



RHB Capital Berhad 312952-H

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**UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

The Board of Directors of RHB Capital Berhad ('The Board') wishes to announce that the unaudited interim financial results of the Group and Company for the six months ended 30 June 2010 are as follows:

**INCOME STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Note	2nd quarter ended		Six months ended	
		30 June 2010	30 June 2009	30 June 2010	30 June 2009
		RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
Interest income	A8	1,102,317	1,005,600	2,178,145	2,088,607
Interest expense	A9	(495,314)	(411,248)	(934,132)	(920,728)
Net interest income		607,003	594,352	1,244,013	1,167,879
Other operating income	A10	264,541	232,045	512,422	445,363
		871,544	826,397	1,756,435	1,613,242
Income from Islamic Banking business		79,195	101,274	163,459	161,695
Net operating income		950,739	927,671	1,919,894	1,774,937
Other operating expenses	A11	(386,672)	(337,440)	(797,266)	(714,939)
Operating profit before allowances		564,067	590,231	1,122,628	1,059,998
Allowance for impairment on loans, advances and financing	A12	(92,329)	(192,303)	(175,826)	(367,181)
Impairment losses on other assets		(23,911)	2,013	(24,787)	21,967
		447,827	399,941	922,015	714,784
Share of results of an associate		1	11	12	22
Share of results of a joint venture		120	109	153	252
<b>Profit before taxation</b>		447,948	400,061	922,180	715,058
Taxation	B5	(107,272)	(96,254)	(228,979)	(181,030)
<b>Net profit for the financial period</b>		340,676	303,807	693,201	534,028
Attributable to:					
- Equity holders of the Company		339,030	301,529	688,760	530,170
- Minority interests		1,646	2,278	4,441	3,858
		340,676	303,807	693,201	534,028
<b>Earnings per share</b>					
- Basic (sen)	B13	15.7	14.0	32.0	24.6
- Diluted (sen)	B13	15.7	14.0	32.0	24.6

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.



**RHB CAPITAL BERHAD (312952 – H)**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	2nd quarter ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Net profit for the financial period	<b>340,676</b>	303,807	<b>693,201</b>	534,028
Other comprehensive income/(loss):				
Currency translation differences	(7,667)	(14,784)	(50,105)	19,852
Financial investments available-for-sale ('AFS')				
- Unrealised net gain/(loss) on revaluation	<b>72,666</b>	(83,399)	<b>112,873</b>	(155,518)
- Net transfer to income statements on disposal or impairment	(30,065)	(2,365)	(54,748)	(19,080)
Gain on fair valuation of property arising from acquisition of a subsidiary	<b>20,265</b>	-	<b>20,265</b>	-
Income tax relating to components of other comprehensive income/(loss)	(11,811)	26,903	(15,549)	43,619
Other comprehensive income/(loss) for the financial period	<b>43,388</b>	(73,645)	<b>12,736</b>	(111,127)
Total comprehensive income for the financial period	<b>384,064</b>	230,162	<b>705,937</b>	422,901
Attributable to:				
- Equity holders of the Company	<b>382,311</b>	227,863	<b>701,363</b>	418,983
- Minority interests	<b>1,753</b>	2,299	<b>4,574</b>	3,918
	<b>384,064</b>	230,162	<b>705,937</b>	422,901

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.



**RHB CAPITAL BERHAD (312952 – H)**

**INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Note	2nd quarter ended		Six months ended	
		30 June	30 June	30 June	30 June
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
<b><u>Company</u></b>					
Interest income	A8	21	32	91	61
Interest expense	A9	(36,220)	(33,406)	(70,871)	(69,679)
Net interest expense		<u>(36,199)</u>	<u>(33,374)</u>	<u>(70,780)</u>	<u>(69,618)</u>
Other operating income	A10	379,294	295,278	379,835	295,026
Net operating income		<u>343,095</u>	<u>261,904</u>	<u>309,055</u>	<u>225,408</u>
Other operating expenses	A11	(4,579)	(5,004)	(9,042)	(9,352)
<b>Profit before taxation</b>		<u>338,516</u>	<u>256,900</u>	<u>300,013</u>	<u>216,056</u>
Taxation	B5	(83,947)	(63,797)	(75,287)	(54,769)
<b>Net profit for the financial period</b>		<u><u>254,569</u></u>	<u><u>193,103</u></u>	<u><u>224,726</u></u>	<u><u>161,287</u></u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.



**RHB CAPITAL BERHAD (312952 – H)**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	<b>2nd quarter ended</b>		<b>Six months ended</b>	
	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Company</u></b>				
Net profit for the financial period	<b>254,569</b>	193,103	<b>224,726</b>	161,287
Other comprehensive income/(loss) for the financial period	-	-	-	-
Total comprehensive income for the financial period	<b>254,569</b>	193,103	<b>224,726</b>	161,287

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.



**RHB CAPITAL BERHAD (312952 – H)**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2010**

		<b>Unaudited</b>	<b>Audited</b>
		<b>As at</b>	<b>As at</b>
	Note	<b>30 June 2010</b>	<b>31 Dec 2009</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>			
<b>ASSETS</b>			
Cash and short term funds		15,564,666	16,675,261
Securities purchased under resale agreements		115,781	1,594,210
Deposits and placements with banks and other financial institutions		1,382,128	2,219,270
Financial assets held-for-trading	A13	1,282,934	860,216
Financial investments available-for-sale ('AFS')	A14	10,781,078	9,092,421
Financial investments held-to-maturity	A15	11,480,760	10,980,145
Loans, advances and financing	A16	72,645,409	66,923,091
Clients' and brokers' balances		229,153	249,667
Other assets	A17	947,302	706,414
Derivative assets		249,463	221,429
Statutory deposits		365,115	310,156
Tax recoverable		110,083	92,316
Deferred tax assets		220,609	272,261
Investments in an associate		-	11,180
Investments in a joint venture		25,162	25,976
Prepaid land lease		99,265	103,569
Property, plant and equipment		902,151	827,582
Goodwill		3,790,778	3,786,218
Total assets		<b>120,191,837</b>	<b>114,951,382</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	A18/B9(a)	88,428,904	84,841,065
Deposits and placements of banks and other financial institutions	A19/B9(a)	7,281,751	7,416,025
Bills and acceptances payable		3,726,966	3,802,522
Clients' and brokers' balances		701,587	401,857
Other liabilities	A20	1,790,298	1,646,243
Derivative liabilities		275,619	232,354
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		1,047,935	1,168,826
Taxation		88,913	40,463
Deferred tax liabilities		4,536	177
Borrowings	B9(b)	3,680,120	3,829,672
Subordinated obligations	B9(c)	3,235,000	2,240,000
Hybrid Tier-1 Capital Securities	B9(d)	592,110	591,996
Total liabilities		<b>110,853,739</b>	<b>106,211,200</b>
Share capital		2,153,475	2,153,475
Reserves		7,148,377	6,554,266
		<b>9,301,852</b>	<b>8,707,741</b>
Minority interests		36,246	32,441
Total equity		<b>9,338,098</b>	<b>8,740,182</b>
Total liabilities and equity		<b>120,191,837</b>	<b>114,951,382</b>
Commitments and Contingencies	A25(a)	66,721,011	67,234,183
Net assets per share attributable to equity holders of the Company (RM)		<b>4.32</b>	<b>4.04</b>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.



**RHB CAPITAL BERHAD (312952 – H)  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2010**

	Note	Unaudited As at <u>30 June 2010</u> RM'000	Audited As at <u>31 Dec 2009</u> RM'000
<b><u>Company</u></b>			
<b>ASSETS</b>			
Cash and short term funds		803	100,919
Deposits and placements with banks and other financial institutions		873	860
Other assets	A17	152,879	153,049
Amounts due from subsidiaries		43,823	10,603
Tax recoverable		93,186	73,717
Deferred tax assets		19	19
Investments in subsidiaries		8,785,389	8,785,389
Property, plant and equipment		363	330
Total assets		<u>9,077,335</u>	<u>9,124,886</u>
<b>LIABILITIES AND EQUITY</b>			
Other liabilities	A20	67,101	61,833
Amounts due to subsidiaries		153,523	155,288
Borrowings	B9(b)	3,139,808	3,133,752
Total liabilities		<u>3,360,432</u>	<u>3,350,873</u>
Share capital		2,153,475	2,153,475
Reserves		3,563,428	3,620,538
Total equity		<u>5,716,903</u>	<u>5,774,013</u>
Total liabilities and equity		<u>9,077,335</u>	<u>9,124,886</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.



**RHB CAPITAL BERHAD (312952 – H)**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Attributable to equity holders of the Company							Minority interests	Total equity	
	Share capital	Share premium	Reserve funds	Other reserves	AFS reserves	Translation reserves	Retained profits			Sub-total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Group</b>										
<b>Balance as at</b>										
<b>1 January 2010</b>										
- As previously stated	2,153,475	2,352,093	2,246,611	8,563	(35,993)	(8,190)	1,991,182	8,707,741	32,441	8,740,182
- Effect of adoption of FRS 139	-	-	-	-	118,352	(64)	56,296	174,584	-	174,584
- As restated	2,153,475	2,352,093	2,246,611	8,563	82,359	(8,254)	2,047,478	8,882,325	32,441	8,914,766
Net profit for the financial period	-	-	-	-	-	-	688,760	688,760	4,441	693,201
Other comprehensive income/(loss) for the financial period	-	-	-	19,252	43,456	(50,105)	-	12,603	133	12,736
Total comprehensive income/(loss) for the financial period	-	-	-	19,252	43,456	(50,105)	688,760	701,363	4,574	705,937
Transfer in respect of statutory requirements	-	-	164,441	-	-	-	(164,441)	-	-	-
Ordinary dividends	-	-	-	-	-	-	(281,836)	(281,836)	(769)	(282,605)
<b>Balance as at 30 June 2010</b>	<b>2,153,475</b>	<b>2,352,093</b>	<b>2,411,052</b>	<b>27,815</b>	<b>125,815</b>	<b>(58,359)</b>	<b>2,289,961</b>	<b>9,301,852</b>	<b>36,246</b>	<b>9,338,098</b>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.



**RHB CAPITAL BERHAD (312952 – H)**

**STATEMENTS OF CHANGES IN EQUITY (CONTINUED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Attributable to equity holders of the Company							Minority interests	Total equity	
	Share capital	Share premium	Reserve funds	Other reserves	AFS reserves	Translation reserves	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Group</b>										
<b>Balance as at 1 January 2009</b>	2,153,475	2,352,093	1,944,654	8,563	22,785	(10,875)	1,343,732	7,814,427	26,513	7,840,940
Net profit for the financial period	-	-	-	-	-	-	530,170	530,170	3,858	534,028
Other comprehensive income/(loss) for the financial period	-	-	-	-	(131,039)	19,852	-	(111,187)	60	(111,127)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(131,039)	19,852	530,170	418,983	3,918	422,901
Transfer in respect of statutory requirements	-	-	122,374	-	-	-	(122,374)	-	-	-
Ordinary dividends	-	-	-	-	-	-	(171,201)	(171,201)	(1,537)	(172,738)
<b>Balance as at 30 June 2009</b>	<b>2,153,475</b>	<b>2,352,093</b>	<b>2,067,028</b>	<b>8,563</b>	<b>(108,254)</b>	<b>8,977</b>	<b>1,580,327</b>	<b>8,062,209</b>	<b>28,894</b>	<b>8,091,103</b>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.





**RHB CAPITAL BERHAD (312952 – H)**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	<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
<b><u>Company</u></b>				
<b>Balance as at 1 January 2010</b>	2,153,475	2,352,093	1,268,445	5,774,013
Net profit for the financial period	-	-	224,726	224,726
Ordinary dividends	-	-	(281,836)	(281,836)
<b>Balance as at 30 June 2010</b>	<u>2,153,475</u>	<u>2,352,093</u>	<u>1,211,335</u>	<u>5,716,903</u>
<b>Balance as at 1 January 2009</b>	2,153,475	2,352,093	1,414,957	5,920,525
Net profit for the financial period	-	-	161,287	161,287
Ordinary dividends	-	-	(171,201)	(171,201)
<b>Balance as at 30 June 2009</b>	<u>2,153,475</u>	<u>2,352,093</u>	<u>1,405,043</u>	<u>5,910,611</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.



