



**RHB INVESTMENT BANK BERHAD**  
**UNAUDITED CONSOLIDATED RESULTS**  
**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008**

**UNAUDITED CONDENSED BALANCE SHEETS AS AT 30 JUNE 2008**

	Group		Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
<b>Assets</b>				
Cash and short term funds	1,970,808	1,870,982	1,928,831	1,838,232
Deposits and placements with banks and other financial institutions	100,120	183,320	100,120	183,320
Securities held-for-trading	2,779,227	3,855,830	2,776,561	3,852,457
Securities available-for-sale ('AFS')	1,030,812	566,636	1,028,528	564,321
Securities held-to-maturity	237,051	306,639	237,051	306,639
Loans and advances	619,501	851,544	619,501	851,544
Clients' and brokers' balances	261,522	246,870	261,522	246,870
Other assets	95,045	74,008	86,132	60,536
Tax recoverable	30,549	22,017	31,798	23,832
Deferred tax assets	14,130	67	14,075	-
Statutory deposit with Bank Negara Malaysia	85,636	69,486	85,636	69,486
Investment in subsidiaries	-	-	58,270	48,270
Property, plant and equipment	11,555	13,555	9,183	10,849
Goodwill	172,844	172,844	159,280	159,280
<b>Total assets</b>	<b>7,408,800</b>	<b>8,233,798</b>	<b>7,396,488</b>	<b>8,215,636</b>
<b>Liabilities and shareholder's equity</b>				
Deposits from customers	3,696,283	3,658,780	3,696,283	3,658,780
Deposits and placements of banks and other financial institutions	2,385,453	3,213,655	2,385,453	3,213,655
Clients' and brokers' balances	389,184	368,436	389,184	368,436
Other liabilities	75,185	95,696	64,386	79,639
Taxation	20	152	-	-
Deferred tax liabilities	192	389	-	376
Subordinated notes	245,000	200,000	245,000	200,000
<b>Total liabilities</b>	<b>6,791,317</b>	<b>7,537,108</b>	<b>6,780,306</b>	<b>7,520,886</b>
Share capital	263,646	338,646	263,646	338,646
Reserves	353,837	358,044	352,536	356,104
<b>Shareholder's equity</b>	<b>617,483</b>	<b>696,690</b>	<b>616,182</b>	<b>694,750</b>
<b>Total liabilities and shareholder's equity</b>	<b>7,408,800</b>	<b>8,233,798</b>	<b>7,396,488</b>	<b>8,215,636</b>
<b>Commitments and Contingencies</b>	<b>5,350,897</b>	<b>5,510,807</b>	<b>5,350,897</b>	<b>5,510,807</b>

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2007).



**RHB INVESTMENT BANK BERHAD**  
(19663-P) Incorporated in Malaysia

**UNAUDITED CONDENSED INCOME STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008**

	Group			
	3 months ended	6 months ended	3 months ended	6 months ended
	30.06.2008	30.06.2008	30.06.2007	30.06.2007
	RM'000	RM'000	RM'000	RM'000
Interest income	77,356	158,607	77,709	152,277
Interest expense	(60,851)	(122,542)	(59,156)	(117,424)
Net interest income	16,505	36,065	18,553	34,853
Other operating income	40,777	94,547	73,006	120,557
Net income	57,282	130,612	91,559	155,410
Other operating expenses	(42,883)	(79,200)	(41,697)	(83,289)
Operating profit before allowances	14,399	51,412	49,862	72,121
Allowances for losses on loans and other losses	8,091	4,984	(5,417)	(9,027)
Allowances for impairment loss	3,635	-	166	166
Profit before taxation	26,125	56,396	44,611	63,260
Taxation	(8,164)	(16,386)	(12,108)	(17,244)
Net profit for the period	17,961	40,010	32,503	46,016
Basic earnings per share (sen)	6.4	12.9	9.6	13.6

	Bank			
	3 months ended	6 months ended	3 months ended	6 months ended
	30.06.2008	30.06.2008	30.06.2007	30.06.2007
	RM'000	RM'000	RM'000	RM'000
Interest income	77,173	158,264	77,505	151,873
Interest expense	(60,851)	(122,542)	(59,155)	(117,423)
Net interest income	16,322	35,722	18,350	34,450
Other operating income	31,804	80,711	57,434	88,847
Net income	48,126	116,433	75,784	123,297
Other operating expenses	(33,623)	(65,028)	(30,761)	(58,737)
Operating profit before allowances	14,503	51,405	45,023	64,560
Allowances for losses on loans and other losses	8,091	4,984	(5,417)	(9,027)
Allowances for impairment loss	3,635	-	166	86
Profit before taxation	26,229	56,389	39,772	55,619
Taxation	(8,048)	(15,890)	(10,739)	(15,042)
Net profit for the period	18,181	40,499	29,033	40,577
Basic earnings per share (sen)	6.5	13.1	8.6	12.0

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2007)

