As at
	<u>30 June 2007</u>	<u>31 Dec 2006</u>
	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	4,277,037	4,339,130
Classified as non-performing	1,905,167	4,080,889
Amount recovered	(465,629)	(569,812)
Reclassified as performing	(1,190,149)	(2,712,691)
Amount written off	(511,271)	(789,256)
Loans/financing converted to securities	(12,694)	(66,371)
Exchange difference	(4,206)	(4,852)
Balance as at the end of the financial period/year	<u>3,998,255</u>	<u>4,277,037</u>
Specific allowance	<u>(1,679,185)</u>	<u>(1,755,408)</u>
Net NPLs	<u><u>2,319,070</u></u>	<u><u>2,521,629</u></u>
Ratio of net NPLs as % of gross loans, advances and financing less specific allowance	<u><u>4.17%</u></u>	<u><u>4.63%</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	976,214	921,583
Net allowance made	24,013	56,653
Exchange difference	(1,328)	(2,022)
Balance as at the end of the financial period/year	<u>998,899</u>	<u>976,214</u>
As % of gross loans, advances and financing less specific allowance	<u><u>1.80%</u></u>	<u><u>1.79%</u></u>

Specific allowance

Balance as at the beginning of the financial period/year	1,755,408	1,821,128
Allowance made	645,246	968,885
Transferred to accumulated impairment loss in value of securities	(8,236)	(56,215)
Amount transferred from other debtors	-	788
Amount recovered	(217,050)	(237,455)
Amount written off	(494,878)	(738,069)
Exchange difference	(1,305)	(3,654)
Balance as at the end of the financial period/year	<u>1,679,185</u>	<u>1,755,408</u>

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Group		Company	
	As at	As at	As at	As at
	<u>30 June 2007</u>	<u>31 Dec 2006</u>	<u>30 June 2007</u>	<u>31 Dec 2006</u>
	RM'000	RM'000	RM'000	RM'000
A18. Other Assets				
Other debtors, deposits and prepayments	280,070	347,305	33,352	32,843
Accrued interest receivable	246,313	216,614	7	14
Derivatives	129,497	168,819	-	-
Prepaid land lease	98,399	100,245	-	-
Amount recoverable from BNM	1,049	1,379	-	-
	<u>755,328</u>	<u>834,362</u>	<u>33,359</u>	<u>32,857</u>

A19. Amount Due from Holding Company

During the six months ended 30 June 2007, 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. The amount due from holding company has been fully settled subsequent to the balance sheet date.

	Group	
	As at	As at
	<u>30 June 2007</u>	<u>31 Dec 2006</u>
	RM'000	RM'000
A20. Deposits from Customers		
(a) By type of deposits		
Demand deposits	15,561,932	15,638,515
Savings deposits	4,978,550	4,861,397
Fixed deposits	47,346,540	34,273,158
Negotiable instrument of deposits	1,243,823	2,752,462
	<u>69,130,845</u>	<u>57,525,532</u>
(b) By type of customers		
Government and statutory bodies	4,354,364	4,336,106
Business enterprises	39,446,561	28,619,833
Individuals	23,168,893	22,674,291
Others	2,161,027	1,895,302
	<u>69,130,845</u>	<u>57,525,532</u>

A21. Deposits and Placements of Banks and Other Financial Institutions

Licensed banks	8,881,025	8,643,917
Licensed investment/merchant banks	132,901	101,286
BNM	2,232,362	1,192,276
Other financial institutions	2,433,826	1,639,639
	<u>13,680,114</u>	<u>11,577,118</u>

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Group		Company	
	As at 30 June 2007	As at 31 Dec 2006	As at 30 June 2007	As at 31 Dec 2006
	RM'000	RM'000	RM'000	RM'000
A22. Other Liabilities				
Accrued interest payable	466,925	472,818	35,041	35,464
Other creditors and accruals	458,769	497,788	1,920	4,326
Amount due to BNM	310,201	296,129	-	-
Derivatives	157,537	158,231	-	-
Accruals for operational expenses	154,091	154,392	-	-
General insurance fund	141,858	136,821	-	-
Lessee deposits	82,525	82,778	-	-
Short term employee benefits	76,506	115,968	-	-
Prepaid instalment	66,574	61,889	-	-
Remisiers' trust deposits	15,385	11,181	-	-
Amount payable for creation of units due to funds	4,527	3,729	-	-
Amount due to Danaharta	1,719	1,725	-	-
Hire-purchase creditors	886	1,062	886	1,062
	<u>1,937,503</u>	<u>1,994,511</u>	<u>37,847</u>	<u>40,852</u>