**RHB CAPITAL BERHAD (312952 – H)**

**CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Six months ended	
	30 June 2010	30 June 2009
	RM'000	RM'000
<b>Group</b>		
<b>Operating activities</b>		
Profit before taxation	922,180	715,058
Adjustments for investing and financing items and other items not involving the movement of cash and cash equivalents	<u>(127,402)</u>	<u>(8,481)</u>
Operating profit before working capital changes	794,778	706,577
Net changes in operating assets	(4,344,201)	838,163
Net changes in operating liabilities	<u>3,681,562</u>	<u>(51,953)</u>
Cash generated from operations	132,139	1,492,787
Taxation paid	(197,433)	(219,908)
Taxation recovered	902	25,680
Net cash (used in)/generated from operating activities	<u>(64,392)</u>	<u>1,298,559</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(59,617)	(51,494)
Net purchase of financial investments AFS and held-to-maturity	(1,957,328)	(3,058,513)
Interest received from financial investments AFS and held-to-maturity	339,641	304,525
Investment income received from financial investments AFS and held-to-maturity	48,516	34,659
Dividend income received from financial assets held-for-trading and financial investments AFS and held-to-maturity	1,952	715
Proceeds from disposal of property, plant and equipment	1,487	5,649
Acquisition of a subsidiary	<u>(34,191)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,659,540)</u>	<u>(2,764,459)</u>
<b>Financing activities</b>		
Proceeds from issuance of subordinated notes	995,000	-
Proceeds from issuance of Hybrid Tier-1 Capital Securities	-	366,887
Drawdown of borrowings	68,350	108,180
Repayment of borrowings	(166,710)	(484,965)
Payment to hire-purchase creditors	-	(97)
Dividends paid to equity holders of the Company	(281,836)	(171,201)
Dividends paid to minority interests in a subsidiary company	<u>(769)</u>	<u>(1,537)</u>
Net cash generated from/(used in) financing activities	<u>614,035</u>	<u>(182,733)</u>
Net decrease in cash and cash equivalents	(1,109,897)	(1,648,633)
Cash and cash equivalents		
- at the beginning of the financial period	<u>16,673,904</u>	<u>14,345,581</u>
- at the end of the financial period	<u>15,564,007</u>	<u>12,696,948</u>
Cash and cash equivalents comprise the following:		
Cash and short term funds	15,564,666	12,696,952
Overdrafts	<u>(659)</u>	<u>(4)</u>
	<u>15,564,007</u>	<u>12,696,948</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.



**RHB CAPITAL BERHAD (312952 – H)**

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Six months ended	
	30 June 2010	30 June 2009
	RM'000	RM'000
<b><u>Company</u></b>		
<b>Operating activities</b>		
Profit before taxation	300,013	216,056
Adjustments for investing and financing items and other items not involving the movement of cash and cash equivalents	<b>(309,009)</b>	(225,137)
Operating loss before working capital changes	<b>(8,996)</b>	(9,081)
Net changes in operating assets	<b>(33,249)</b>	1,509
Net changes in operating liabilities	<b>(3,821)</b>	(1,238)
Cash used in operations	<b>(46,066)</b>	(8,810)
Tax recovered	-	10,000
Net cash (used in)/generated from operating activities	<b>(46,066)</b>	1,190
<b>Investing activities</b>		
Dividend income received from subsidiaries	284,270	221,755
Purchase of property, plant and equipment	(79)	(41)
Interest income received	277	121
Net cash generated from investing activities	<b>284,468</b>	221,835
<b>Financing activities</b>		
Drawdown of borrowings	155,550	458,180
Repayment of borrowings	(150,000)	(466,380)
Dividends paid to equity holders of the Company	(281,836)	(171,201)
Interest expense paid	(61,534)	(63,086)
Payment to hire-purchase creditors	-	(97)
Net cash used in financing activities	<b>(337,820)</b>	(242,584)
Net decrease in cash and cash equivalents	<b>(99,418)</b>	(19,559)
Cash and cash equivalents		
- at the beginning of the financial period	<b>99,562</b>	19,749
- at the end of the financial period	<b>144</b>	190
Cash and cash equivalents comprise the following:		
Cash and short term funds	803	194
Overdrafts	<b>(659)</b>	(4)
	<b>144</b>	190

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009.



**RHB CAPITAL BERHAD (312952 – H)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in compliance with 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 2009.

The accounting policies and presentation adopted by the Group and the Company for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following standards, amendments to published standards and interpretations to existing standards which are effective from 1 January 2010:

FRS 101	Presentation of Financial Statements
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosure
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 13	Customer Loyalty Programmes

The adoption of the above standards, amendments to published standards and interpretations does not give rise to any material financial effects to the Group and the Company, other than the effects and change in accounting policies arising from the adoption of FRS 139 as disclosed in Note A29.

**A2. Auditors' Report**

The auditors' report for the financial year ended 31 December 2009 was not subject to any qualification.

**A3. Seasonal or Cyclical Factors**

The business operations of the Group and the Company 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 2010.

**A5. Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the six months ended 30 June 2010.

**A6. Changes in Debt and Equity Securities**

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review, except for the issuance of RM1.0 billion nominal value of Subordinated Notes, being the remaining balance of the RM3.0 billion nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme by RHB Bank Berhad ('RHB Bank') on 29 April 2010.

**A7. Dividends Paid**

During the six months ended 30 June 2010, the Company has paid a final dividend of 17.45% less 25% income tax amounting to RM281.83 million in respect of the financial year ended 31 December 2009 on 30 June 2010.



**RHB CAPITAL BERHAD (312952 – H)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	2nd quarter ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
<b>A8. Interest Income</b>				
<b><u>Group</u></b>				
Loans, advances and financing	<b>837,929</b>	762,810	<b>1,653,485</b>	1,553,509
Money at call, deposits and placements with financial institutions	<b>80,802</b>	57,265	<b>155,542</b>	154,356
Securities purchased under resale agreements	<b>504</b>	239	<b>5,958</b>	470
Financial assets held-for-trading	<b>3,738</b>	4,970	<b>8,068</b>	41,771
Financial investments AFS	<b>81,638</b>	91,395	<b>162,220</b>	159,652
Financial investments held-to-maturity	<b>92,905</b>	82,406	<b>182,035</b>	167,966
Others	<b>4,801</b>	6,515	<b>10,837</b>	10,883
	<b><u>1,102,317</u></b>	<u>1,005,600</u>	<b><u>2,178,145</u></b>	<u>2,088,607</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<b><u>13,191</u></b>	-	<b><u>22,562</u></b>	-
<b><u>Company</u></b>				
Money at call, deposits and placements with financial institutions	<b><u>21</u></b>	<u>32</u>	<b><u>91</u></b>	<u>61</u>



**RHB CAPITAL BERHAD (312952 – H)  
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	2nd quarter ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
<b>A9. Interest Expense</b>				
<b><u>Group</u></b>				
Deposits and placements of banks and other financial institutions	27,614	19,310	49,668	55,464
Deposits from customers	355,930	297,656	667,090	676,177
Borrowings	35,627	34,457	70,846	74,559
Subordinated obligations	37,939	28,998	66,618	57,677
Hybrid Tier-1 Capital Securities	11,180	7,432	22,278	7,514
Recourse obligation on loans sold to Cagamas	12,877	10,799	27,058	24,297
Others	14,147	12,596	30,574	25,040
	<b>495,314</b>	<b>411,248</b>	<b>934,132</b>	<b>920,728</b>
<b><u>Company</u></b>				
Borrowings	36,214	33,397	70,857	69,658
Others	6	9	14	21
	<b>36,220</b>	<b>33,406</b>	<b>70,871</b>	<b>69,679</b>



**RHB CAPITAL BERHAD (312952 – H)**  
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	2nd quarter ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
<b>A10. Other Operating Income</b>				
<b><u>Group</u></b>				
<b>Fee income</b>				
- Service charges and fees	36,611	36,806	77,285	74,105
- Commission	29,060	28,881	56,456	58,625
- Guarantee fees	7,840	10,679	15,807	18,729
- Commitment fees	13,600	11,459	26,067	22,845
- Brokerage	17,759	23,073	38,954	31,880
- Fund management fees	4,382	4,261	10,179	8,015
- Corporate advisory fees	8,569	1,709	10,857	3,859
- Underwriting and arrangement fees	14,986	8,470	24,380	16,398
- Unit trust fee income	214	993	358	1,585
- Other fee income	6,136	6,871	10,287	11,311
	<b>139,157</b>	<b>133,202</b>	<b>270,630</b>	<b>247,352</b>
<b>Net gain/(loss) arising on financial assets held-for-trading</b>				
- net gain/(loss) on disposal	9,882	(3,216)	12,706	26,035
- unrealised gain on revaluation	1,339	22,503	6,093	22,037
- gross dividend income	405	459	886	821
	<b>11,626</b>	<b>19,746</b>	<b>19,685</b>	<b>48,893</b>
<b>Net gain/(loss) arising on derivatives</b>				
- net loss on disposal	(2,529)	(1,855)	(4,094)	(3,646)
- unrealised gain/(loss) on revaluation	4,039	(5,333)	8,577	7,894
	<b>1,510</b>	<b>(7,188)</b>	<b>4,483</b>	<b>4,248</b>
<b>Net gain arising on financial investments AFS</b>				
- net gain on disposal	27,142	610	52,987	2,062
- gross dividend income	729	-	1,177	63
	<b>27,871</b>	<b>610</b>	<b>54,164</b>	<b>2,125</b>
<b>Net gain/(loss) on redemption of financial investments held-to-maturity</b>				
- net gain/(loss) on redemption	1,044	-	1,064	(58)
- gross dividend income	-	-	45	-
	<b>1,044</b>	<b>-</b>	<b>1,109</b>	<b>(58)</b>



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	2nd quarter ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
<b>A10. Other Operating Income (continued)</b>				
<b>Other income</b>				
- Foreign exchange gain/(loss)				
- realised	<b>80,988</b>	102,382	<b>127,505</b>	66,559
- unrealised	<b>(25,772)</b>	(45,171)	<b>(22,459)</b>	17,572
- Underwriting surplus before management expenses	<b>13,912</b>	9,969	<b>29,900</b>	25,775
- Rental income	<b>853</b>	954	<b>1,557</b>	1,840
- Net gain on disposal of property, plant and equipment	<b>651</b>	1,509	<b>738</b>	2,835
- Other operating income	<b>12,215</b>	14,274	<b>23,161</b>	25,308
- Other non-operating income	<b>486</b>	1,758	<b>1,949</b>	2,914
	<b>83,333</b>	85,675	<b>162,351</b>	142,803
	<b>264,541</b>	232,045	<b>512,422</b>	445,363
<b>Company</b>				
<b>Gross dividend income from:</b>				
- Subsidiaries	<b>379,026</b>	295,674	<b>379,026</b>	295,674
<b>Other income</b>				
- Foreign exchange gain/(loss)				
- unrealised	<b>268</b>	(546)	<b>809</b>	(798)
- Other operating income	<b>-</b>	150	<b>-</b>	150
	<b>268</b>	(396)	<b>809</b>	(648)
	<b>379,294</b>	295,278	<b>379,835</b>	295,026