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008**

Group	Share capital	Statutory reserve	Revaluation reserve	Non-distributable Translation reserve	Distributable Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 31.12.07	338,646	278,549	8,113	(1,092)	72,474	696,690
Currency translation differences	-	-	-	(150)	-	(150)
Unrealised loss arising in fair value of AFS securities	-	-	(52,321)	-	-	(52,321)
AFS reserve realised on disposal	-	-	(7,228)	-	-	(7,228)
Deferred tax	-	-	15,482	-	-	15,482
Income and expense recognised directly in equity	-	-	(44,067)	(150)	-	(44,217)
Net profit for the financial period	-	-	-	-	40,010	40,010
Total recognised income and expenses for the financial period	-	-	(44,067)	(150)	40,010	(4,207)
Capital repayment	(75,000)	-	-	-	-	(75,000)
Balance as at 30.06.08	<u>263,646</u>	<u>278,549</u>	<u>(35,954)</u>	<u>(1,242)</u>	<u>112,484</u>	<u>617,483</u>
Balance as at 31.12.06	338,646	255,402	30,223	69	85,661	710,001
Currency translation differences	-	-	-	(69)	-	(69)
Unrealised loss arising in fair value of AFS securities	-	-	(4,286)	-	-	(4,286)
AFS reserve realised on disposal	-	-	(2,597)	-	-	(2,597)
AFS reserve realised on impairment	-	-	(166)	-	-	(166)
Deferred tax	-	-	2,323	-	-	2,323
Income and expense recognised directly in equity	-	-	(4,726)	(69)	-	(4,795)
Net profit for the financial period	-	-	-	-	46,016	46,016
Total recognised income and expenses for the financial period	-	-	(4,726)	(69)	46,016	41,221
Dividend for year ended 31.12.06	-	-	-	-	(21,000)	(21,000)
Balance as at 30.06.07	<u>338,646</u>	<u>255,402</u>	<u>25,497</u>	<u>-</u>	<u>110,677</u>	<u>730,222</u>

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)**

Bank	Share capital	Non-distributable		Distributable	Total
		Statutory reserve	Revaluation reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 31.12.07	<b>338,646</b>	<b>278,549</b>	<b>8,113</b>	<b>69,442</b>	<b>694,750</b>
Unrealised loss arising in fair value of AFS securities	-	-	(52,321)	-	(52,321)
AFS reserve realised on disposal	-	-	(7,228)	-	(7,228)
Deferred tax	-	-	15,482	-	15,482
Income and expense recognised directly in equity	-	-	(44,067)	-	(44,067)
Net profit for the financial period	-	-	-	40,499	40,499
Total recognised income and expenses for the financial period	-	-	(44,067)	40,499	(3,568)
Capital repayment	(75,000)	-	-	-	(75,000)
Balance as at 30.06.08	<u>263,646</u>	<u>278,549</u>	<u>(35,954)</u>	<u>109,941</u>	<u>616,182</u>
Balance as at 31.12.06	338,646	255,402	30,223	73,909	698,180
Unrealised loss arising in fair value of AFS securities	-	-	(4,286)	-	(4,286)
AFS reserve realised on disposal	-	-	(2,597)	-	(2,597)
AFS reserve realised on impairment	-	-	(166)	-	(166)
Deferred tax	-	-	2,323	-	2,323
Income and expense recognised directly in equity	-	-	(4,726)	-	(4,726)
Net profit for the financial period	-	-	-	40,577	40,577
Total recognised income and expenses for the financial period	-	-	(4,726)	40,577	35,851
Dividend for year ended 31.12.06	-	-	-	(21,000)	(21,000)
Balance as at 30.06.07	<u>338,646</u>	<u>255,402</u>	<u>25,497</u>	<u>93,486</u>	<u>713,031</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2007).

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008**

	Group		Bank	
	<b>6 months ended 30.06.2008</b> RM'000	6 months ended 30.06.2007 RM'000	<b>6 months ended 30.06.2008</b> RM'000	6 months ended 30.06.2007 RM'000
Profit before taxation	56,396	63,260	56,389	55,619
Adjustments for items not involving movement of cash and cash equivalents	(13,743)	(28,626)	(15,258)	(28,974)
Operating profit before changes in working capital	42,653	34,634	41,131	26,645
Changes in working capital:				
Net changes in operating assets	1,328,082	(704,815)	1,286,802	(718,424)
Net changes in operating liabilities	(790,463)	1,679,431	(747,951)	1,685,944
Tax paid	(27,340)	(7,899)	(26,339)	(7,445)
Tax recovered	3,542	5,868	3,542	5,868
Net cash generated from operating activities	556,474	1,007,219	557,185	992,588
Net cash (used in)/generated from investing activities	(426,648)	4,693	(436,586)	6,819
Net cash used in financing activities	(30,000)	(21,000)	(30,000)	(21,000)
Net change in cash and cash equivalents	99,826	990,912	90,599	978,407
Cash and cash equivalents at beginning of financial period	1,870,982	1,111,241	1,838,232	1,085,102
Cash and cash equivalents at end of financial period	1,970,808	2,102,153	1,928,831	2,063,509
<b>Analysis of cash and cash equivalents:</b>				
Cash and short term fund	1,970,808	2,102,153	1,928,831	2,063,509

(The Condensed Consolidated Cash Flow Statement should be read in Conjunction with the Annual Financial Report for the financial year ended 31 December 2007)

**NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008**

**1. Review of the performance**

The Group's pre-tax profit for the six months ended 30 June 2008 was RM56.4 million compared to RM63.3 million for the corresponding period ended 30 June 2007.

The Group's pre-tax profit for the current six months was lower due mainly to lower other operating income. Brokerage income for the current six months was lower due to the lower average volume traded at the equity market. The unit trust fee income was also lower due to the delay in launching of new funds by the Bank's main subsidiary, RHB Investment Management Sdn Bhd ("RHBIM") (formerly known as RHB Asset Management Sdn Bhd). RHBIM recorded current six months pre-tax profit of RM0.8 million (2007: RM6.9 million\*).

The other operating expenses of the Group for the current six months decreased by RM4.1 million compared to the corresponding period. Allowances for losses on loan and other losses recorded a net write-back of RM5.0 million compared to a net charge of RM5.4 million for corresponding period ended 30 June 2007.