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

A23. Segment Information

Revenue and Results

Six months ended 30 June 2007

	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	926,921	900,730	931,773	184,103	16,510	101,245	28,124	50,440	-	3,139,846
Intersegment revenue	2,388	1,610	22,661	157	2,100	209	7,051	13,216	(49,392)	-
Segment revenue	<u>929,309</u>	<u>902,340</u>	<u>954,434</u>	<u>184,260</u>	<u>18,610</u>	<u>101,454</u>	<u>35,175</u>	<u>63,656</u>	<u>(49,392)</u>	<u>3,139,846</u>
Profit before unallocated expenses	218,964	147,431	235,733	140,929	12,421	53,082	20,496	42,452		871,508
Unallocated expenses										(255,864)
Profit after unallocated expenses										615,644
Share of results of associates	-	-	-	-	-	78	-	(10)		68
Profit before INCPS dividends, taxation and zakat										615,712
INCPS dividends										(54,770)
Profit after INCPS dividends and before taxation and zakat										560,942
Taxation and zakat										(145,331)
Profit for the financial period										<u>415,611</u>

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

A23. Segment Information (continued)

Revenue and Results

Six months ended 30 June 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	833,792	823,582	636,739	93,198	6,862	52,164	23,019	45,896	-	2,515,252
Intersegment revenue	7,413	1,866	8,329	-	5	233	8,017	12,552	(38,415)	-
Segment revenue	<u>841,205</u>	<u>825,448</u>	<u>645,068</u>	<u>93,198</u>	<u>6,867</u>	<u>52,397</u>	<u>31,036</u>	<u>58,448</u>	<u>(38,415)</u>	<u>2,515,252</u>
Profit before unallocated expenses										
Unallocated expenses	241,548	161,199	175,142	72,404	3,643	20,174	17,729	38,002		729,841
Profit after unallocated expenses										<u>(269,568)</u>
Share of results of associates	-	-	-	-	-	81	-	(10)		460,273
Profit before INCPS dividends, taxation and zakat										71
INCPS dividends										<u>460,344</u>
Profit after INCPS dividends and before taxation and zakat										<u>(54,770)</u>
Taxation and zakat										405,574
Profit for the financial period										<u><u>(116,730)</u></u>
										<u><u>288,844</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 financial statements, except for the following:

- (a) **Proposed issuance of 330.0 million new ordinary shares of RM1.00 each in the Company ('RHBC Shares') at an indicative issue price of RM4.75 per RHBC Share to Khazanah Nasional Berhad ('Khazanah') ('Proposed Share Issue') as part settlement of the proposed acquisition by the Company of 1,169,991,586 ordinary shares of RM0.50 each in RHB Bank Berhad ('RHB Bank') ('RHB Bank Shares') representing 30% of the total issued and paid-up share capital of RHB Bank from Khazanah ('Proposed Acquisition')**

The Company had, on 2 July 2007 via RHB Investment Bank Berhad [formerly known as RHB Sakura Merchant Bankers Berhad] ('RHB Investment Bank') announced that following the approval from BNM, the Company had entered into the following agreements:

- (i) Share sale agreement ('RHB Bank SSA') with Khazanah on 2 July 2007 to give effect to the Proposed Acquisition; and
- (ii) Underwriting agreement with the appointed underwriters, CIMB Investment Bank Berhad [formerly known as Commerce International Merchant Bankers Berhad] ('CIMB Investment Bank') and AmInvestment Bank Berhad [formerly known as AmMerchant Bank Berhad] ('AmInvestment Bank') ('Underwriters') on 29 June 2007, whereby, the Underwriters shall underwrite the entire 330.0 million RHBC Shares to be issued to Khazanah pursuant to the Proposed Acquisition at an underwriting commission of 0.8% of the issue price of RM4.75 per RHBC Share ('Underwriting Agreement').

In furtherance thereto, the additional 330.0 million new ordinary shares of RM1.00 each issued pursuant to the aforesaid Proposed Acquisition have been granted listing and quotation on 5 July 2007.

On 12 July 2007, RHB Investment Bank on behalf of the Company, announced that the Proposed Acquisition has been completed on the same date. Therefore, with the completion of the Proposed Acquisition, RHB Bank has become a wholly-owned subsidiary of the Company.