**RHB CAPITAL BERHAD (312952 – H)**  
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	2nd quarter ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
<b>A11. Other Operating Expenses</b>				
<b><u>Group</u></b>				
<b>Personnel costs</b>				
- Salaries, bonus, wages and allowances	174,557	146,222	372,061	326,327
- Defined contribution plan	26,201	23,705	55,927	50,587
- Other staff related costs	13,816	15,282	29,877	29,518
	<b>214,574</b>	<b>185,209</b>	<b>457,865</b>	<b>406,432</b>
<b>Establishment costs</b>				
- Information technology expenses	25,057	8,563	53,166	33,827
- Depreciation	22,304	19,107	43,755	38,150
- Repair and maintenance	12,524	11,459	24,514	23,031
- Rental of premises	11,757	10,143	22,806	19,764
- Water and electricity	5,040	4,852	9,786	9,440
- Rental of equipment	2,590	2,564	5,123	5,951
- Insurance	6,581	3,808	14,421	9,117
- Amortisation of prepaid land lease	127	128	255	256
- Others	1,761	855	4,126	2,451
	<b>87,741</b>	<b>61,479</b>	<b>177,952</b>	<b>141,987</b>
<b>Marketing expenses</b>				
- Sales commission	2,542	13,375	3,485	19,739
- Advertisements and publicity	11,251	6,233	15,524	12,256
- Dealers' handling fee	3,964	2,667	7,562	4,943
- Others	21,434	18,474	41,539	34,367
	<b>39,191</b>	<b>40,749</b>	<b>68,110</b>	<b>71,305</b>
<b>Administration and general expenses</b>				
- Communication expenses	19,625	21,362	40,689	43,497
- Legal and professional fee	3,509	7,584	7,905	9,416
- Others	22,032	21,057	44,745	42,302
	<b>45,166</b>	<b>50,003</b>	<b>93,339</b>	<b>95,215</b>
	<b>386,672</b>	<b>337,440</b>	<b>797,266</b>	<b>714,939</b>



**RHB CAPITAL BERHAD (312952 – H)**  
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	2nd quarter ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
<b>A11. Other Operating Expenses (continued)</b>				
<b><u>Company</u></b>				
<b>Personnel costs</b>				
- Salaries, bonus, wages and allowances	2,047	2,064	4,758	4,532
- Defined contribution plan	332	332	759	714
- Other staff related costs	497	82	686	614
	<b>2,876</b>	<b>2,478</b>	<b>6,203</b>	<b>5,860</b>
<b>Establishment costs</b>				
- Rental of premises	293	302	593	604
- Depreciation	25	61	46	121
- Repair and maintenance	56	58	106	93
- Rental of equipment	7	16	17	28
- Water and electricity	20	12	33	25
- Information technology expenses	4	4	6	5
- Insurance	-	1	-	1
	<b>405</b>	<b>454</b>	<b>801</b>	<b>877</b>
<b>Marketing expenses</b>				
- Advertisements and publicity	506	554	506	663
- Others	48	77	187	270
	<b>554</b>	<b>631</b>	<b>693</b>	<b>933</b>
<b>Administration and general expenses</b>				
- Communication expenses	71	62	134	126
- Legal and professional fee	195	1,307	651	1,429
- Others	478	72	560	127
	<b>744</b>	<b>1,441</b>	<b>1,345</b>	<b>1,682</b>
	<b>4,579</b>	<b>5,004</b>	<b>9,042</b>	<b>9,352</b>



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	2nd quarter ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
<b>A12. Allowance for Impairment on Loans, Advances and Financing</b>				
<b><u>Group</u></b>				
Allowance for impaired loans and financing:				
- Individual assessment allowance	55,208	-	93,839	-
- Collective assessment allowance	103,378	-	193,432	-
- Specific allowance	-	204,058	-	407,681
- General allowance	-	26,053	-	21,896
Impaired loans and financing recovered	(66,073)	(37,118)	(107,471)	(65,356)
Impairment allowance for other debtors	(184)	(690)	(3,974)	2,960
	<b>92,329</b>	<b>192,303</b>	<b>175,826</b>	<b>367,181</b>



**RHB CAPITAL BERHAD (312952 – H)  
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	<b>Group</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A13. Financial Assets Held-for-trading</b>		
<b>At fair value</b>		
<b><u>MONEY MARKET INSTRUMENTS:</u></b>		
Malaysian government securities	177,619	49,775
Malaysian government treasury bills	34,410	-
Malaysian government investment issues	76,109	-
Bank Negara Malaysia ('BNM') monetary notes	429,038	-
Bankers' acceptances and Islamic accepted bills	47,349	-
Negotiable instruments of deposits	51,035	452,193
Singapore government treasury bills	244,562	92,749
Thailand government bonds	5,154	-
<b><u>QUOTED SECURITIES:</u></b>		
<b>In Malaysia</b>		
Shares	53,001	54,684
Unit trust	903	863
<b>Outside Malaysia</b>		
Shares	3,389	5,496
<b><u>UNQUOTED SECURITIES:</u></b>		
<b>In Malaysia</b>		
Private debt securities	160,365	204,456
	<b>1,282,934</b>	<b>860,216</b>



**RHB CAPITAL BERHAD (312952 – H)  
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	<b>Group</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A14. Financial Investments Available-for-sale</b>		
<b>At fair value</b>		
<b><u>MONEY MARKET INSTRUMENTS:</u></b>		
Malaysian government securities	3,514,553	2,512,175
Malaysian government investment issues	1,709,899	1,000,660
Cagamas bonds and Cagamas Mudharabah bonds	448,173	444,542
Khazanah bonds	51,306	11,179
Negotiable instruments of deposits	107,184	109,672
Singapore government securities	77,907	83,610
Singapore government treasury bills	69,407	134,262
Thailand government bonds	50,651	20,755
1 Malaysia sukuk	132,061	-
<b><u>QUOTED SECURITIES:</u></b>		
<b>In Malaysia</b>		
Corporate loan stocks	13,716	15,612
Shares	5,444	5,689
<b>Outside Malaysia</b>		
Shares	17	11
<b><u>UNQUOTED SECURITIES:</u></b>		
<b>In Malaysia</b>		
Private debt securities	4,123,730	4,374,356
Shares	128,096	168,472
Corporate loan stocks	332,743	133,267
<b>Outside Malaysia</b>		
Private debt securities	16,191	54,209
Corporate loan stocks	-	1,221
Structured notes	-	22,729
	<b>10,781,078</b>	<b>9,092,421</b>

The carrying value of financial investments available-for-sale, which was transferred from financial assets held-for-trading in previous financial years, as at 30 June 2010 is RM2,122.1 million (31.12.2009: RM2,558.7 million).



**RHB CAPITAL BERHAD (312952 – H)  
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	<b>Group</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A15. Financial Investments Held-to-maturity</b>		
<b>At amortised cost</b>		
<b><u>MONEY MARKET INSTRUMENTS:</u></b>		
Malaysian government securities	2,975,488	2,387,667
Malaysian government investment issues	1,373,109	1,327,616
Cagamas bonds and Cagamas Mudharabah bonds	730,106	779,550
Khazanah bonds	51,440	34,935
Negotiable instruments of deposits	1,750,000	1,800,000
Singapore government securities	115,669	121,748
Thailand government securities	250,182	237,187
Sukuk (Brunei) Incorporation	23,185	41,538
Singapore government treasury bills	23,185	-
<b><u>UNQUOTED SECURITIES:</u></b>		
<b>In Malaysia</b>		
Private debt securities	2,371,607	2,439,042
Corporate loan stocks	84,072	60,507
Bonds	25,036	25,036
Prasarana bonds	1,851,345	1,852,771
<b>Outside Malaysia</b>		
Floating rate notes	-	28,419
Private debt securities	19,269	20,364
Structured paper	32,746	33,060
	<b>11,676,439</b>	<b>11,189,440</b>
Accumulated impairment losses	<b>(195,679)</b>	<b>(209,295)</b>
	<b>11,480,760</b>	<b>10,980,145</b>

The carrying value of financial investments held-to-maturity, which was transferred from financial assets held-for-trading in previous financial years, as at 30 June 2010 is RM27.3 million (31.12.2009: RM28.8 million). The fair value of these financial investments as at 30 June 2010 is RM28.8 million (31.12.2009: RM29.0 million).



**RHB CAPITAL BERHAD (312952 – H)  
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	<b>Group</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A16. Loans, Advances and Financing</b>		
<b>At amortised cost</b>		
Overdrafts	6,168,934	5,989,096
Term loans/financing		
- housing loans/financing	16,707,763	15,510,118
- syndicated term loans/financing	2,497,825	2,899,403
- hire-purchase receivables	11,828,261	11,360,314
- lease receivables	172,120	191,548
- other term loans/financing	26,616,776	21,246,324
Bills receivable	1,465,034	1,238,462
Trust receipts	417,847	381,389
Claims on customers under acceptance credits	4,677,951	4,909,188
Staff loans/financing	358,597	370,422
Credit/charge cards receivables	2,450,387	2,247,498
Revolving credits	4,044,440	4,968,972
	<u>77,405,935</u>	<u>71,312,734</u>
Unearned interest and income	(1,760,835)	(1,677,729)
Gross loans, advances and financing	<u>75,645,100</u>	<u>69,635,005</u>
Allowance for impaired loans and financing		
- individual assessment allowance	(1,390,140)	-
- collective assessment allowance	(1,609,551)	-
- specific allowance	-	(1,757,142)
- general allowance	-	(954,772)
Net loans, advances and financing	<u><u>72,645,409</u></u>	<u><u>66,923,091</u></u>

Included in term loans are loans sold to Cagamas with recourse amounting to RM1,047,935,000 (31.12.2009: RM1,168,826,000).



**RHB CAPITAL BERHAD (312952 – H)  
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	Group	
	Unaudited As at 30 June 2010 RM'000	Audited As at 31 Dec 2009 RM'000
<b>A16. Loans, Advances and Financing (continued)</b>		
<b>(a) By type of customer</b>		
Domestic non-bank financial institutions		
- others	352,237	377,356
Domestic business enterprises		
- small medium enterprises	11,311,936	11,342,280
- others	20,653,365	19,754,848
Government and statutory bodies	5,903,811	3,764,664
Individuals	32,859,250	29,547,312
Other domestic entities	59,762	12,609
Foreign entities	4,504,739	4,835,936
	<u>75,645,100</u>	<u>69,635,005</u>
<b>(b) By geographical distribution</b>		
In Malaysia	72,245,134	65,990,201
Outside Malaysia		
- Singapore operations	2,917,353	3,068,090
- Thailand operations	330,020	414,566
- Brunei operations	152,593	162,148
	<u>75,645,100</u>	<u>69,635,005</u>
<b>(c) By interest/profit rate sensitivity</b>		
Fixed rate		
- housing loans/financing	1,482,944	1,501,691
- hire-purchase receivables	10,091,982	9,703,885
- other fixed rate loans/financing	10,350,681	8,129,335
Variable rate		
- base lending rate plus	30,417,287	27,386,890
- cost-plus	18,506,706	18,203,737
- other variable rates	4,795,500	4,709,467
	<u>75,645,100</u>	<u>69,635,005</u>





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	<b>Group</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A16. Loans, Advances and Financing (continued)</b>		
<b>(d) By purpose</b>		
Purchase of securities	<b>3,428,968</b>	2,408,854
Purchase of transport vehicles	<b>8,724,339</b>	8,225,802
Purchase of landed property:		
- residential	<b>17,230,275</b>	16,002,278
- non-residential	<b>4,298,050</b>	3,943,025
Purchase of property, plant and equipment other than land and building	<b>3,571,252</b>	3,757,180
Personal use	<b>2,202,525</b>	2,081,904
Credit card	<b>2,450,387</b>	2,247,498
Purchase of consumer durables	<b>57,648</b>	61,414
Construction	<b>2,279,255</b>	2,218,554
Working capital	<b>21,531,718</b>	22,217,787
Other purpose	<b>9,870,683</b>	6,470,709
	<b><u>75,645,100</u></b>	<u>69,635,005</u>
<b>(e) By remaining contractual maturities</b>		
Maturity within one year	<b>26,768,576</b>	20,552,606
One year to three years	<b>4,511,972</b>	4,832,451
Three years to five years	<b>9,433,166</b>	8,217,320
Over five years	<b>34,931,386</b>	36,032,628
	<b><u>75,645,100</u></b>	<u>69,635,005</u>