No dividend has been recommended for the six months financial period ended 30 June 2008 (30 June 2007: Nil)

\* Consolidated pre-tax profit for RHB Investment Management Sdn Bhd ("RHBIM") and RHB Unit Trust Management Berhad ("RHBUT"). Effective 1 January 2008, the unit trust business, assets and liabilities of RHBUT have been transferred to RHBIM pursuant to the vesting order granted by the High Court of Malaya on 19 December 2007.

**2. Prospects for the current financial year ending 31 December 2008**

Despite a resilient Malaysian economy in the first half of the year which recorded a GDP growth of 6.5%, we expect that the second half of the year will be challenging given the current operating environment underpinned by increased external uncertainties, rising inflation and intensive competition. The Group however is better positioned to navigate the tougher conditions given the improved financial and operating platforms brought about by the Group's Transformation Program implemented over the past 12 months.

Under this backdrop, the Group is cautiously optimistic that its performance for the first half of 2008 could be sustained for the whole of 2008.

**3. Deposits from customers**

**(i) By type of deposit**

	Group and Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
Call money	2,654	3,000
Fixed deposits	2,606,657	2,694,588
Short term deposits	1,086,972	961,192
	<b>3,696,283</b>	<b>3,658,780</b>

**(ii) By type of customers**

	Group and Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
Federal Government and statutory bodies	365,901	256,697
Business enterprises	3,330,382	3,398,083
Others	-	4,000
	<b>3,696,283</b>	<b>3,658,780</b>

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)

4. Deposits and placements of banks and other financial institutions

	Group and Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
Licensed banks	472,890	1,000,000
Other financial institutions	1,912,563	2,213,655
	<b>2,385,453</b>	<b>3,213,655</b>

5. Securities portfolio

(i) Securities held-for-trading

	Group		Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
At market value				
Money market instruments:				
Khazanah bonds	43,042	171,920	43,042	171,920
Government investment issue	51,559	147,877	51,559	147,877
Malaysian Government securities	57,219	121,958	57,219	121,958
Bankers' acceptance	848,722	800,263	848,722	800,263
Negotiable certificates of deposit	501,884	1,278,675	501,884	1,278,675
Private debt securities	1,274,135	1,331,764	1,274,135	1,331,764
Quoted securities:				
<u>In Malaysia</u>				
Shares	1,025	-	-	-
Unit trust	477	1,025	-	-
<u>Outside Malaysia</u>				
Shares	1,164	2,348	-	-
	<b>2,779,227</b>	<b>3,855,830</b>	<b>2,776,561</b>	<b>3,852,457</b>

(ii) Securities available-for-sale

	Group		Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
At market value				
Money market instruments:				
Malaysian Government securities	51,858	95,544	51,858	95,544
Private debt securities	966,081	458,428	966,081	458,428
Quoted securities:				
<u>In Malaysia</u>				
Shares	899	912	899	912
Loan stocks	7,490	7,237	7,490	7,237
Unquoted securities:				
<u>In Malaysia</u>				
Shares	2,200	2,200	2,200	2,200
<u>Outside Malaysia</u>				
Loan stocks	2,284	2,315	-	-
	<b>1,030,812</b>	<b>566,636</b>	<b>1,028,528</b>	<b>564,321</b>

**NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)**

**5. Securities portfolio (continued)**

**(iii) Securities held-to-maturity**

	Group and Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government securities	44,472	54,490
Khazanah bonds	-	54,009
Prasarana bonds	98,690	98,534
Private debt securities	171,083	176,800
Unquoted securities:		
<u>In Malaysia</u>		
Shares	2,200	2,200
Bonds	23	23
	<u>316,468</u>	<u>386,056</u>
Accumulated Impairment losses	<u>(79,417)</u>	<u>(79,417)</u>
	<u>237,051</u>	<u>306,639</u>

**6. Loans and advances**

**i) By type**

	Group and Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
Term loans	364,691	439,021
Claims on customers under acceptance credits	12,749	12,273
Revolving credit	204,394	337,093
Margin financing	86,810	122,247
Staff loans	4,307	5,378
	<u>672,951</u>	<u>916,012</u>
Less : Unearned interest	(58)	-
Gross loans and advances	<u>672,893</u>	<u>916,012</u>
Less: Allowance for bad and doubtful debts		
- General	(10,935)	(15,005)
- Specific	(42,457)	(49,463)
Total net loans and advances	<u>619,501</u>	<u>851,544</u>

**ii) By type of customer**

	Group and Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
Domestic business enterprises		
- Small Medium enterprise	412	714
- Others	558,293	697,536
Domestic non-bank financial institution	38,078	115,358
Individuals	74,850	100,249
Foreign entities	1,260	2,155
	<u>672,893</u>	<u>916,012</u>



**NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)**

**6. Loans and advances (continued)**

**iii) By interest/profit rate sensitivity**

	Group and Bank	
	As at	As at
	30.06.2008	31.12.2007
	RM'000	RM'000
Fixed rate		
Other fixed rate loan	4,469	5,782
Variable rate		
Cost plus	581,614	787,983
Other variable rates	86,810	122,247
	<b>672,893</b>	<b>916,012</b>

**iv) By purpose**

	Group and Bank	
	As at	As at
	30.06.2008	31.12.2007
	RM'000	RM'000
Purchase of securities	231,322	278,485
Purchase of transport vehicles	1,570	2,167
Purchase of landed property	2,722	3,182
Purchase of non-residential property	2,867	15,713
Purchase of fixed assets other than land & building	4,512	15,762
Personal use	15	29
Construction	119,079	115,768
Working capital	183,539	280,736
Others	127,267	204,170
	<b>672,893</b>	<b>916,012</b>