- (b) **Employees Provident Fund Board ('EPF') unconditional take-over offer for all the remaining ordinary shares of RM1.00 each in RHB Capital ('RHB Capital Shares') not held by EPF**

On 4 July 2007, the Company has been notified by EPF via a press notice that the closing date for the EPF unconditional take-over offer for RHB Capital Shares has been extended from 6 July 2007 to 18 July 2007. On 18 July 2007, the Company has also been notified by EPF via a press notice that the said offer has closed at 5.00 p.m. on the same date.

In furtherance thereto, Rashid Hussain Berhad ('RHB') had on 3 July 2007 transferred its entire equity interest in the Company, comprising 842,586,861 RHB Capital Shares to EPF.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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A25. Material Events Subsequent to the Balance Sheet Date (continued)

(c) Commencement of negotiations with Kuwait Finance House (Malaysia) Berhad ('KFH') for the disposal of a combination of RHB Bank's branches, assets and liabilities

On 16 August 2007, the Company announced that RHB Bank, a wholly-owned subsidiary of the Company, has obtained the approval in principle from BNM to commence negotiations with KFH for the disposal of a combination of RHB Bank's branches, assets and liabilities to KFH.

(d) Proposed issuance of up to RM3 billion nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme by RHB Bank

The Company announced on 17 August 2007 that the Securities Commission ('SC') had on 13 August 2007 approved the proposed issuance of up to RM3 billion nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme (the 'MTN Programme') by RHB Bank, a wholly-owned subsidiary of the Company.

The proceeds raised from the MTN Programme shall be utilised for the following:

- (i) repayment of RHB Bank's existing RM800 million nominal value redeemable unsecured subordinated bonds 2002/2012; and
- (ii) the balance for general working capital purposes of RHB Bank and its subsidiaries.

The maturity period of the Subordinated Notes and/or Senior Notes, which is at the option of RHB Bank, are as follows:

- (i) Subordinated Notes - ranging from 10 to 20 years and are callable after a minimum period of 5 years from the date of issue; and
- (ii) Senior Notes - ranging from 1 to 20 years

The Subordinated Notes will constitute direct unsecured obligations of RHB Bank, subordinated in right and priority of payment to all deposit liabilities and other liabilities of RHB Bank to the extent and in the manner provided for in the Subordinated Notes. The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of RHB Bank and will rank pari passu with all other unsecured obligations of RHB Bank, present and future, from time to time outstanding.

The MTN Programme will not have any effect on the share capital, the shareholdings of the substantial shareholders and net assets per share of the Company and is not expected to have any material effect on the earnings per share of the Company for the current financial year ending 31 December 2007.

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A26. Changes in Composition of the Group

The significant changes in the composition of the Group for the six months ended 30 June 2007 are summarised below:

(a) Dissolution of RHB Management Services (Jersey) Limited ('RHBMSJ')

The Company announced on 12 February 2007 that RHBMSJ, a wholly-owned subsidiary of RHB Investment Bank, which in turn is a wholly-owned subsidiary of the Company, has been dissolved on 23 January 2007 upon registration of the relevant documents with the Jersey Financial Services Commission on the same date.

The principal activity of RHBMSJ, a company incorporated in Jersey, Channel Islands was that of providing management services.

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

(b) Disposal of the entire shareholdings in RHB International Trust (L) Ltd ('RHBITLL') by the Company to RHB Bank (L) Ltd

The Company announced on 16 May 2007 that it had, on 15 May 2007, disposed its entire shareholdings of 20,000 ordinary shares of USD4.00 each (of which USD2.00 is partially paid-up) ('Sale of Shares') in RHBITLL to RHB Bank (L) Ltd for a total cash consideration of RM152,000.

RHB Bank (L) Ltd is a direct wholly-owned subsidiary of RHB Bank, which in turn is a 70% subsidiary of the Company on even date. With the said Sale of Shares, RHBITLL shall cease to be a direct wholly-owned subsidiary of the Company.

The Sale of Shares is not expected to have any material effect on the earnings or net tangible assets of the Group for the financial year ending 31 December 2007.