**RHB CAPITAL BERHAD (312952 – H)  
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	<b>Group</b>	
	<b>Unaudited As at 30 June 2010 RM'000</b>	<b>Audited As at 31 Dec 2009 RM'000</b>
<b>A16. Loans, Advances and Financing (continued)</b>		
<b>(f) Impaired loans, advances and financing</b>		
<b>(i) Movements in impaired loans, advances and financing are as follows:</b>		
Balance as at the beginning of the financial period/year		
- As previously stated	<b>3,253,499</b>	2,840,118
- Effect of adoption of FRS 139	<b>1,384,069</b>	-
- As restated	<b>4,637,568</b>	2,840,118
Classified as impaired during the financial period/year	<b>2,057,419</b>	3,871,236
Amount recovered	<b>(294,448)</b>	(396,318)
Reclassified as non-impaired during the financial period/year	<b>(1,667,684)</b>	(2,502,944)
Amount written off	<b>(254,437)</b>	(559,943)
Exchange difference	<b>(11,590)</b>	1,350
Balance as at the end of the financial period/year	<b>4,466,828</b>	3,253,499
<b>(ii) By purpose</b>		
Purchase of securities	<b>132,609</b>	4,705
Purchase of transport vehicles	<b>238,425</b>	180,867
Purchase of landed property:		
- residential	<b>1,080,540</b>	1,088,996
- non-residential	<b>294,147</b>	167,974
Purchase of property, plant and equipment other than land and building	<b>211,178</b>	114,830
Personal use	<b>96,141</b>	92,830
Credit card	<b>60,968</b>	69,677
Purchase of consumer durables	<b>3,168</b>	3,745
Construction	<b>226,261</b>	105,533
Working capital	<b>2,060,708</b>	1,376,343
Other purpose	<b>62,683</b>	47,999
	<b>4,466,828</b>	3,253,499



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NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Group	
	Unaudited As at 30 June 2010 RM'000	Audited As at 31 Dec 2009 RM'000
<b>A16. Loans, Advances and Financing (continued)</b>		
<b>(f) Impaired loans, advances and financing (continued)</b>		
<b>(iii) By geographical distribution</b>		
In Malaysia	4,308,225	3,072,824
Outside Malaysia		
- Singapore operations	129,685	164,374
- Thailand operations	24,033	8,896
- Brunei operations	4,885	7,405
	<u>4,466,828</u>	<u>3,253,499</u>
<b>(iv) Movements in allowance for impaired loans, advances and financing are as follows:</b>		
<u>Individual assessment allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously stated	-	-
- Effect of adoption of FRS 139	1,351,202	-
- As restated	<u>1,351,202</u>	-
Allowance made	148,742	-
Amount recovered	(54,903)	-
Amount written off	(49,083)	-
Exchange difference	(5,818)	-
Balance as at the end of the financial period/year	<u>1,390,140</u>	<u>-</u>
<u>Collective assessment allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously stated	-	-
- Effect of adoption of FRS 139	1,614,354	-
- As restated	<u>1,614,354</u>	-
Net allowance made	327,968	-
Amount recovered	(134,536)	-
Amount written off	(194,717)	-
Exchange difference	(3,518)	-
Balance as at the end of the financial period/year	<u>1,609,551</u>	<u>-</u>



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	Group	
	Unaudited As at 30 June 2010 RM'000	Audited As at 31 Dec 2009 RM'000
<b>A16. Loans, Advances and Financing (continued)</b>		
<b>(f) Impaired loans, advances and financing (continued)</b>		
<b>(iv) Movements in allowance for impaired loans, advances and financing are as follows:</b>		
<u>Specific allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously stated	1,757,142	1,457,957
- Effect of adoption of FRS 139	(1,757,142)	-
- As restated	-	1,457,957
Allowance made	-	1,161,812
Amount recovered	-	(270,092)
Amount written off	-	(563,488)
Transfer to accumulated impairment loss	-	(28,298)
Exchange difference	-	(749)
Balance as at the end of the financial period/year	-	1,757,142
<u>General allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously stated	954,772	1,106,697
- Effect of adoption of FRS 139	(954,772)	-
- As restated	-	1,106,697
Net allowance written back	-	(152,103)
Exchange difference	-	178
Balance as at the end of the financial period/year	-	954,772

	Group		Company	
	Unaudited As at 30 June 2010 RM'000	Audited As at 31 Dec 2009 RM'000	Unaudited As at 30 June 2010 RM'000	Audited As at 31 Dec 2009 RM'000
<b>A17. Other Assets</b>				
Other debtors, deposits and prepayments	609,562	386,134	40,359	40,343
Deposit for proposed acquisition of PT Bank Mestika Dharma (refer to Note B8(c))	112,515	112,515	112,515	112,515
Accrued interest receivable	225,225	207,765	5	191
	<u>947,302</u>	<u>706,414</u>	<u>152,879</u>	<u>153,049</u>



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	Group	
	Unaudited As at 30 June 2010 RM'000	Audited As at 31 Dec 2009 RM'000
<b>A18. Deposits from Customers</b>		
<b>(a) By type of deposits</b>		
Demand deposits	19,016,366	18,597,038
Savings deposits	5,823,035	5,663,371
Fixed deposits	63,276,411	60,264,247
Negotiable instruments of deposits	313,092	316,409
	<u>88,428,904</u>	<u>84,841,065</u>
<b>(b) By type of customer</b>		
Government and statutory bodies	7,413,094	6,566,945
Business enterprises	51,527,458	50,519,461
Individuals	25,948,014	25,372,763
Others	3,540,338	2,381,896
	<u>88,428,904</u>	<u>84,841,065</u>
<b>(c) By maturity structure of fixed deposits and negotiable instruments of deposits</b>		
Due within six months	55,001,506	51,127,186
Six months to one year	8,051,839	8,801,962
One year to three years	512,432	645,883
Three years to five years	23,726	5,382
Over five years	-	243
	<u>63,589,503</u>	<u>60,580,656</u>



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	Group	
	Unaudited	Audited
	As at 30 June 2010	As at 31 Dec 2009
	RM'000	RM'000
A19. Deposits and Placements of Banks and Other Financial Institutions		
Licensed banks	3,590,964	4,412,113
Licensed Islamic banks	1,371,000	802,720
Licensed investment banks	66,850	100,000
BNM	745,654	690,006
Other financial institutions	1,507,283	1,411,186
	<u>7,281,751</u>	<u>7,416,025</u>

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 30 June 2010	As at 31 Dec 2009	As at 30 June 2010	As at 31 Dec 2009
	RM'000	RM'000	RM'000	RM'000
A20. Other Liabilities				
Accrued interest payable	397,092	357,376	63,923	55,790
Other creditors and accruals	792,886	758,212	3,178	6,043
General insurance fund	356,763	201,169	-	-
Short term employee benefits	84,920	167,572	-	-
Lessee deposits	72,252	74,864	-	-
Prepaid instalment	75,850	76,602	-	-
Remisiers' trust deposits	8,670	8,624	-	-
Amount due to Danaharta	1,750	1,824	-	-
Amount payable for creation of units due to funds	115	-	-	-
	<u>1,790,298</u>	<u>1,646,243</u>	<u>67,101</u>	<u>61,833</u>



**RHB CAPITAL BERHAD (312952 – H)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
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**A21. Segment Information**

**Revenue and Results**

**Six months ended 30 June 2010**

	<b>Corporate &amp; Investment Banking</b>	<b>Retail Banking</b>	<b>Treasury and Money Market</b>	<b>Islamic Banking Business</b>	<b>International Banking</b>	<b>Others</b>	<b>Intersegment Elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Group</u></b>								
External revenue	557,880	1,393,101	599,301	163,459	133,279	7,006	-	2,854,026
Intersegment revenue	8,820	8,540	11,046	1,146	1,742	13,651	(44,945)	-
Segment revenue	<u>566,700</u>	<u>1,401,641</u>	<u>610,347</u>	<u>164,605</u>	<u>135,021</u>	<u>20,657</u>	<u>(44,945)</u>	<u>2,854,026</u>
Segment results	284,279	535,169	364,142	53,527	30,882	(16,986)		1,251,013
Unallocated expenses								<u>(328,998)</u>
Profit after unallocated expenses								922,015
Share of results of an associate								12
Share of results of a joint venture								153
Profit before taxation								<u>922,180</u>
Taxation								<u>(228,979)</u>
Net profit for the financial period								<u><u>693,201</u></u>



**RHB CAPITAL BERHAD (312952 – H)  
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FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**A21. Segment Information (continued)**

**Revenue and Results**

**Six months ended 30 June 2009**

	<b>Corporate &amp; Investment Banking</b>	<b>Retail Banking</b>	<b>Treasury and Money Market</b>	<b>Islamic Banking Business</b>	<b>International Banking</b>	<b>Others</b>	<b>Intersegment Elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Group</u></b>								
External revenue	462,672	1,372,466	536,871	161,695	152,867	9,094	-	2,695,665
Intersegment revenue	10,897	8,747	10,550	1,434	1,558	11,654	(44,840)	-
Segment revenue	<u>473,569</u>	<u>1,381,213</u>	<u>547,421</u>	<u>163,129</u>	<u>154,425</u>	<u>20,748</u>	<u>(44,840)</u>	<u>2,695,665</u>
Segment results	149,606	454,024	266,364	55,070	28,838	(988)	-	952,914
Unallocated expenses								<u>(238,130)</u>
Profit after unallocated expenses								714,784
Share of results of an associate								22
Share of results of a joint venture								252
Profit before taxation								<u>715,058</u>
Taxation								<u>(181,030)</u>
Net profit for the financial period								<u><u>534,028</u></u>





**RHB CAPITAL BERHAD (312952 – H)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
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**A22. Valuation of Property, Plant and Equipment**

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

**A23. Material Events Subsequent to the Balance Sheet Date**

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

**A24. Changes in Composition of the Group**

There were no significant changes in the composition of the Group for the six months ended 30 June 2010, other than as summarised below:

**Acquisition of Positive Properties Sdn Bhd ('Positive Properties')**

Positive Properties has become a wholly-owned subsidiary of RHB Hartanah Sdn Bhd ('RHB Hartanah'), a wholly-owned subsidiary of the Company with effect from 26 May 2010 pursuant to the acquisition of the remaining 50% equity interest in Positive Properties not already owned by RHB Hartanah from Bedford Land Sdn Bhd. Previously, Positive Properties is an associate of the Group. The acquisition was settled via a cash consideration of RM35,003,874. The effect of the acquisition on the Group's financial results and position as at 30 June 2010 are as follows:

	<b>At date of acquisition RM'000</b>
Property, plant and equipment	<b>62,000</b>
Cash, bank balances and deposits with banks	<b>812</b>
Other receivables, deposits and prepayments	<b>84</b>
Tax recoverable	<b>61</b>
Other payables	<b>(43)</b>
Deferred tax liabilities	<b>(2,027)</b>
	<hr/>
Fair value of total net assets	<b>60,887</b>
Less: Amount accounted for as an associate at date of acquisition	<b>(11,192)</b>
Less: Fair value adjustment on net assets attributable to equity interest held previously, net of tax	<b>(19,252)</b>
	<hr/>
Fair value of net assets acquired at date of acquisition	<b>30,443</b>
Goodwill arising from consolidation	<b>4,560</b>
	<hr/>
Total purchase consideration	<b>35,003</b>
Less: Cash and cash equivalents of subsidiary acquired	<b>(812)</b>
	<hr/>
Net cash outflow of the Group on acquisition of subsidiary	<b>34,191</b>
	<hr/> <hr/>

The financial results of Positive Properties in the period between the date of acquisition and the balance sheet date was not significant to the Group.