**7. Non-performing loans (NPL)**

**i) Movements in non-performing loans**

	Group and Bank	
	As at	As at
	30.06.2008	31.12.2007
	RM'000	RM'000
At beginning of period/year	123,582	196,814
Classified as non-performing during the period/year	3,225	-
Amount recovered	(4,038)	(34,108)
Amount written off	(6,300)	(39,124)
At end of period/year	116,469	123,582
Specific allowance	(42,457)	(49,463)
Net non-performing loans	<b>74,012</b>	<b>74,119</b>
Ratio of net non-performing loans to net loans	<b>11.74%</b>	<b>8.55%</b>

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)**

**7. Non-performing loans (NPL) (continued)**

**ii) Movements in allowance for bad and doubtful debts**

	Group and Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
<b>General allowance</b>		
At beginning of period/year	15,005	10,432
Allowance (written back)/made during the period/year	(4,070)	4,573
At end of period/year	10,935	15,005
As % of gross loans and advances less specific allowance	1.73%	1.73%
<b>Specific allowance</b>		
At beginning of period/year	49,463	96,458
Allowance made during the period/year	19	687
Amount recovered	(725)	(8,571)
Amount written off	(6,300)	(39,111)
At end of period/year	42,457	49,463

**iii) Non-performing loans by purpose**

	Group and Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
Purchase of securities	33,447	33,730
Purchase of landed property	294	266
Purchase of non-residential property	1,365	7,666
Construction	6,153	6,183
Working capital	75,210	75,452
Others	-	285
	116,469	123,582

**8. Credit transactions and exposures with connected parties**

	Group and Bank As at 30.06.2008 RM'000
Aggregate value of outstanding credit exposures with connected parties	-
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	-
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-
Total exposures	-

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)**

**9. Interest income**

	Group			
	3 months ended 30.06.2008	6 months ended 30.06.2008	3 months ended 30.06.2007	6 months ended 30.06.2007
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- interest income other than recoveries from NPLs	10,367	23,560	11,589	21,974
- recoveries from NPLs	207	339	2,098	3,400
Money at call and deposit placements with banks and other financial institutions	19,087	41,045	19,265	34,632
Securities held-for-trading	31,907	62,180	32,055	66,184
Securities available-for-sale	11,238	19,943	5,754	11,911
Securities held-to-maturity	2,107	4,280	2,247	4,464
Others	974	2,571	1,365	2,360
	<u>75,887</u>	<u>153,918</u>	<u>74,373</u>	<u>144,925</u>
Amortisation of premium less accretion of discount	1,976	5,270	3,336	7,352
Interest suspended	(507)	(581)	-	-
Total interest income	<u>77,356</u>	<u>158,607</u>	<u>77,709</u>	<u>152,277</u>

	Bank			
	3 months ended 30.06.2008	6 months ended 30.06.2008	3 months ended 30.06.2007	6 months ended 30.06.2007
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- interest income other than recoveries from NPLs	10,367	23,560	11,589	21,974
- recoveries from NPLs	207	339	2,098	3,400
Money at call and deposit placements with banks and other financial institutions	18,904	40,702	19,061	34,228
Securities held-for-trading	31,907	62,180	32,055	66,184
Securities available-for-sale	11,238	19,943	5,754	11,911
Securities held-to-maturity	2,107	4,280	2,247	4,464
Others	974	2,571	1,365	2,360
	<u>75,704</u>	<u>153,575</u>	<u>74,169</u>	<u>144,521</u>
Amortisation of premium less accretion of discount	1,976	5,270	3,336	7,352
Interest suspended	(507)	(581)	-	-
Total interest income	<u>77,173</u>	<u>158,264</u>	<u>77,505</u>	<u>151,873</u>

**10. Interest expense**

	Group			
	3 months ended 30.06.2008	6 months ended 30.06.2008	3 months ended 30.06.2007	6 months ended 30.06.2007
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from banks and other financial institutions	24,395	50,210	27,008	56,176
Deposits from customers	32,106	64,314	28,068	53,303
Subordinated bonds	3,124	5,767	3,374	6,710
Others	1,226	2,251	706	1,235
	<u>60,851</u>	<u>122,542</u>	<u>59,156</u>	<u>117,424</u>

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)**

**10. Interest expense (continued)**

	Bank			
	3 months ended 30.06.2008 RM'000	6 months ended 30.06.2008 RM'000	3 months ended 30.06.2007 RM'000	6 months ended 30.06.2007 RM'000
Deposits and placements from banks and other financial institutions	24,395	50,210	27,008	56,176
Deposits from customers	32,106	64,314	28,068	53,303
Subordinated bonds	3,124	5,767	3,374	6,710
Others	1,226	2,251	705	1,234
	<u>60,851</u>	<u>122,542</u>	<u>59,155</u>	<u>117,423</u>