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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 June 2007			As at 31 Dec 2006		
	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	1,706	1,706	1,531	1,648	1,648	1,480
Transaction-related contingent items	2,291	914	613	2,320	810	518
Short term self-liquidating trade-related contingencies	2,479	496	323	2,555	511	329
Obligations under underwriting agreements	538	132	132	440	132	132
Other assets sold with recourse and commitments	347	-	-	-	-	-
Housing loans sold directly and indirectly to Cagamas with recourse	39	39	19	41	41	20
Irrevocable commitments to extend credit						
- maturity not exceeding one year	23,811	-	-	22,103	-	-
- maturity exceeding one year	3,593	1,797	1,587	3,658	1,829	1,602
Foreign exchange related contracts						
- less than one year	18,578	303	74	14,064	241	67
- one year to less than five years	53	3	2	387	61	30
Interest rate related contracts						
- less than one year	3,366	10	2	2,231	2	1
- one year to less than five years	6,023	120	28	6,124	92	21
- more than five years	183	17	4	523	34	17
Others	995	22	4	846	20	4
	64,002	5,559	4,319	56,940	5,421	4,221

* 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
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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 RM24,500,000 (31 December 2006: RM44,500,000) and RM100,000,000 (31 December 2006: RM100,000,000) for borrowings and performance of its subsidiaries respectively. As at balance sheet date, RM1,000,000 (31 December 2006: RM1,000,000) of the borrowings were utilised by the 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 six months ended 30 June 2007.

(ii) RHB Investment Bank and RHB Equities Sdn Bhd ('RHB Equities')

- Claim by Dato' Haji Iqbal Kuppai Pitchai Rawther ('Plaintiff')

This suit was initially filed by RHB Securities Sdn Bhd ('RHB Securities'). With effect from 30 December 2006, the assets and liabilities of RHB Securities including this suit have been vested into RHB Investment Bank pursuant to a vesting order of the High Court. Subsequently, RHB Securities was renamed as RHB Excel Sdn Bhd ('RHB Excel') on 9 January 2007.

The following is a summary of the litigation from commencement of the suit:

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.

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

(c) **Other Contingent Liabilities (continued)**

(ii) **RHB Investment Bank and RHB Equities Sdn Bhd ('RHB Equities') (continued)**

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.

	Group	
	As at	As at
	30 June 2007	31 Dec 2006
	RM'000	RM'000

A28. Capital Commitments

Capital expenditure for property, plant and equipment:

- authorised and contracted for	49,308	26,291
- authorised but not contracted for	53,676	37,371
	<u>102,984</u>	<u>63,662</u>

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A29. Interest/Profit Rate Risk

Group As at 30 June 2007	Non-trading book					Non-interest sensitive	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	14,080,117	-	-	-	-	1,158,555	-	15,238,672	3.54
Securities purchased under resale agreements	2,631,301	1,002,282	-	-	-	-	-	3,633,583	3.51
Deposits and placements with banks and other financial institutions	27,578	3,219,795	260,497	9,679	-	-	-	3,517,549	3.59
Securities									
- held-for-trading	-	-	-	-	-	1,988	4,967,031	4,969,019	4.04
- AFS	3,795,833	2,049,078	1,758,323	2,412,054	700,661	194,945	-	10,910,894	3.91
- held-to-maturity	226,544	228,579	1,691,008	4,149,132	1,503,682	(236,741)	-	7,562,204	3.86
Loans, advances and financing									
- performing	31,797,293	6,932,827	4,905,194	7,003,199	2,553,250	124	-	53,191,887	6.83
- non-performing*	-	-	-	-	-	1,320,171	-	1,320,171	
Clients' and brokers' balances	62,133	-	-	-	-	383,735	-	445,868	2.26
Other assets	-	-	69	674	1,075	624,013	129,497	755,328	5.79
Amount due from holding company	1,279,310	-	-	-	-	-	-	1,279,310	6.96
Statutory deposits	-	-	-	-	-	1,622,726	-	1,622,726	
Tax recoverable	-	-	-	-	-	45,109	-	45,109	
Deferred tax assets	-	-	-	-	-	264,131	-	264,131	
Investments in associates	-	-	-	-	-	15,377	-	15,377	
Property, plant and equipment	-	-	-	-	-	774,167	-	774,167	
Goodwill	-	-	-	-	-	1,167,513	-	1,167,513	
Total assets	53,900,109	13,432,561	8,615,091	13,574,738	4,758,668	7,335,813	5,096,528	106,713,508	

* 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 SIX MONTHS ENDED 30 JUNE 2007

A29. Interest/Profit Rate Risk (continued)