**RHB CAPITAL BERHAD (312952 – H)**  
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**A24. Changes in Composition of the Group (continued)**

The effect of this acquisition on the Group's financial position as at 30 June 2010 are as follows:

	<b>As at 30 June 2010 RM'000</b>
Property, plant and equipment	<b>62,000</b>
Cash, bank balances and deposits with banks	<b>813</b>
Other receivables, deposits and prepayments	<b>92</b>
Tax recoverable	<b>65</b>
Other payables	<b>(48)</b>
Deferred tax liabilities	<b>(2,027)</b>
	<hr/>
Group's share of net assets	<b>60,895</b>
Less: Amount accounted for as an associate at date of acquisition	<b>(11,192)</b>
Less: Group's share of profit had the Group not acquired the additional 50% interest	<b>(4)</b>
	<hr/>
Increase in Group's net assets	<b>49,699</b>
	<hr/> <hr/>



**RHB CAPITAL BERHAD (312952 – H)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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**A25. 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 condensed financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

<u>Group</u>	Unaudited As at 30 June 2010			Audited As at 31 Dec 2009		
	Principal amount	Credit equivalent amount*	Risk weighted amount	Principal amount	Credit equivalent amount*	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	2,176,487	2,176,487	1,942,931	2,251,758	2,251,758	2,014,053
Transaction-related contingent items	2,000,551	1,000,277	739,660	2,197,336	1,098,669	842,297
Short term self-liquidating trade-related contingencies	1,415,186	283,037	230,190	1,671,688	334,338	222,581
Obligations under underwriting agreements	384,900	192,450	151,865	430,900	215,450	163,615
Other assets sold with recourse and commitments with certain drawdown	840,197	840,197	549,388	-	-	-
Irrevocable commitments to extend credit						
- maturity not exceeding one year	29,050,877	283,853	283,817	29,508,470	310,873	310,873
- maturity exceeding one year	5,760,507	2,821,616	2,106,734	5,496,841	2,654,057	2,039,733
Foreign exchange related contracts						
- less than one year	9,297,093	214,693	74,903	10,094,034	143,085	46,885
- one year to less than five years	590,890	82,588	28,405	1,419,297	185,127	63,620
- more than five years	398,462	66,188	13,238	-	-	-



**RHB CAPITAL BERHAD (312952 – H)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**A25. Changes In Contingent Liabilities Since The Last Annual Balance Sheet Date (continued)**

**(a) Commitments and Contingencies (continued)**

<b>Group</b>	<b>Unaudited As at 30 June 2010</b>			<b>Audited As at 31 Dec 2009</b>		
	<b>Principal amount</b>	<b>Credit equivalent amount*</b>	<b>Risk weighted amount</b>	<b>Principal amount</b>	<b>Credit equivalent amount*</b>	<b>Risk weighted amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest rate related contracts						
- less than one year	2,716,565	12,857	2,570	2,638,766	10,583	2,116
- one year to less than five years	9,135,042	344,005	82,652	8,108,858	375,480	85,236
- more than five years	696,060	72,135	17,023	885,352	89,164	21,674
Others	2,258,194	878,047	175,609	2,530,883	-	-
	<b>66,721,011</b>	<b>9,268,430</b>	<b>6,398,985</b>	<b>67,234,183</b>	<b>7,668,584</b>	<b>5,812,683</b>

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

The credit equivalent amount ('CE') and risk weighted amount ('RWA') of the Group are an aggregate of CE and RWA of its commercial banking subsidiary, which is computed in accordance with Basel I, and the CE and RWA of its Islamic banking subsidiary and investment banking subsidiary, which is computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk and BNM's Revised Capital Adequacy Framework: Standardised Approach for Credit and Market Risk (Basel II) respectively.



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**A25. 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 of RM68,000,000 (31.12.2009: RM100,000,000) for performance guarantees of one of its subsidiary 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 2010.

	<b>Group</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>

**A26. Capital Commitments**

Capital expenditure for property, plant and equipment:

- authorised and contracted for	<b>54,955</b>	59,757
- authorised but not contracted for	<b>99,553</b>	103,259
	<b>154,508</b>	163,016

Proposed acquisition of Bank Mestika (refer to Note B8(c))	<b>1,050,611</b>	1,050,611
	<b>1,205,119</b>	1,213,627



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**A27. Capital Adequacy Ratio**

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

The capital ratios of RHB Bank are computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market ('Basel I'). The capital ratios of RHB Investment Bank and RHB Islamic Bank are computed in accordance with the Standardised Approach of BNM's Risk-Weighted Capital Adequacy Framework for Credit and Market Risk, and the Basic Indicator Approach for Operational Risk ('Basel II').

Currently, the Group is not required to maintain any capital adequacy ratio requirements.

(a) The capital adequacy ratios of RHB Bank, RHB Investment Bank and RHB Islamic Bank are as follows:

	<b>RHB Bank</b>		<b>RHB Investment Bank</b>		<b>RHB Islamic Bank</b>	
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>	<b>30 June 2010</b>	<b>31 Dec 2009</b>	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Tier I capital</b>						
Paid-up ordinary share capital	3,318,085	3,318,085	263,646	263,646	523,424	523,424
Hybrid Tier-1 Capital Securities	597,110	596,996	-	-	-	-
Share premium	8,563	8,563	-	-	-	-
Retained profits	2,129,505	1,696,589	34,298	220,169	167,172	167,172
Other reserves (exclude AFS reserve)	2,534,682	2,397,969	278,549	278,549	197,739	197,739
Deferred tax (assets)/liabilities	(223,486)	(234,070)	1,095	1,095	(17,046)	(17,046)
Less: Goodwill	(905,519)	(905,519)	(159,280)	(159,280)	-	-
<b>Total Tier I capital</b>	<b>7,458,940</b>	<b>6,878,613</b>	<b>418,308</b>	<b>604,179</b>	<b>871,289</b>	<b>871,289</b>
<b>Tier II capital</b>						
Subordinated obligations	3,000,000	2,000,000	209,154	245,000	-	-
Collective assessment allowance	911,303	-	1,218	-	99,314	-
General allowance for bad and doubtful debts	-	862,725	-	1,137	-	88,984
<b>Total Tier II capital</b>	<b>3,911,303</b>	<b>2,862,725</b>	<b>210,372</b>	<b>246,137</b>	<b>99,314</b>	<b>88,984</b>



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**A27. Capital Adequacy Ratio (continued)**

(a) The capital adequacy ratios of RHB Bank, RHB Investment Bank and RHB Islamic Bank are as follows: (continued)

	<b>RHB Bank</b>		<b>RHB Investment Bank</b>		<b>RHB Islamic Bank</b>	
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>	<b>30 June 2010</b>	<b>31 Dec 2009</b>	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Less:</b>						
Investment in subsidiaries	(622,666)	(622,666)	(68,270)	(58,270)	-	-
Investments in a joint venture	-	-	(27,399)	(27,399)	-	-
Securitisation exposures subject to deductions <sup>#</sup>	-	-	(735)	-	-	-
Other deductions*	(2,703)	(3,230)	(450)	(422)	(13)	(12)
<b>Total capital base</b>	<b>10,744,874</b>	<b>9,115,442</b>	<b>531,826</b>	<b>764,225</b>	<b>970,590</b>	<b>960,261</b>
<u>Before deducting proposed dividends</u>						
Core capital ratio	<b>11.04%</b>	10.55%	<b>17.86%</b>	35.58%	<b>12.13%</b>	12.50%
Risk-weighted capital adequacy ratio ('RWCR')	<b>15.91%</b>	13.99%	<b>22.71%</b>	45.01%	<b>13.51%</b>	13.78%
<u>After deducting proposed dividends</u>						
Core capital ratio	<b>10.82%</b>	10.41%	<b>17.86%</b>	24.64%	<b>12.13%</b>	12.50%
Risk-weighted capital adequacy ratio	<b>15.69%</b>	13.84%	<b>22.71%</b>	31.95%	<b>13.51%</b>	13.78%

<sup>#</sup> Pursuant to Risk-Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation), banking institutions that retain their own-originated securitisation positions rated below investment grade must deduct all of such exposures from its regulatory capital.

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

Pursuant to BNM's circular, "Recognition of Deferred Tax Assets ('DTA') and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(loss) is excluded from the computation of Tier I capital and deferred tax assets are excluded from the calculation of risk weighted assets.

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

	<b>RHB Bank</b>		<b>RHB Investment Bank</b>		<b>RHB Islamic Bank</b>	
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>	<b>30 June 2010</b>	<b>31 Dec 2009</b>	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>66,305,302</b>	64,025,583	<b>1,751,266</b>	1,118,845	<b>6,583,477</b>	6,401,766
Market risk	<b>1,202,420</b>	1,118,776	<b>163,644</b>	148,681	<b>57,780</b>	9,114
Indicator operational risk	-	-	<b>427,381</b>	430,394	<b>544,090</b>	558,743
	<b>67,507,722</b>	<b>65,144,359</b>	<b>2,342,291</b>	<b>1,697,920</b>	<b>7,185,347</b>	<b>6,969,623</b>



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	<b>Group</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A28. Operations of Islamic Banking</b>		
<b>(a) Statement of Financial Position as at 30 June 2010</b>		
<b>ASSETS</b>		
Cash and short-term funds	1,792,662	2,273,441
Deposits and placements with banks and other financial institutions	220,000	305,000
Financial assets held-for-trading	216,158	30,931
Financial investments available-for-sale	1,404,566	1,195,204
Financial investments held-to-maturity	1,074,790	1,042,352
Financing and advances	6,501,848	5,842,302
Other assets	92,203	59,322
Deferred tax assets	21,033	17,046
Tax recoverable	12,436	15,666
Statutory deposits	81,240	69,240
Property, plant and equipment	21,634	23,083
Intangible assets	27,601	27,601
Total assets	<u>11,466,171</u>	<u>10,901,188</u>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>		
Deposits from customers	8,470,182	8,127,782
Deposits and placements of banks and other financial institutions	1,437,700	1,288,620
Bills and acceptances payable	21,737	25,228
Other liabilities	88,073	88,718
Total liabilities	<u>10,017,692</u>	<u>9,530,348</u>
Islamic Banking Funds	1,448,479	1,370,840
Total liabilities and Islamic Banking Funds	<u>11,466,171</u>	<u>10,901,188</u>
Commitments and contingencies	<u>2,690,713</u>	<u>2,815,528</u>





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2nd quarter ended		Six months ended	
30 June	30 June	30 June	30 June
2010	2009	2010	2009
RM'000	RM'000	RM'000	RM'000

**A28. Operations of Islamic Banking (continued)**

**(b) Income Statement for the six months ended 30 June 2010**

**Group**

Income derived from investment of depositors' funds	<b>113,849</b>	102,395	<b>220,575</b>	210,848
Income derived from investment of shareholder's funds	<b>15,356</b>	11,278	<b>29,272</b>	21,951
Allowance for impairment on financing and advances	<b>(7,594)</b>	(40,517)	<b>(50,159)</b>	(52,689)
Profit equalisation reserve	<b>(5,298)</b>	22,651	<b>(972)</b>	5,736
Total distributable income	<b>116,313</b>	95,807	<b>198,716</b>	185,846
Income attributable to depositors	<b>(44,712)</b>	(35,050)	<b>(85,416)</b>	(76,840)
	<b>71,601</b>	60,757	<b>113,300</b>	109,006
Personnel expenses	<b>(14,487)</b>	(13,951)	<b>(30,415)</b>	(27,733)
Other overheads and expenditures	<b>(23,629)</b>	(22,536)	<b>(47,595)</b>	(44,958)
Profit before taxation	<b>33,485</b>	24,270	<b>35,290</b>	36,315
Taxation	<b>(7,420)</b>	(16,801)	<b>(8,141)</b>	(19,418)
Net profit for the financial period	<b>26,065</b>	7,469	<b>27,149</b>	16,897



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2nd quarter ended		Six months ended	
30 June	30 June	30 June	30 June
2010	2009	2010	2009
RM'000	RM'000	RM'000	RM'000