**11. Other operating income**

	Group			
	3 months ended 30.06.2008 RM'000	6 months ended 30.06.2008 RM'000	3 months ended 30.06.2007 RM'000	6 months ended 30.06.2007 RM'000
Fee income				
Brokerage	16,958	41,013	28,629	64,445
Fund management fees	6,931	11,193	11,961	18,497
Fee on loans and advances	1,248	1,865	1,257	3,685
Corporate advisory fees	3,475	8,185	7,664	10,624
Guarantee fees	472	1,016	894	1,525
Underwriting fees	3,661	4,058	1,227	1,690
Unit trust fee income	1,979	3,276	4,224	13,603
Other fee income	4,778	15,636	3,788	13,509
	<u>39,502</u>	<u>86,242</u>	<u>59,644</u>	<u>127,578</u>
Gain/(loss) arising from sale/redemption of securities and derivatives				
Net gain from sale of				
- securities held-for-trading	2,114	10,007	23,785	26,793
- securities available-for-sale	4,650	7,228	1,179	2,597
Net gain from redemption of				
- securities held-to-maturity	1,224	1,998	419	419
Derivatives	(538)	(1,034)	(314)	(541)
Unrealised gain/(loss) on revaluation of				
- securities held-for-trading	(48,021)	(46,336)	(12,213)	(34,047)
- derivatives	42,127	37,253	452	(2,925)
Gross dividend income from				
- securities held-for-trading	-	105	-	-
- securities available-for-sale	-	97	210	210
	<u>1,556</u>	<u>9,318</u>	<u>13,518</u>	<u>(7,494)</u>
Other income				
Foreign exchange gain/(loss)	(435)	(1,509)	(369)	(1,558)
Gain on disposal of property, plant and equipment	-	-	-	128
Others	154	496	213	1,903
	<u>(281)</u>	<u>(1,013)</u>	<u>(156)</u>	<u>473</u>
Other operating income	<u>40,777</u>	<u>94,547</u>	<u>73,006</u>	<u>120,557</u>

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)**

**11. Other operating income (continued)**

	Bank			
	3 months ended 30.06.2008 RM'000	6 months ended 30.06.2008 RM'000	3 months ended 30.06.2007 RM'000	6 months ended 30.06.2007 RM'000
Brokerage	16,958	41,013	28,629	64,445
Fee on loans and advances	1,248	1,865	1,257	3,685
Corporate advisory fees	3,475	8,185	7,664	10,624
Guarantee fees	472	1,016	893	1,525
Underwriting fees	3,661	4,058	1,227	1,690
Other fee income	4,394	15,201	4,369	13,968
	<u>30,208</u>	<u>71,338</u>	<u>44,039</u>	<u>95,937</u>
Gain/(loss) arising from sale/redemption of securities and derivatives				
Net gain from sale of				
- securities held-for-trading	2,114	10,017	23,785	26,793
- securities available-for-sale	4,650	7,228	1,179	2,597
Net gain from redemption of				
- securities held-to-maturity	1,224	1,998	419	419
Derivatives	(538)	(1,034)	(314)	(541)
Unrealised gain/(loss) on revaluation of				
- securities held-for-trading	(47,694)	(45,248)	(12,213)	(34,047)
- derivatives	42,127	37,253	452	(2,925)
Gross dividend income from				
- securities held-for-trading	-	105	-	-
- securities available-for-sale	-	97	210	210
	<u>1,883</u>	<u>10,416</u>	<u>13,518</u>	<u>(7,494)</u>
Other income				
Foreign exchange loss	(435)	(1,533)	(369)	(1,558)
Gain on disposal of property, plant and equipment	-	-	-	128
Others	148	490	246	1,834
	<u>(287)</u>	<u>(1,043)</u>	<u>(123)</u>	<u>404</u>
Other operating income	<u>31,804</u>	<u>80,711</u>	<u>57,434</u>	<u>88,847</u>

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)**

**12. Other operating expenses**

	Group			
	3 months ended	6 months ended	3 months ended	6 months ended
	30.06.2008	30.06.2008	30.06.2007	30.06.2007
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, bonus and allowances	20,255	37,113	15,283	29,562
Defined contribution plan	3,037	5,633	2,089	4,032
Other staff related costs	1,790	4,789	4,036	8,048
Establishment costs				
Depreciation	1,993	3,895	1,814	3,923
Rental of premises	2,375	4,616	2,233	4,559
Information technology expenses	692	1,569	1,521	2,013
Others	1,547	3,536	1,696	3,797
Marketing expenses				
Sales commission	1,351	2,163	3,413	11,694
Advertisement and publicity	432	553	303	758
Others	2,100	5,110	2,675	3,427
Administration and general expenses				
Communication expenses	1,866	3,182	1,637	3,030
Legal and professional fees	627	873	733	1,213
Others	4,818	6,168	4,264	7,233
	<u>42,883</u>	<u>79,200</u>	<u>41,697</u>	<u>83,289</u>

	Bank			
	3 months ended	6 months ended	3 months ended	6 months ended
	30.06.2008	30.06.2008	30.06.2007	30.06.2007
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, bonus and allowances	15,506	29,058	11,784	23,227
Defined contribution plan	2,427	4,499	1,723	3,348
Other staff related costs	1,545	4,293	3,683	7,378
Establishment costs				
Depreciation	1,784	3,469	1,595	3,495
Rental of premises	1,993	3,855	1,864	3,808
Information technology expenses	772	1,499	1,326	1,649
Others	1,431	3,354	1,523	3,535
Marketing expenses				
Advertisement and publicity	386	474	612	714
Others	2,103	5,028	874	1,558
Administration and general expenses				
Communication expenses	1,570	2,783	1,458	2,678
Legal and professional fees	458	792	703	1,163
Others	3,648	5,924	3,616	6,184
	<u>33,623</u>	<u>65,028</u>	<u>30,761</u>	<u>58,737</u>

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)**

**13. Allowance for losses on loans and other losses**

	Group and Bank			
	3 months ended	6 months ended	3 months ended	6 months ended
	30.06.2008	30.06.2008	30.06.2007	30.06.2007
	RM'000	RM'000	RM'000	RM'000
Allowance for losses on loans				
Specific allowance				
- made in the financial period	(4,981)	19	6,677	13,354
- written back	(300)	(725)	(1,010)	(6,026)
	(5,281)	(706)	5,667	7,328
General allowance	(1,208)	(4,070)	(175)	2,521
Allowance for losses on clients' and brokers' balances				
Specific				
- made in the financial period	(979)	393	432	(390)
General allowance	(54)	(81)	(504)	(780)
Bad debts				
- recovered	(251)	(337)	(3)	(3)
- written off	-	-	14	408
Specific allowance for other debtors	(318)	(183)	(14)	(57)
	(8,091)	(4,984)	5,417	9,027