Group As at 30 June 2007	Non-trading book						Trading book	Total	Effective interest rate %
	Up to 1 month	> 1-3 months	> 3-12 months	>1-5 years	Over 5 years	Non-interest sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities and equity									
Deposits from customers	29,266,688	11,800,708	12,901,023	983,536	-	14,178,890	-	69,130,845	3.17
Deposits and placements of banks and other financial institutions	9,050,789	2,666,057	975,312	903,620	82,983	1,353	-	13,680,114	3.60
Obligations on securities sold under repurchase agreements	3,699,108	270,869	-	-	-	-	-	3,969,977	3.38
Bills and acceptances payable	1,523,477	1,855,158	699,066	-	-	192,982	-	4,270,683	3.78
Clients' and brokers' balances	-	-	-	-	-	531,142	-	531,142	
Other liabilities	310,231	60	276	520	-	1,468,879	157,537	1,937,503	3.57
Recourse obligation on loans sold to Cagamas	-	206,835	455,905	1,851,406	-	-	-	2,514,146	4.38
Taxation	-	-	-	-	-	150,953	-	150,953	
Deferred tax liabilities	-	-	-	-	-	12,409	-	12,409	
Borrowings	657,995	-	-	595,621	341,934	-	-	1,595,550	6.53
Subordinated obligations	-	-	965,000	516,371	-	-	-	1,481,371	6.91
									Effective dividend rate %
INCPS	-	-	-	1,104,469	-	-	-	1,104,469	10.00
Total liabilities	44,508,288	16,799,687	15,996,582	5,955,543	424,917	16,536,608	157,537	100,379,162	
Total equity	-	-	-	-	-	6,334,346	-	6,334,346	
Total liabilities and equity	44,508,288	16,799,687	15,996,582	5,955,543	424,917	22,870,954	157,537	106,713,508	
Total interest-sensitivity gap	9,391,821	(3,367,126)	(7,381,491)	7,619,195	4,333,751				

RHB CAPITAL BERHAD (312952 – H)
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A29. Interest/Profit Rate Risk (continued)

Company As at 30 June 2007	Non-trading book					Non-interest sensitive	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	-	-	-	-	-	383	-	383	
Deposits and placements with banks and other financial institutions	-	848	347	-	-	-	-	1,195	3.46
Other assets	-	-	-	-	-	33,359	-	33,359	
Amount due from holding company	1,279,310	-	-	-	-	-	-	1,279,310	6.96
Amounts due from subsidiaries	-	-	-	-	-	126,392	-	126,392	
Tax recoverable	-	-	-	-	-	21,438	-	21,438	
Investments in subsidiaries	-	-	-	-	-	6,910,874	-	6,910,874	
Property, plant and equipment	-	-	-	-	-	981	-	981	
Total assets	1,279,310	848	347	-	-	7,093,427	-	8,373,932	
Liabilities and equity									
Other liabilities	30	60	276	520	-	36,961	-	37,847	5.40
Amounts due to subsidiaries	11,352	-	-	-	-	3,251,155	-	3,262,507	5.84
Deferred tax liabilities	-	-	-	-	-	45	-	45	
Borrowings	312,945	-	-	595,621	341,934	-	-	1,250,500	6.76
Total liabilities	324,327	60	276	596,141	341,934	3,288,161	-	4,550,899	
Total equity	-	-	-	-	-	3,823,033	-	3,823,033	
Total liabilities and equity	324,327	60	276	596,141	341,934	7,111,194	-	8,373,932	
Total interest-sensitivity gap	954,983	788	71	(596,141)	(341,934)				

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

A29. Interest/Profit Rate Risk (continued)

Group As at 31 Dec 2006	Non-trading book					Non-interest sensitive	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	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
- AFS	2,572,387	1,379,380	766,748	905,409	452,459	192,967	-	6,269,350	4.02
- 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	1,798	-	245	753	1,139	661,608	168,819	834,362	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	-	-	-	-	-	782,935	-	782,935	
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 NPLs.

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FOR THE SIX MONTHS ENDED 30 JUNE 2007

A29. Interest/Profit Rate Risk (continued)

Group As at 31 Dec 2006	Non-trading book						Trading book	Total	Effective interest rate
	Up to 1 month	> 1-3 months	> 3-12 months	>1-5 years	Over 5 years	Non-interest sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	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
									Effective dividend rate
									%
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				

RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

A29. Interest/Profit Rate Risk (continued)

Company As at 31 Dec 2006	Non-trading book					Non-interest sensitive	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	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)				