**A28. Operations of Islamic Banking (continued)**

**(c) Statement of Comprehensive Income for the six months ended 30 June 2010**

**Group**

Net profit for the financial period	<u>26,065</u>	<u>7,469</u>	<u>27,149</u>	<u>16,897</u>
Other comprehensive income/(loss):				
Financial investments available-for-sale				
- Unrealised gain/(loss) on revaluation	2,036	(7,622)	1,192	(8,598)
- Net transfer to income statement on disposal or impairments	(1,762)	(1)	(1,762)	(9,522)
Income tax relating to components of other comprehensive income	<u>(72)</u>	<u>7,774</u>	<u>135</u>	<u>4,838</u>
Other comprehensive income/(loss) for the financial period	<u>202</u>	<u>151</u>	<u>(435)</u>	<u>(13,282)</u>
Total comprehensive income for the financial period	<u><u>26,267</u></u>	<u><u>7,620</u></u>	<u><u>26,714</u></u>	<u><u>3,615</u></u>



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	<b>Group</b>	
	<b>Unaudited As at 30 June 2010 RM'000</b>	<b>Audited As at 31 Dec 2009 RM'000</b>
<b>A28. Operations of Islamic Banking (continued)</b>		
<b>(d) Financing and Advances</b>		
<b>At amortised cost</b>		
Cashline	128,742	87,557
Term financing		
- housing financing	2,136,678	1,872,246
- syndicated term financing	494,940	793,288
- hire purchase receivables	1,509,408	1,215,426
- other term financing	1,831,477	1,297,163
Claims on customers under acceptance credit	513,683	503,119
Trust receipts	29,674	32,787
Staff financing	11,910	12,990
Revolving financing	370,957	451,209
	<u>7,027,469</u>	<u>6,265,785</u>
Less: Unearned income	(225,338)	(179,697)
Gross financing and advances	<u>6,802,131</u>	<u>6,086,088</u>
Less: Allowance for impaired financing and advances		
- individual assessment allowance	(145,324)	-
- collective assessment allowance	(154,959)	-
- specific allowance	-	(154,802)
- general allowance	-	(88,984)
Net financing and advances	<u>6,501,848</u>	<u>5,842,302</u>



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	<b>Group</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A28. Operations of Islamic Banking (continued)</b>		
<b>(d) Financing and Advances (continued)</b>		
<b>(i) Movements in impaired financing and advances</b>		
Balance as at the beginning of the financial period/year		
- As previously reported	376,940	267,357
- Effect of adoption of FRS 139	101,472	-
- As restated	<u>478,412</u>	<u>267,357</u>
Classified as impaired during the financial period/year	322,213	424,210
Reclassified as non-impaired during the financial period/year	(179,601)	(239,410)
Amount recovered	(19,147)	(40,005)
Amount written off	-	(35,212)
Balance as at the end of the financial period/year	<u><u>601,877</u></u>	<u><u>376,940</u></u>
<b>(ii) Movements in the allowance for impaired financing and advances</b>		
<u>Individual assessment allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously reported	-	-
- Effect of adoption of FRS 139	107,035	-
- As restated	<u>107,035</u>	<u>-</u>
Allowance made	62,583	-
Amount recovered	(24,294)	-
Balance as at the end of the financial period/year	<u><u>145,324</u></u>	<u><u>-</u></u>
<u>Collective assessment allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously reported	-	-
- Effect of adoption of FRS 139	140,427	-
- As restated	<u>140,427</u>	<u>-</u>
Allowance made	14,532	-
Balance as at the end of the financial period/year	<u><u>154,959</u></u>	<u><u>-</u></u>



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	<b>Group</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A28. Operations of Islamic Banking (continued)</b>		
<b>(d) Financing and Advances (continued)</b>		
<b>(ii) Movements in allowance for impaired financing and advances (continued)</b>		
<u>Specific allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously reported	<b>154,802</b>	92,581
- Effect of adoption of FRS 139	<b>(154,802)</b>	-
- As restated	-	92,581
Allowance made	-	123,451
Amount recovered	-	(26,756)
Amount written off	-	(34,474)
Balance as at the end of the financial period/year	<u>-</u>	<u>154,802</u>
<u>General allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously reported	<b>88,984</b>	97,984
- Effect of adoption of FRS 139	<b>(88,984)</b>	-
- As restated	-	97,984
Allowance made	-	(9,000)
Balance as at the end of the financial period/year	<u>-</u>	<u>88,984</u>



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	<b>Group</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June 2010</b>	<b>31 Dec 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A28. Operations of Islamic Banking (continued)</b>		
<b>(e) Other Assets</b>		
Income receivable	26,454	28,681
Deposits and prepayments	48,803	22,227
Sundry deposits debtors	1,233	1,352
Other debtors	15,713	7,062
	<u>92,203</u>	<u>59,322</u>
<b>(f) Deposits from Customers</b>		
<u>Non-Mudharabah Funds</u>		
Demand deposits	1,505,182	1,607,302
Savings deposits	556,339	563,317
Negotiable Islamic Debt Certificates	4,864	4,754
	<u>2,066,385</u>	<u>2,175,373</u>
<u>Mudharabah Funds</u>		
Demand deposits	410,019	374,513
General investment deposits	1,131,646	1,166,442
Special investment deposits	4,862,132	4,411,454
	<u>8,470,182</u>	<u>8,127,782</u>



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**A29. Changes in Accounting Policies**

Effective 1 January 2005, the Group has adopted BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8'), whereby certain principles in connection with the recognition, derecognition and measurement of financial instruments and hedge accounting are similar to those prescribed by FRS 139. The adoption of FRS 139 has resulted in the following changes in the Group's accounting policies:

**1. Impairment of Loans, Advances and Financing**

Prior to 1 January 2010, the Group's loan loss allowances was determined in accordance with BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("BNM/GP3").

Under FRS 139, the Group assesses at each balance sheet date whether there is objective evidence that loans, advances and financing are impaired. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

For loans, advances and financing, the Group first assesses whether objective evidence of impairment exists individually for loans, advances and financing that are individually significant, and individually or collectively for loans, advances and financing that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loans, advances and financing, whether significant or not, it includes the asset in a group of loans, advances and financing with similar credit risk characteristics and collectively assesses them for impairment.

Loan impairment is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the original effective interest rate ('EIR') of loans, advances and financing. The carrying amount of the loans, advances and financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

The Group addresses impairment of loans, advances and financing via either individually assessed allowance or collectively assessed allowance.

(i) Individually assessed allowance

The Group determines the allowance appropriate for each individual significant loans, advances and financing on an individual basis. The allowances are established based primarily on estimates of the realisable value of the collateral to secure the loans, advances and financing and are measured as the difference between the carrying amount of the loans, advances and financing and the present value of the expected future cash flows discounted at original EIR of the loans, advances and financing.

All other loans, advances and financing that have been individually evaluated, but not considered to be individually impaired are assessed collectively for impairment.



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**A29. Changes in Accounting Policies (continued)**

**1. Impairment of Loans, Advances and Financing (continued)**

(ii) Collectively assessed allowance

Based on the collective assessment allowance requirement under FRS 139, collective allowances are maintained to reduce the carrying amount of portfolios of similar loans, advances and financing to their estimated recoverable amounts at the balance sheet date. For the purposes of a collective evaluation of impairment, exposures that are assessed collectively are placed into pools of similar loans, advances and financing with similar credit risk.

In accordance with the transitional provisions under the Amendments to FRS 139 Financial Instruments: Recognition and Measurement, the financial services sector is granted a transitional period for the purpose of complying with the collective assessment of impairment required under FRS 139. Consequently, BNM may prescribe the use of an alternative basis for collective assessment of impairment for banking institutions for a transitional period.

This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

As at the date of this report, the Group has adopted the transitional provisions under the Amendments to FRS 139 Financial Instruments: Recognition and Measurement and the collective assessment impairment allowance of the Group has been determined based on the transitional arrangement issued by BNM.

As a result of the adoption of loan impairment basis under FRS 139 and the transitional provisions as explained above, the Group has adjusted the following against retained profits as at 1 January 2010:

- (i) Write back of general and specific allowance of RM954,772,000 and RM1,757,142,000 respectively;
- (ii) Recognition of opening collective assessment allowance and individual assessment allowance of RM1,614,354,000 and RM1,351,202,000 respectively.

**2. Recognition of Interest Income**

- (i) Prior to 1 January 2010, interest on loans, advances and financing was recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an EIR basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

The adoption of the EIR basis has resulted in an adjustment of RM2,138,000 to the opening retained profits of the Group.





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**A29. Changes in Accounting Policies (continued)**

**2. Recognition of Interest Income (continued)**

(ii) Prior to the adoption of FRS 139, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis.

Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring impairment loss. Accordingly, all prior years' interest-in-suspense of RM316,781,000 has been written back to the opening retained profits of the Group.

**3. Recognition of Embedded Derivatives**

Upon adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative when the economic characteristics and risks of the embedded derivatives are not closely related to the host contract.

There is no effect to the results as the Group does not have any material embedded derivatives.

**4. Financial Investments Available-For-Sale ('AFS')**

Upon adoption of FRS 139, all unquoted equity securities are now measured at fair value, with the changes in fair value recognised directly to AFS reserves.

The effect of this change has been accounted for as an adjustment to the opening balance of the AFS reserves of RM118,352,000 for the Group.

The changes of the above accounting policies arising from the initial adoption of FRS 139 have been applied prospectively and have resulted the following overall adjustments to the opening shareholders' equity of the Group:

	<b>Balance as at 1 January 2010, as previously reported</b>	<b>Effect of adoption of FRS 139</b>	<b>Adjusted balance as at 1 January 2010, as restated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Group</u></b>			
Translation reserves	(8,190)	(64)	(8,254)
AFS reserves	(35,993)	118,352	82,359
Retained profits	1,991,182	56,296	2,047,478
	<u>1,991,182</u>	<u>56,296</u>	<u>2,047,478</u>



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**B1. Review of Group Results**

For the six months ended 30 June 2010, the Group recorded a profit before taxation of RM922.2 million, 29% higher than that of the previous year corresponding period of RM715.1 million.

The higher profit was mainly due to lower allowance for impairment on loans, advances and financing by RM191.3 million, higher net interest income by RM76.1 million, higher other operating income by RM67.1 million, higher income from Islamic Banking business by RM1.8 million, partly offset by higher impairment losses on other assets by RM46.8 million and higher other operating expenses by RM82.3 million.

**B2. Changes in Profit for the Quarter**

For the second quarter ended 30 June 2010, the Group recorded a profit before taxation of RM448.0 million, 6% lower as compared to RM474.2 million recorded in the preceding quarter ended 31 March 2010. The lower profit was mainly due to lower net interest income by RM30.0 million, higher impairment losses on other assets by RM23.0 million, higher allowance for impairment on loans, advances and financing by RM8.8 million, lower income from Islamic Banking business by RM5.1 million, partly offset by higher other operating income by RM16.7 million and lower other operating expenses by RM23.9 million.

**B3. Prospects for the Financial Year Ending 31 December 2010**

The Malaysian economy is expected to grow at over 6% in 2010 extending the positive momentum from the first half 2010 growth of 9.5%. The 10<sup>th</sup> Malaysian Plan is expected to provide a fresh impetus for the country to enhance and create a sustainable long term economic growth.

On the back of a resilient domestic economy and positive outlook for global recovery, the Malaysian banking sector is expected to remain healthy with ample growth opportunity. The Group is optimistic of a stronger market demand for banking products and services and the capital markets are expected to remain active in the second half of 2010.

The Group will continue to focus on building its core businesses. The Group has expanded the "Easy by RHB" (RHB's simple, fast and paperless community banking initiative) outlets by five folds to 70 currently, and is on track to close the year with 120 outlets; together with its Bancassurance partnership, the expanded network will provide the key foundation for the Group to increase its market share in the chosen business segment. In addition, RHB Investment Bank will continue to be at the forefront in the investment banking arena, and is expected to be involved in more landmark deals such as the newly completed South East Asia's largest Real Estate Investment Trust.

The Group expects to achieve a satisfactory performance in 2010.