**14. Allowance for impairment loss**

	Group			
	3 months ended	6 months ended	3 months ended	6 months ended
	30.06.2008	30.06.2008	30.06.2007	30.06.2007
	RM'000	RM'000	RM'000	RM'000
Written back for the financial period				
- Securities held-to-maturity	(3,635)	-	-	-
- Securities available-for-sale	-	-	(166)	(166)
	(3,635)	-	(166)	(166)

	Bank			
	3 months ended	6 months ended	3 months ended	6 months ended
	30.06.2008	30.06.2008	30.06.2007	30.06.2007
	RM'000	RM'000	RM'000	RM'000
(Written back)/Charge for the financial period				
- Securities held-to-maturity	(3,635)	-	-	-
- Securities available-for-sale	-	-	(166)	(166)
- Investment in subsidiary	-	-	-	80
	(3,635)	-	(166)	(86)

**NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)**

**15. Capital adequacy**

	Bank	
	As at 30.06.2008 RM'000	As at 31.12.2007 RM'000
<b>Tier I capital</b>		
Paid-up share capital	263,646	338,646
Other reserve	352,536	356,104
	<u>616,182</u>	<u>694,750</u>
AFS revaluation reserve	35,954	(8,113)
Deferred tax (assets)/liabilities	(1,443)	376
Goodwill	(159,280)	(159,280)
Total Tier I capital	<u>491,413</u>	<u>527,733</u>
<b>Tier II capital</b>		
General allowance for bad and doubtful debts	11,127	15,278
Subordinated notes	245,000	200,000
Total Tier II capital	<u>256,127</u>	<u>215,278</u>
Total capital	<u>747,540</u>	<u>743,011</u>
Less: Investment in subsidiaries	(58,270)	(48,270)
Holding of other financial institutions subordinated instruments	-	(25,000)
<b>Total capital base</b>	<u>689,270</u>	<u>669,741</u>
Core capital ratio	14.59%	14.61%
Risk-weighted capital ratio	20.47%	18.55%

**16. Commitments and contingencies**

	Group and Bank					
	As at 30.06.2008			As at 31.12.2007		
	Principal Amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal Amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	192,825	192,825	88,426	210,667	210,667	210,667
Transaction-related contingent items	260,085	130,042	50,043	343,046	35,023	35,023
Other assets sold with recourse and commitment with certain drawdown	9,845	9,846	1,969	2,514	-	-
Obligations under underwriting agreements	259,869	129,934	86,599	150,660	-	-
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	337,838	67,568	66,592	285,220	-	-
- maturity exceeding one year	280,435	140,218	139,997	230,660	115,330	115,182
Foreign exchange-related contracts:						
- less than one year	-	-	-	33,040	1,501	300
Interest rate related contracts:						
- less than one year	1,240,000	2,653	531	1,410,000	251	50
- one to less than five years	2,535,000	69,435	13,887	2,690,000	11,046	2,209
- five years and above	235,000	32,201	6,440	155,000	13,206	2,641
	<u>5,350,897</u>	<u>774,722</u>	<u>454,484</u>	<u>5,510,807</u>	<u>387,024</u>	<u>366,072</u>

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



NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)

17. Interest rate risk

	Group							Total RM'000	Effective interest rate %
	30.06.2008								
	Non-trading book					Non- interest sensitive RM'000	Trading book RM'000		
Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000					
<b>Assets</b>									
Cash and short term funds	1,884,879	-	-	-	-	85,929	-	1,970,808	3.53
Deposits and placements with financial institutions	-	100,120	-	-	-	-	-	100,120	3.58
Securities held-for-trading	-	-	-	-	-	15,528	2,763,699	2,779,227	4.47
Securities available-for-sale	-	-	9,976	218,643	789,319	12,874	-	1,030,812	6.08
Securities held-to-maturity	-	-	-	294,476	19,769	(77,194)	-	237,051	6.02
Loans and advances									
- performing	483,402	68,715	-	1,585	2,722	-	-	556,424	7.11
- non-performing	-	-	-	-	-	63,077	-	63,077	-
Clients' and brokers' balances	81,216	-	-	-	-	180,306	-	261,522	2.46
Other assets	1,894	-	199	381	561	55,566	36,444	95,045	3.06
Tax recoverable	-	-	-	-	-	30,549	-	30,549	-
Deferred tax assets	-	-	-	-	-	14,130	-	14,130	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	85,636	-	85,636	-
Property, plant and equipment	-	-	-	-	-	11,555	-	11,555	-
Goodwill	-	-	-	-	-	172,844	-	172,844	-
<b>Total assets</b>	<b>2,451,391</b>	<b>168,835</b>	<b>10,175</b>	<b>515,085</b>	<b>812,371</b>	<b>650,800</b>	<b>2,800,143</b>	<b>7,408,800</b>	
<b>Liabilities</b>									
Deposits from customers	3,032,782	337,332	126,169	200,000	-	-	-	3,696,283	3.56
Deposits and placements of banks and other financial institutions	1,827,962	393,290	71,155	93,046	-	-	-	2,385,453	3.55
Clients' and brokers' balances	-	-	-	-	-	389,184	-	389,184	-
Other liabilities	-	-	-	-	-	65,967	9,218	75,185	-
Taxation	-	-	-	-	-	20	-	20	-
Deferred tax liabilities	-	-	-	-	-	192	-	192	-
Subordinated bonds	-	-	-	245,000	-	-	-	245,000	5.34
<b>Total liabilities</b>	<b>4,860,744</b>	<b>730,622</b>	<b>197,324</b>	<b>538,046</b>	<b>-</b>	<b>455,363</b>	<b>9,218</b>	<b>6,791,317</b>	
<b>Net interest rate gap</b>	<b>(2,409,353)</b>	<b>(561,787)</b>	<b>(187,149)</b>	<b>(22,961)</b>	<b>812,371</b>				