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	Group	
	As at	As at
	30 June 2007	31 Dec 2006
	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	1,881,513	1,881,513
Deferred tax assets	(254,767)	(254,767)
Deferred tax liabilities	16,522	16,522
Minority interests	1,123,683	1,123,683
Less: Goodwill	(1,167,513)	(1,167,513)
Total Tier I capital	5,641,975	5,641,975
Tier II capital		
Subordinated obligations	1,481,371	1,493,158
General allowance for bad and doubtful debts	998,899	976,214
Total Tier II capital	2,480,270	2,469,372
Total capital	8,122,245	8,111,347
Less:		
Holdings of other financial institutions capital	(37,060)	(39,998)
Total capital base	8,085,185	8,071,349
<u>Before deducting proposed dividends</u>		
Core capital ratio	8.71%	9.17%
Risk-weighted capital adequacy ratio	12.48%	13.06%
<u>After deducting proposed dividends</u>		
Core capital ratio	8.61%	9.04%
Risk-weighted capital adequacy ratio	12.38%	12.93%

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 NOTES TO THE INTERIM FINANCIAL STATEMENTS
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A31. Restatement of Comparative Financial Statements

FRS 117: Leases

The adoption of FRS 117 has resulted in a change in accounting policy relating to classification of leasehold land. The up-front payment made for leasehold land represents prepaid land lease and is amortised on a straight-line basis over the remaining lease term. Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and is stated at cost less accumulated depreciation and impairment loss.

Upon the adoption of FRS 117, the unamortised carrying amount of leasehold land is classified as prepaid land lease under other assets in accordance with the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid land lease has been accounted for retrospectively and the following comparative figures as at 31 December 2006 have been restated:

	Group	
	As previously reported	As restated
	RM'000	RM'000
Other assets	734,117	834,362
Property, plant and equipment	<u>883,180</u>	<u>782,935</u>

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

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B1. Review of Group Results

For the six months ended 30 June 2007, the Group recorded a profit after INCPS dividends and before taxation and zakat of RM560.9 million, 38% higher than that of the previous year corresponding period of RM405.6 million. The higher profit was mainly due to higher net interest income of RM113.3 million, higher other operating income of RM117.5 million and higher income from Islamic Banking business of RM90.9 million; partially offset by higher allowance for losses on loans and financing by RM133.8 million.

B2. Changes in Profit for the Quarter

For the second quarter ended 30 June 2007, the Group recorded a profit after INCPS dividends and before taxation and zakat of RM287.4 million as compared to the profit of RM273.5 million recorded in the preceding quarter ended 31 March 2007. The higher profit was mainly due to higher net interest income of RM30.4 million, higher other operating income of RM15.0 million and higher income from Islamic Banking business of RM72.5 million; partially offset by higher allowance for losses on loans and financing by RM92.4 million.

B3. Prospects for the Financial Year Ending 31 December 2007

The completion of financial restructuring of RHB Banking Group, the entry of EPF as a major shareholder of RHB Capital, together with the re-purchase of 30% minority interests in RHB Bank in July 2007 will result in further financial and operational efficiency improvement for the RHB Capital Group. The Group remains focused in managing its markets and business segments, as well as providing its customers with comprehensive financial solutions and product offerings.

The Malaysian economy is expected to continue its growth momentum into the second half 2007 and provide a conducive environment for business expansion.

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.

	2nd quarter ended		Six months ended	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	RM'000	RM'000	RM'000	RM'000
Group				
Income tax based on profit for the financial period				
- Malaysian income tax	90,100	66,937	177,693	131,928
- overseas tax	2,670	969	2,734	984
Deferred tax	(4,647)	(6,343)	(12,140)	209
Tax on INCPS dividends	(7,341)	(7,710)	(14,694)	(15,336)
	80,782	53,853	153,593	117,785
Over provision in respect of prior years	(8,758)	(99)	(8,262)	(135)
	72,024	53,754	145,331	117,650

The effective tax rate of the Group for the second quarter and six months ended 30 June 2007 was lower than statutory tax rate mainly due to tax refund in respect of prior years for certain subsidiaries.

**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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B5. Taxation (continued)

	2nd quarter ended		Six months ended	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	RM'000	RM'000	RM'000	RM'000
Company				
Income tax based on profit for the financial period				
- Malaysian income tax	50,134	6,058	50,134	47,098
- overseas tax	-	1,243	-	1,243
	<u>50,134</u>	<u>7,301</u>	<u>50,134</u>	<u>48,341</u>

The effective tax rate of the Company for the second quarter and six months ended 30 June 2007 was in line with statutory tax rate.

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 six months ended 30 June 2007.

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 six months ended 30 June 2007.

B8. Status of Corporate Proposals

(a) 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 posted on Bursa Securities' website a press release issued by EPF in respect of the proposed acquisition of the Securities of RHB, the Company's holding company, from Utama Banking Group Berhad [now known as UBG Berhad] ('UBG') for a total cash consideration of approximately RM2,253.0 million ('Proposed EPF Acquisition').