**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 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
<b>B5. Taxation</b>				
<b>Group</b>				
Income tax based on profit for the financial period				
- Malaysian income tax	139,307	93,804	245,687	194,837
- Overseas tax	591	753	667	853
Deferred tax	(33,088)	13,919	(18,587)	(374)
	<u>106,810</u>	<u>108,476</u>	<u>227,767</u>	<u>195,316</u>
Under/(Over) provision in respect of prior years	462	(12,222)	1,212	(14,286)
	<u>107,272</u>	<u>96,254</u>	<u>228,979</u>	<u>181,030</u>

The effective tax rate of the Group for the second quarter ended 30 June 2010 was lower than the statutory tax rate mainly due to effect of lower tax rate in Labuan.



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**B5. Taxation (continued)**

	2nd quarter ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
<b>Company</b>				
Income tax based on profit for the financial period				
- Malaysian income tax	75,287	63,797	75,287	54,769
Deferred tax	8,660	-	-	-
	<u>83,947</u>	<u>63,797</u>	<u>75,287</u>	<u>54,769</u>

**B6. Purchase and Sale of Quoted Securities**

There were no purchases or sales of quoted securities during the six months ended 30 June 2010 other than in the ordinary course of business.

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

There were no sales of unquoted investments and/or properties during the six months ended 30 June 2010 other than in the ordinary course of business.

**B8. Status of Corporate Proposals**

**(a) Proposed issuance of up to RM75.0 million nominal value of Hybrid Tier-1 Capital Securities ('HT1 Securities') by RHB Investment Bank**

The Company announced on 16 October 2007 that RHB Investment Bank, has proposed among others to undertake the issuance of up to RM75.0 million nominal value of HT1 Securities as part of its capital management initiatives, with the objective of increasing the return to its shareholders and optimising the capital structure of RHB Investment Bank.

The Securities Commission ('SC') had, on 30 September 2008, granted an extension of time of up to 10 October 2009 for RHB Investment Bank to implement or issue such capital securities subject to the conditions as contained therein.

On 20 October 2009, the Company announced that the SC had further granted an extension of time of up to 10 October 2010 for RHB Investment Bank to implement the proposed issuance of up to RM75.0 million nominal value of HT1 Securities ('Proposed Extension of Time'), subject to the following conditions:

- (a) RHB Investment Bank to inform all relevant parties in relation to the HT1 Securities including, but not limited to, the trustee and rating agency, about the Proposed Extension of Time, and ensure that their consents, where required, are obtained;
- (b) RHB Investment Bank has undertaken all necessary due diligence in relation to the Proposed Extension of Time;
- (c) RHB Investment Bank to obtain all other regulatory approvals, if required, for the Proposed Extension of Time;
- (d) All other approved terms and conditions imposed for the proposed HT1 Securities shall remain applicable; and
- (e) RHB Investment Bank to submit a written confirmation on compliance with all the above conditions.

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**B8. Status of Corporate Proposals (continued)**

**(b) Proposed issuance of up to RM1.1 billion in nominal value Commercial Papers and/or Medium Term Notes Under a Commercial Paper/Medium Term Note Programme ('CP/MTN Programme') by the Company**

The Company announced on 11 December 2008 that the SC had on 2 December 2008, approved the proposed issuance of up to RM1.1 billion nominal value of commercial papers and/or medium term notes (collectively referred to as 'the Notes') under a CP/MTN Programme by the Company, subject to the terms and conditions stated therein.

On 17 December 2008, the Company announced that BNM, vide its letter dated 16 December 2008 had no objection for the Company to issue up to RM1.1 billion of the Notes under the CP/MTN Programme.

As at 30 June 2010, the Company had issued RM74 million nominal value of Commercial Papers and RM555 million nominal value of Medium Term Notes under the CP/MTN Programme.

**(c) Proposed acquisition of 80% of the issued and paid-up share capital in PT Bank Mestika Dharma**

On 19 October 2009, RHB Investment Bank had on behalf of the Company, announced that the Company will undertake the following proposals:

- (a) proposed acquisition of 80% of the issued and paid up share capital in PT Bank Mestika Dharma ('Bank Mestika') for a total cash consideration of Indonesian Rupiah ('RP') 3,118,300 million (or equivalent to approximately RM1,163 million) ('Proposed Acquisition');
- (b) proposed put and call option for 9% of the issued and paid-up share capital in Bank Mestika ('Proposed Options');
- (c) proposed renounceable rights issue of new ordinary shares of RM1.00 each in RHB Capital ('Shares') to raise gross proceeds of approximately RM1.3 billion ('Proposed Rights Issue'); and
- (d) proposed increase in the authorised share capital of the Company from RM2,500,000,000 comprising 2,500,000,000 RHB Capital shares to RM5,000,000,000 comprising 5,000,000,000 RHB Capital shares ('Proposed Increase In Authorised Share Capital')

(The above are collectively referred to as "Proposals")

The Proposals are subject to the following being obtained:

- (i) approval of BNM for the Proposed Acquisition and Proposed Options;
- (ii) approval of Bank Indonesia ('BI') for the Proposed Acquisition and the Fit and Proper Test mechanism by the Company as governed under BI Regulation No. 5/25/PBI/2003 on Fit and Proper Test;
- (iii) approval of Indonesian Capital Market and Financial Institution Supervisory Board for the proposed IPO of Bank Mestika;

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**B8. Status of Corporate Proposals (continued)**

**(c) Proposed acquisition of 80% of the issued and paid-up share capital in PT Bank Mestika Dharma (continued)**

The Proposals are subject to the following being obtained: (continued)

- (iv) approval in-principle from Bursa Malaysia Securities Berhad ('Bursa Securities') for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities;
- (v) approval of the shareholders of the Company at the Extraordinary General Meeting ('EGM') to be convened for the Proposed Rights Issue and the Proposed Increase In Authorised Share Capital; and
- (vi) approvals, waivers and/or consents of any other relevant authorities and/or parties, if required.

BNM had on 4 January 2010 granted its approval for the Company to acquire up to 89% of the issued and paid-up capital of Bank Mestika, subject to the following conditions:

- (i) the Company is to obtain written confirmation from its auditors on the compliance with Financial Reporting Standards in arriving at the impairment methodology adopted and in respect of any change in equity interest in Bank Mestika; and
- (ii) the sources of funding and funding cost for the additional capital required by Bank Mestika post-acquisition should not exert pressure on the Company and its subsidiaries' capital and financial soundness.

Subsequently, RHB Investment Bank had on 9 April 2010, announced on behalf of the Company on the proposed revision to the utilisation of proceeds arising from the Proposed Rights Issue to among others, repay the borrowings to finance the Proposed Acquisition in view of the Proposed Acquisition is likely to be completed prior to the completion of the Proposed Rights Issue.

RHB Investment Bank had also on 22 April 2010, announced on behalf of the Company that Bursa Securities had, vide its letter dated 20 April 2010, approved the listing and quotation of up to 1,300,000,000 new ordinary shares of RM1.00 each in RHB Capital to be issued pursuant to the Proposed Rights Issue subject to the condition as stated therein.

The Company had on 19 May 2010 announced that the shareholders had at the EGM held on even date approved the Proposed Rights Issue and the Proposed Increase In Authorised Share Capital.

None of the Directors, major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposals save for their respective entitlements as shareholders under the Proposed Rights Issue and their rights to apply for excess Rights Shares which are also available to all other shareholders of the Company.

The Proposed Acquisition, Proposed Rights Issue and Proposed Options are not expected to have any material effect on the earnings of the Group for the financial year ending 31 December 2010. The Proposed Acquisition is expected to contribute positively to the future revenue and earnings of the Group.



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**B8. Status of Corporate Proposals (continued)**

**(c) Proposed acquisition of 80% of the issued and paid-up share capital in PT Bank Mestika Dharma (continued)**

On 19 July 2010, RHB Investment Bank further announced on behalf of the Company that based on the terms of conditional sale and purchase agreement entered into between the Company and PT Mestika Benua Mas ('Vendor') for the Proposed Acquisition ('CSPA'), the period to satisfy or waive the conditions precedent of the CSPA ('Long Stop Date') will expire on 16 July 2010.

However, both parties, namely RHB Venture Capital Sdn Bhd ('RHBVC') (a wholly-owned subsidiary of RHB Capital of which the Company had assigned all of its rights, title, interest, benefit and entitlement as well as novated all of its obligations and liabilities as contained in, inter-alia, the CSPA to RHBVC) and the Vendor are still taking the necessary steps to fulfill the conditions precedent of the CSPA. Arising thereto, RHBVC and the Vendor had on 16 July 2010, by way of an exchange of letters, mutually agreed to extend the Long Stop Date to 19 April 2011.

**(d) Proposed acquisition of the remaining equity interest in RHB Insurance Berhad ('RHB Insurance') not already owned by the Company ('Proposed Acquisition')**

On 4 February 2010, RHB Investment Bank had, on behalf of the Company, announced that BNM had vide its letter dated 3 February 2010 stated that it has no objection in principle for the Company to commence negotiations with the remaining shareholders of RHB Insurance in relation to the Proposed Acquisition.

Pursuant to the Insurance Act 1996, the Company and the remaining shareholders of RHB Insurance will be required to obtain the prior approval of the Minister of Finance, with the recommendation of BNM, before entering into any definitive agreement to effect the Proposed Acquisition. Accordingly, a detailed announcement on the Proposed Acquisition will be made upon execution of the definitive agreement(s) for the Proposed Acquisition.

On 19 July 2010, RHB Investment Bank, on behalf of the Company, announced that the Company and Nissay Dowa General Insurance Co. Ltd ('Nissay Dowa') had on even date submitted a joint application to BNM to seek the approval of the Minister of Finance with the recommendation of BNM, for the transfer by Nissay Dowa of 15,200,000 ordinary shares of RM1.00 each in RHB Insurance, representing 15.2% of the issued and paid-up share capital of RHB Insurance, to RHB Capital pursuant to the Proposed Acquisition.

**(e) Establishment of a Bancassurance Alliance Between RHB Bank and Tokio Marine Life Insurance Malaysia Berhad (formerly known as TM Asia Life Malaysia Bhd) ('Tokio Marine Life')**

On 5 March 2010, RHB Investment Bank had, on behalf of the Company, announced that RHB Bank had on even date entered into a memorandum of understanding ('MOU') with Tokio Marine Life. The details on the exclusive bancassurance arrangement were as contained in the attachment to the announcement dated 5 March 2010.

RHB Investment Bank had, subsequently on 1 July 2010, announced that RHB Bank had on even date entered into an exclusive Bancassurance Agreement ('Bancassurance Agreement') with Tokio Marine Life.

Pursuant to the Bancassurance Agreement, Tokio Marine Life will pay an exclusivity fee of RM100 million to RHB Bank and RHB Bank shall be committed to a 10-year exclusive bancassurance relationship with Tokio Marine Life.



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**B8. Status of Corporate Proposals (continued)**

**(e) Establishment of a Bancassurance Alliance Between RHB Bank and Tokio Marine Life Insurance Malaysia Berhad (formerly known as TM Asia Life Malaysia Bhd) ('Tokio Marine Life') (continued)**

Under the Exclusive Bancassurance Agreement, RHB Bank will sell, market and promote conventional life insurance products developed by Tokio Marine Life via its distribution channels and any other alternative distribution channels jointly developed by RHB Bank and Tokio Marine Life subject to the terms and conditions stipulated in the Bancassurance Agreement.

Notwithstanding the Exclusive Bancassurance Agreement, RHB Bank may continue to maintain its existing panel of insurers to provide Group Mortgage Reducing Term Assurance products for residential property and non-residential property to the extent that such panelship is required to be maintained pursuant to BNM's requirements and guidelines.

The details of the salient terms of the Bancassurance Agreement were as contained in the attachment to the announcement dated 1 July 2010.

The Exclusive Bancassurance Agreement will not have any effect on the share capital of RHB Capital and the shareholdings of the substantial shareholders of RHB Capital. The Exclusive Bancassurance Agreement is not expected to have any material effect on the earnings and earnings per share of the RHB Capital Group of Companies ('RHB Capital Group') for the financial year ending 31 December 2010. It is not expected to have any material effect on the net assets per share and gearing of the RHB Capital Group.

The Exclusive Bancassurance Agreement is not subject to any authorities' and shareholders' approval and is expected to contribute positively to the future earnings of the RHB Capital Group.