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)

17. Interest rate risk (continued)

	Group							Total RM'000	Effective interest rate %
	31.12.2007								
	Non-trading book					Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000				
<b>Assets</b>									
Cash and short term funds	1,659,902	-	-	-	-	211,080	-	1,870,982	3.52
Deposits and placements with financial institutions	-	84,000	99,320	-	-	-	-	183,320	3.92
Securities held-for-trading	-	-	-	-	-	16,235	3,839,595	3,855,830	4.30
Securities available-for-sale	-	-	-	135,570	418,402	12,664	-	566,636	7.01
Securities held-to-maturity	-	10,074	54,010	275,450	44,300	(77,195)	-	306,639	5.70
Loans and advances									
- performing	418,390	368,928	-	2,196	2,916	-	-	792,430	7.83
- non-performing	-	-	-	-	-	59,114	-	59,114	-
Clients' and brokers' balances	28,700	-	-	-	-	218,170	-	246,870	2.46
Other assets	1,833	-	87	591	665	67,076	3,756	74,008	3.11
Tax recoverable	-	-	-	-	-	22,017	-	22,017	-
Deferred tax assets	-	-	-	-	-	67	-	67	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	69,486	-	69,486	-
Property, plant and equipment	-	-	-	-	-	13,555	-	13,555	-
Goodwill	-	-	-	-	-	172,844	-	172,844	-
<b>Total assets</b>	<b>2,108,825</b>	<b>463,002</b>	<b>153,417</b>	<b>413,807</b>	<b>466,283</b>	<b>785,113</b>	<b>3,843,351</b>	<b>8,233,798</b>	
<b>Liabilities</b>									
Deposits from customers	2,945,993	424,500	88,287	200,000	-	-	-	3,658,780	3.54
Deposits and placements of banks and other financial institutions	2,222,885	709,135	188,589	93,046	-	-	-	3,213,655	3.56
Clients' and brokers' balances	-	-	-	-	-	368,436	-	368,436	-
Other liabilities	-	-	-	-	-	84,274	11,422	95,696	-
Taxation	-	-	-	-	-	152	-	152	-
Deferred tax liabilities	-	-	-	-	-	389	-	389	-
Subordinated bonds	-	-	-	-	200,000	-	-	200,000	5.30
<b>Total liabilities</b>	<b>5,168,878</b>	<b>1,133,635</b>	<b>276,876</b>	<b>293,046</b>	<b>200,000</b>	<b>453,251</b>	<b>11,422</b>	<b>7,537,108</b>	
Net interest rate gap	(3,060,053)	(670,633)	(123,459)	120,761	266,283				

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)

17. Interest rate risk (continued)

	Bank								Effective interest rate %
	30.06.2008								
	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	
Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000					
<b>Assets</b>									
Cash and short term funds	1,861,249	-	-	-	-	67,582	-	1,928,831	3.53
Deposits and placements with financial institutions	-	100,120	-	-	-	-	-	100,120	3.58
Securities held-for-trading	-	-	-	-	-	12,862	2,763,699	2,776,561	4.47
Securities available-for-sale	-	-	9,976	218,643	789,319	10,590	-	1,028,528	6.08
Securities held-to-maturity	-	-	-	294,476	19,769	(77,194)	-	237,051	6.02
Loans and advances - performing	483,402	68,715	-	1,585	2,722	-	-	556,424	7.11
- non-performing	-	-	-	-	-	63,077	-	63,077	-
Clients' and brokers' balance	81,216	-	-	-	-	180,306	-	261,522	2.46
Other assets	1,894	-	-	-	-	47,794	36,444	86,132	2.46
Tax recoverable	-	-	-	-	-	31,798	-	31,798	-
Deferred tax assets	-	-	-	-	-	14,075	-	14,075	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	85,636	-	85,636	-
Investment in subsidiary companies	-	-	-	-	-	58,270	-	58,270	-
Property, plant and equipment	-	-	-	-	-	9,183	-	9,183	-
Goodwill	-	-	-	-	-	159,280	-	159,280	-
<b>Total assets</b>	<b>2,427,761</b>	<b>168,835</b>	<b>9,976</b>	<b>514,704</b>	<b>811,810</b>	<b>663,259</b>	<b>2,800,143</b>	<b>7,396,488</b>	
<b>Liabilities</b>									
Deposits from customers	3,032,782	337,332	126,169	200,000	-	-	-	3,696,283	3.56
Deposits and placements of banks and other financial institutions	1,827,962	393,290	71,155	93,046	-	-	-	2,385,453	3.55
Clients' and brokers' balances	-	-	-	-	-	389,184	-	389,184	-
Other liabilities	-	-	-	-	-	55,168	9,218	64,386	-
Subordinated notes	-	-	-	245,000	-	-	-	245,000	5.34
<b>Total liabilities</b>	<b>4,860,744</b>	<b>730,622</b>	<b>197,324</b>	<b>538,046</b>	<b>-</b>	<b>444,352</b>	<b>9,218</b>	<b>6,780,306</b>	
<b>Net interest rate gap</b>	<b>(2,432,983)</b>	<b>(561,787)</b>	<b>(187,348)</b>	<b>(23,342)</b>	<b>811,810</b>				

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)