UBG, on 29 March 2007 announced that BNM had, via its letter of the same informed both UBG and EPF that the Ministry of Finance ('MOF') had approved the Proposed EPF Acquisition and both EPF and UBG had, on 3 April 2007, entered into a conditional sale and purchase agreement ('SPA') for the same.

Upon the completion of the Proposed EPF Acquisition, EPF will hold approximately 62.42% of the issued and paid-up capital of RHB. Pursuant to Section 33B(2) of the Securities Commission Act, 1993 and Part II of the Malaysian Code on Take-Overs and Mergers 1998 ('Code'), EPF would be required to extend an unconditional take-over offer for all the remaining securities of RHB not already owned by EPF based on the same consideration payable to UBG pursuant to the SPA ('Proposed RHB Offer').

In accordance with Practice Note 2.1(2) of the Code and Section 12(3) of the Code, the Notice of Take-Over Offer in respect of the Proposed RHB Offer will be served by EPF on the Board of Directors of RHB upon the SPA becoming unconditional.

Upon EPF obtaining control of RHB through the completion of the SPA, by virtue of RHB Capital being a subsidiary of RHB and pursuant to Practice Note 2.2 of the Code, EPF will also then be obliged to extend an unconditional take-over offer for all the remaining RHBC Shares not already owned by EPF ('Proposed RHBC Offer'). The offer price will be RM4.80 per RHBC Shares.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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B8. Status of Corporate Proposals (continued)

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

Accordingly, on the date on which the SPA becomes unconditional, EPF will similarly serve a Notice of Take-Over Offer on the Board of the Company.

RHB Investment Bank on behalf of the Board of the Company had, on 16 May 2007, announced that CIMB Investment Bank and AmInvestment Bank, on behalf of EPF, had on 15 May 2007 served a notice on the Board of the Company in respect of the Proposed RHBC Offer ('Notice').

The Notice to the shareholders of the Company was posted on 16 May 2007 and an Offer Document dated 4 June 2007, detailing the terms and conditions of the EPF Offer on RHBC Shares was also issued to the shareholders of the Company. Further, as the Company is not the issuer of the Call Warrants 2003/2007 ('Call Warrants'), the Company had on 15 May 2007 notified the Board of RHB, being the issuer of the Call Warrants, of the EPF's offer to also acquire all the outstanding Call Warrants which are not held by EPF (Please refer to A25(b) 'Material Events Subsequent to the Balance Sheet Date' for further details).

(b) Proposed acquisition of the remaining equity interest in RHB Bank and RHB Insurance Berhad ('RHB Insurance') by the Company

The Company had, on 19 April 2007 via RHB Investment Bank announced that BNM had by way of a letter dated 18 April 2007, stated that it had no objection in principle for the Company to commence discussions with Khazanah for the acquisition of the remaining equity interest in RHB Bank not already owned by the Company. Vide the same letter, BNM further indicated that it had no objection in principle for the Company to commence discussions with Nissay Dowa General Insurance Co. Ltd. and Kumpulan Syed Kechik Sdn Bhd for the acquisition of shares in RHB Insurance not already owned by the Company.

In furtherance thereto, RHB Investment Bank, on behalf of the Board, had on 17 May 2007, announced that Khazanah had on even date accepted the offer made by the Company to acquire the remaining 1,169,991,586 ordinary shares of RM0.50 each in RHB Bank held by Khazanah ('Sale Shares'), representing 30% of the total issued and paid-up share capital of RHB Bank ('Proposed Acquisition of RHB Bank').

The Company proposed to enter into an agreement with Khazanah on the Sale Shares for a total purchase consideration of RM3,200.00 million which shall be satisfied in the following manner:

- (i) the proposed issuance of 330.0 million RHBC Shares at an indicative issue price of RM4.75 per RHBC Shares ('Proposed Share Issue'), amounting to RM1,567.50 million; and
- (ii) the cash settlement of RM1,632.50 million.

Approvals for the Proposed Acquisition of RHB Bank have been obtained from the SC, MOF through BNM, the Labuan Offshore Financial Services Authority and the shareholders of the Company at the Extraordinary General Meeting convened on 18 June 2007 (Please refer to A25(a) 'Material Events Subsequent to the Balance Sheet Date' for further details).