**(f) Proposed acquisition by RHB Hartanah Sdn Bhd ('RHB Hartanah'), a wholly-owned subsidiary of RHB Capital Berhad of 500,000 ordinary shares of RM1.00 each in RHB Property Management Sdn Bhd ('RHBPM'), representing the entire issued and fully paid-up share capital in RHBPM, from Rashid Hussain Berhad (In Members' Voluntary Liquidation) ('RHB')**

The Company on 8 July 2010, announced that its wholly-owned subsidiary, RHB Hartanah, had entered into a share sale agreement with RHB to acquire the entire issued and paid-up share capital of RHBPM, comprising 500,000 ordinary shares of RM1.00 each in RHBPM ('RHBPM Shares'), from RHB for a cash consideration of RM5.36 million ('Proposed Acquisition').

RHBPM is in the business of providing property management services to RHB Capital Group of Companies.

None of the directors or major shareholders of RHB Capital and/or persons connected with them have any interests, direct or indirect, in the Proposed Acquisition.

The Proposed Acquisition is not subject to any regulatory approval and shall be completed upon the transfer of the RHBPM Shares to RHB Hartanah. Upon completion of the Proposed Acquisition, RHBPM will be a wholly-owned subsidiary of RHB Hartanah.

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**B9. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Subordinated Obligations and Hybrid Tier-1 Capital Securities**

	Group	
	Unaudited As at 30 June 2010 RM'000	Audited As at 31 Dec 2009 RM'000
<b>(a) Deposits from customers and placements of banks and other financial institutions</b>		
Deposits from customers		
- one year or less	87,892,746	84,189,557
- more than one year	536,158	651,508
	<u>88,428,904</u>	<u>84,841,065</u>
Deposits and placements of banks and other financial institutions		
- one year or less	6,622,807	6,751,343
- more than one year	658,944	664,682
	<u>7,281,751</u>	<u>7,416,025</u>

	Group		Company	
	Unaudited As at 30 June 2010 RM'000	Audited As at 31 Dec 2009 RM'000	Unaudited As at 30 June 2010 RM'000	Audited As at 31 Dec 2009 RM'000
<b>(b) Borrowings</b>				
Unsecured:				
Revolving credits	714,350	646,000	804,350	648,800
Overdrafts	659	1,357	659	1,357
Term loans - RM	800,000	800,000	1,060,000	1,060,000
Term loan - USD	890,312	958,720	-	-
RM600 million 6 years				
Serial Fixed Rate Bonds	299,566	449,147	299,566	449,147
RM350 million				
Fixed Rate Bonds	346,233	345,448	346,233	345,448
RM150 million 7 years				
Commercial Papers	74,000	74,000	74,000	74,000
RM1.1 billion 7 years				
Commercial Papers/Medium Term Notes	555,000	555,000	555,000	555,000
	<u>3,680,120</u>	<u>3,829,672</u>	<u>3,139,808</u>	<u>3,133,752</u>
Schedule repayment of borrowings:				
Within one year	2,073,323	1,842,717	2,358,575	1,794,157
One year to three years	556,671	845,755	346,233	904,595
Three years to five years	645,438	768,840	435,000	435,000
Over five years	404,688	372,360	-	-
	<u>3,680,120</u>	<u>3,829,672</u>	<u>3,139,808</u>	<u>3,133,752</u>





**RHB CAPITAL BERHAD (312952 – H)**  
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**B9. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Subordinated Obligations and Hybrid Tier-1 Capital Securities (continued)**

	Group	
	Unaudited As at 30 June 2010 RM'000	Audited As at 31 Dec 2009 RM'000
<b>(c) Subordinated obligations</b>		
5.0% RM1,300 million Tier II subordinated notes 2007/2017	1,300,000	1,300,000
5.5% RM700 million Tier II subordinated notes 2007/2022	700,000	700,000
5.0% RM700 million Tier II subordinated notes 2010/2020	695,000	-
5.6% RM300 million Tier II subordinated notes 2010/2025	300,000	-
5.3% RM200 million Tier II subordinated notes 2007/2017	195,000	195,000
5.5% RM45 million Tier II subordinated notes 2008/2018	45,000	45,000
	<u>3,235,000</u>	<u>2,240,000</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.

**(d) Hybrid Tier-1 Capital Securities**

	Group	
	Unaudited As at 30 June 2010 RM'000	Audited As at 31 Dec 2009 RM'000
RM370 million 8.00% Hybrid Tier-1 Capital Securities due in 2039, callable with step-up coupon rate at 9.00% in 2019	367,110	366,966
RM230 million 6.75% Hybrid Tier-1 Capital Securities due in 2039, callable with step-up coupon rate at 7.75% in 2019	225,000	225,000
	<u>592,110</u>	<u>591,966</u>



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**B10. Derivatives Financial Instruments**

Details of derivative financial instruments outstanding as at 30 June 2010 are as follows:

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts

<u>Group</u>	Unaudited As at 30 June 2010			Audited As at 31 Dec 2009		
	<u>Contract/ Notional Amount RM'000</u>	<u>Fair Value</u>		<u>Contract/ Notional Amount RM'000</u>	<u>Fair Value</u>	
		<u>Assets RM'000</u>	<u>Liabilities RM'000</u>		<u>Assets RM'000</u>	<u>Liabilities RM'000</u>
Foreign exchange related contracts						
- forwards	4,518,287	26,413	93,564	3,130,993	17,243	32,704
- swaps	3,214,472	61,598	28,511	5,930,615	35,563	30,204
- options	169,710	584	466	167,251	701	660
- spots	1,394,625	2,555	2,062	906,263	2,018	1,361
- cross-currency	989,351	14,434	13,686	1,378,209	22,534	20,695
Subtotal	<u>10,286,445</u>	<u>105,584</u>	<u>138,289</u>	<u>11,513,331</u>	<u>78,059</u>	<u>85,624</u>
Interest rate related contracts						
- futures	510,000	-	3,026	990,000	-	6,499
- swaps	12,037,667	143,878	134,304	10,642,976	143,370	140,231
Subtotal	<u>12,547,667</u>	<u>143,878</u>	<u>137,330</u>	<u>11,632,976</u>	<u>143,370</u>	<u>146,730</u>
Total	<u>22,834,112</u>	<u>249,462</u>	<u>275,619</u>	<u>23,146,307</u>	<u>221,429</u>	<u>232,354</u>



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**B10. Derivatives Financial Instruments (continued)**

Details of derivative financial instruments outstanding as at 30 June 2010 are as follows: (continued)

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts

<u>Group</u>	Unaudited As at 30 June 2010			Audited As at 31 Dec 2009		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts						
- Less than 1 year	9,297,094	91,150	124,602	10,094,034	55,215	64,663
- 1 year to 3 years	8,140	688	683	49,697	800	749
- More than 3 years	981,211	13,746	13,004	1,369,600	22,044	20,212
Subtotal	<u>10,286,445</u>	<u>105,584</u>	<u>138,289</u>	<u>11,513,331</u>	<u>78,059</u>	<u>85,624</u>
Interest rate related contracts						
- Less than 1 year	2,779,252	11,148	18,939	2,716,502	10,707	22,069
- 1 year to 3 years	6,039,321	83,166	55,380	3,563,812	51,249	46,150
- More than 3 years	3,729,094	49,564	63,011	5,352,662	81,414	78,511
Subtotal	<u>12,547,667</u>	<u>143,878</u>	<u>137,330</u>	<u>11,632,976</u>	<u>143,370</u>	<u>146,730</u>
Total	<u>22,834,112</u>	<u>249,462</u>	<u>275,619</u>	<u>23,146,307</u>	<u>221,429</u>	<u>232,354</u>

**RHB CAPITAL BERHAD (312952 – H)**  
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**B10. Derivatives Financial Instruments (continued)**

ii) Derivative financial instruments classified by remaining period to maturity/next re-pricing date (whichever is earlier) as at 30 June 2010

**Group**

Items	Principal amount RM'000	1 month or less RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 3 years RM'000	> 3 years RM'000
Foreign exchange related contracts							
- forwards	4,518,287	1,705,540	1,433,165	764,988	614,594	-	-
- swaps	3,214,472	754,930	702,163	880,076	877,303	-	-
- options	169,710	146,593	23,117	-	-	-	-
- spots	1,394,625	1,393,006	-	1,619	-	-	-
- cross-currency	989,351	-	-	-	-	8,140	981,211
Interest rate related contracts							
- futures	510,000	-	240,000	130,000	110,000	30,000	-
- swaps	12,037,667	63,262	461,478	721,300	1,053,212	6,009,321	3,729,094
Total	22,834,112	4,063,331	2,859,923	2,497,983	2,655,109	6,047,461	4,710,305

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



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**B10. Derivatives Financial Instruments (continued)**

iii) Derivative financial instruments classified by remaining period to maturity/next re-pricing date (whichever is earlier) as at latest practicable date, 19 August 2010

**Group**

Items	Principal amount RM'000	1 month or less RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 3 years RM'000	> 3 years RM'000
Foreign exchange related contracts							
- forwards	4,252,758	1,400,761	1,413,707	963,338	474,952	-	-
- swaps	5,306,548	2,333,593	1,643,121	465,971	863,863	-	-
- options	135,401	115,502	18,019	1,880	-	-	-
- spots	2,349,970	2,349,970	-	-	-	-	-
- cross-currency	1,114,892	-	-	-	-	7,876	1,107,016
Interest rate related contracts							
- futures	510,000	-	240,000	130,000	110,000	30,000	-
- swaps	12,488,719	321,972	428,795	796,628	1,711,808	5,798,121	3,431,395
<b>Total</b>	<b>26,158,288</b>	<b>6,521,798</b>	<b>3,743,642</b>	<b>2,357,817</b>	<b>3,160,623</b>	<b>5,835,997</b>	<b>4,538,411</b>



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**B10. Derivatives Financial Instruments (continued)**

iii) 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. However, CBSB's claim for damages was dismissed.

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 decision.

Thereafter, both parties have filed their respective appeals to the Court of Appeal against the decision of the Learned High Court Judge (Please refer to A25(c)(i) 'Other Contingent Liabilities' for the Company's solicitors' opinion on the above suit and counterclaim). On 22 May 2009, the Court of Appeal had dismissed CBSB's appeal against the High Court decision in respect of the return of the Deposit and claim for damages. The Court of Appeal had also dismissed the Company's appeal in respect of the return of share certificates and transfer forms. Both CBSB and the Company had filed their respective applications for leave to appeal to the Federal Court. The Federal Court had on 12 May 2010 allowed the applications for leave to appeal filed by both parties. The relevant Notices of Appeal to the Federal Court have been filed accordingly and the appeals are now fixed for case management on 25 August 2010.

The above material litigation is not expected to have any material adverse effect on the financial results of the Group.



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**B12. Dividends Declared**

- (i) An interim dividend of 5.0% less 25% tax has been declared by the directors.
- (ii) Amount per share: 5.0 sen per share less 25% tax.
- (iii) Previous corresponding period: 5.0 sen per share less 25% tax.
- (iv) Entitlement date: 20 September 2010
- (v) Payment date: 30 September 2010

	2nd quarter ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
<b>B13. Earnings per Share</b>				
<b>Basic/diluted earnings per share</b>				
Profit attributable to equity holders of the Company (RM'000)	<u>339,030</u>	<u>301,529</u>	<u>688,760</u>	<u>530,170</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,153,475</u>	<u>2,153,475</u>	<u>2,153,475</u>	<u>2,153,475</u>
Basic/diluted earnings per share (sen)	<u>15.7</u>	<u>14.0</u>	<u>32.0</u>	<u>24.6</u>

There were no dilutive potential ordinary shares outstanding as at 30 June 2010. As a result, the diluted earnings per share was equal to the basic earnings per share for the six months ended 30 June 2010.

**BY ORDER OF THE BOARD**

**AZMAN SHAH MD YAMAN**  
(Licence No. LS0006901)

Company secretary

24 August 2010