17. Interest rate risk (continued)

	Bank							Total RM'000	Effective interest rate %
	31.12.2007								
	Non-trading book						Trading book RM'000		
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>Assets</b>									
Cash and short term funds	1,643,600	-	-	-	-	194,632	-	1,838,232	3.52
Deposits and placements with financial institutions	-	84,000	99,320	-	-	-	-	183,320	3.92
Securities held-for-trading	-	-	-	-	-	12,862	3,839,595	3,852,457	4.30
Securities available-for-sale	-	-	-	135,570	418,402	10,349	-	564,321	7.01
Securities held-to-maturity	-	10,074	54,010	275,450	44,300	(77,195)	-	306,639	5.70
Loans and advances									
- performing	418,390	368,928	-	2,196	2,916	-	-	792,430	7.83
- non-performing	-	-	-	-	-	59,114	-	59,114	-
Clients' and brokers' balances	28,700	-	-	-	-	218,170	-	246,870	2.46
Other assets	1,833	-	-	-	-	54,947	3,756	60,536	2.46
Tax recoverable	-	-	-	-	-	23,832	-	23,832	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	69,486	-	69,486	-
Investment in subsidiary companies	-	-	-	-	-	48,270	-	48,270	-
Property, plant and equipment	-	-	-	-	-	10,849	-	10,849	-
Goodwill	-	-	-	-	-	159,280	-	159,280	-
<b>Total assets</b>	<b>2,092,523</b>	<b>463,002</b>	<b>153,330</b>	<b>413,216</b>	<b>465,618</b>	<b>784,596</b>	<b>3,843,351</b>	<b>8,215,636</b>	
<b>Liabilities</b>									
Deposits from customers	2,945,993	424,500	88,287	200,000	-	-	-	3,658,780	3.54
Deposits and placements of banks and other financial institutions	2,222,885	709,135	188,589	93,046	-	-	-	3,213,655	3.56
Clients' and brokers' balances	-	-	-	-	-	368,436	-	368,436	-
Other liabilities	-	-	-	-	-	68,217	11,422	79,639	-
Deferred tax liabilities	-	-	-	-	-	376	-	376	-
Subordinated bonds	-	-	-	-	200,000	-	-	200,000	5.30
<b>Total liabilities</b>	<b>5,168,878</b>	<b>1,133,635</b>	<b>276,876</b>	<b>293,046</b>	<b>200,000</b>	<b>437,029</b>	<b>11,422</b>	<b>7,520,886</b>	
<b>Net interest rate gap</b>	<b>(3,076,355)</b>	<b>(670,633)</b>	<b>(123,546)</b>	<b>120,170</b>	<b>265,618</b>				

**NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2008 (CONTINUED)**

**18. Significant event during the financial period**

**(a) Proposed acquisition of a 49.0% stake in Vietnam Securities Corporation (“VSEC”)**

RHB Capital Berhad (“RHB Capital”), the Bank’s holding company, announced on 28 March 2008 that the Bank has entered into a Share Subscription Agreement (“SSA”) with VSEC for the subscription of new common shares in VSEC, representing 49.0% of the total enlarged issued and paid-up share capital for a total consideration of VND66,150,000,000 or equivalent to approximately RM13,266,563 (at the prevailing exchange rate of RM1 : VND 4,986.22) to be satisfied entirely by cash (“Proposed Subscription”). The Proposed Subscription is conditional upon, among others, the approvals of the relevant regulatory authorities in Malaysia and Vietnam.

The Bank has also entered into a First Right of Refusal Agreement with the existing Vietnamese shareholders, granting the Bank the right to arrange for the sale of VSEC Shares held by the existing shareholders to permitted prospective purchasers under the applicable Vietnamese laws after the Proposed Subscription.

Established on 27 November 2006 in Hanoi, The Socialist Republic of Vietnam (“Vietnam”), VSEC is a securities company licensed under the laws of Vietnam to engage in the business of securities brokerage, securities financial and investment consultancy, securities investment portfolio management and securities depository services (“Business”).

VSEC was issued its Business Operation Licence by the Vietnam State Securities Commission on 8 December 2006. In 2007, VSEC was approved as a member of the Vietnam Securities Depository, and accepted as a member of the Hanoi Securities Trading Centre (“HASTC”) and the Ho Chi Minh Stock Exchange (“HOSE”). VSEC commenced trading activities on 6 March 2007.

The Proposed Subscription will not have any effect on both the substantial shareholders’ shareholding, and the issued and paid-up share capital of RHB Capital. It is also not expected to have any material effect on the net assets per share, earning per share and gearing of the RHB Capital Group.

**(b) Cancellation of RM75.0 million of paid-up share capital**

In accordance with Section 64 of the Companies Act, 1965, the Bank has on 4 April 2008 cancelled RM75.0 million, comprising 75.0 million ordinary shares of RM1.00 each, being its existing issued and paid-up share capital and returning the same to its shareholder. Accordingly, the Bank’s issued and paid-up share capital has been reduced from RM338,646,000 comprising 338,646,000 shares to RM263,646,000 comprising 263,646,000 shares.

**(c) Issuance of the remaining RM45.0 million nominal value of Subordinated Notes 2007/2017 (“Sub Notes”)**

During the financial year ended 31 December 2007, the Bank has proposed the issuance of up to RM245.0 million nominal value of Sub Notes under a Subordinated Note Programme. The Bank has issued an aggregate nominal value of RM200.0 million of the Sub Notes at par on 10 December 2007 that qualified as Tier II Capital of the Bank for the purpose of Bank Negara Malaysia’s capital adequacy requirements.

On 21 April 2008, the Bank has successfully issued the remaining RM45.0 million nominal value of the Sub Notes at par.