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

	Group			
	As at 30 June 2007 RM'000	As at 31 Dec 2006 RM'000		
(a) Deposits from customers and placements of banks and other financial institutions				
Deposits from customers				
- one year or less (short term)	68,147,308	57,110,723		
- more than one year (medium/long term)	983,537	414,809		
	<u>69,130,845</u>	<u>57,525,532</u>		
Deposits and placements of banks and other financial institutions				
- one year or less (short term)	12,693,512	10,560,184		
- more than one year (medium/long term)	986,602	1,016,934		
	<u>13,680,114</u>	<u>11,577,118</u>		
	Group		Company	
	As at 30 June 2007 RM'000	As at 31 Dec 2006 RM'000	As at 30 June 2007 RM'000	As at 31 Dec 2006 RM'000
(b) Borrowings				
Secured:				
Term loans	240,000	240,000	240,000	240,000
Unsecured:				
Revolving credits	70,300	93,200	70,300	93,200
Overdrafts	2,645	-	2,645	-
Term loans (30 June 2007:				
USD100 million;				
31 December 2006:				
USD80 million)	345,050	282,400	-	-
RM600 million 6 years				
Serial Fixed Rate Bonds	595,621	594,904	595,621	594,904
RM350 million				
Fixed Rate Bonds	341,934	341,308	341,934	341,308
	<u>1,595,550</u>	<u>1,551,812</u>	<u>1,250,500</u>	<u>1,269,412</u>
Maturity period of borrowings:				
Repayable within one year	312,945	93,200	312,945	93,200
One year to three years	298,350	389,173	298,350	389,173
Three years to five years	297,271	445,731	297,271	445,731
Over five years	686,984	623,708	341,934	341,308
	<u>1,595,550</u>	<u>1,551,812</u>	<u>1,250,500</u>	<u>1,269,412</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	
	As at 30 June 2007	As at 31 Dec 2006
	<u>RM'000</u>	<u>RM'000</u>
(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	516,371	528,158
	<u>1,481,371</u>	<u>1,493,158</u>

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 June 2007

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	4,539	2,000	1,488	699	300	52	-	-
- swaps	12,866	4,093	3,599	4,567	606	1	-	-
- options	16	12	3	1	-	-	-	-
- spots	1,210	1,210	-	-	-	-	-	-
Interest rate related contracts								
- futures	4,400	-	410	360	720	2,910	-	3
- swaps	5,172	468	355	574	1,302	2,311	162	-
Total	28,203	7,783	5,855	6,201	2,928	5,274	162	3

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.

**RHB CAPITAL BERHAD (312952 – H)
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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 profit and loss (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.

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B11. Material Litigation

(a) Carta Bintang Sdn Bhd

On 19 October 2001, the Company filed a Writ of Summons 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 26 November 2001, CBSB's solicitors served the Defence and Counterclaim on the Company's solicitors. 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.

Both 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 High Court dismissed with costs the Company's claim against the defendant.

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.

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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

This suit was initially filed by the Company, RHB Securities and RHB Equities. In respect of RHB Securities, with effect from 30 December 2006, the assets and liabilities of RHB Securities including this suit have been vested into RHB Investment Bank pursuant to a vesting order of the High Court. Subsequently, RHB Securities was renamed as RHB Excel on 9 January 2007.

The following is a summary of the litigation from commencement of the suit:

On 28 January 2005, a Writ of Summons had been filed at the High Court of Malaya in Kuala Lumpur by the Company, RHB Excel 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 Excel 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 Excel 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 Excel 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 Excel and/or RHB Equities.

On 2 March 2005, the Company, RHB Excel and RHB Equities 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 Excel and RHB Equities filed replies to the defences.

The hearing of the suit had resumed on 8 and 9 August 2007 and will continue on 17 to 21 September 2007 and 22 to 26 October 2007.

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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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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B12. Dividends Declared

- (i) An interim dividend of 5.0% less 27% tax has been declared by the directors;
- (ii) Amount per share : 5 sen less 27% tax;
- (iii) Previous corresponding period: 2 sen less 28% tax;
- (iv) Entitlement date: to be announced later;
- (v) Payment date: to be announced later.

	2nd quarter ended		Six months ended	
	<u>30 June 2007</u>	<u>30 June 2006</u>	<u>30 June 2007</u>	<u>30 June 2006</u>
B13. Earnings per Share				
Basic earnings per share				
Profit attributable to equity holders of the Company (RM'000)	<u>162,198</u>	<u>111,091</u>	<u>308,521</u>	<u>212,232</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>8.9</u>	<u>6.1</u>	<u>16.9</u>	<u>11.6</u>

BY ORDER OF THE BOARD

AZMAN SHAH MD YAMAN
(Licence No. LS0006901)

Company secretary

27 August 2007