



RHB Capital Berhad 312952-H
 Level 10, Tower One, RHB Centre, Jalan Tun Razak,
 50400 Kuala Lumpur, Malaysia
 TEL +603 9285 2233 FAX +603 2142 7568

**UNAUDITED INTERIM FINANCIAL STATEMENTS
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 2010 are as follows:

**INCOME STATEMENTS
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Note	3rd quarter ended		Nine months ended	
		30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	A8	1,279,198	1,027,556	3,457,343	3,116,163
Interest expense	A9	(565,142)	(416,076)	(1,499,274)	(1,336,804)
Net interest income		714,056	611,480	1,958,069	1,779,359
Other operating income	A10	251,355	232,127	763,777	677,490
		965,411	843,607	2,721,846	2,456,849
Income from Islamic Banking business		86,062	79,260	249,521	240,955
Net operating income		1,051,473	922,867	2,971,367	2,697,804
Other operating expenses	A11	(422,867)	(381,115)	(1,220,133)	(1,096,054)
Operating profit before allowances		628,606	541,752	1,751,234	1,601,750
Allowance for impairment on loans, advances and financing	A12	(174,257)	(100,728)	(350,083)	(467,909)
Impairment losses on other assets		(1,547)	5,106	(26,334)	27,073
		452,802	446,130	1,374,817	1,160,914
Share of results of an associate		-	10	12	32
Share of results of a joint venture		414	106	567	358
Profit before taxation		453,216	446,246	1,375,396	1,161,304
Taxation	B5	(98,644)	(109,606)	(327,623)	(290,636)
Net profit for the financial period		354,572	336,640	1,047,773	870,668
Attributable to:					
- Equity holders of the Company		351,353	334,809	1,040,113	864,979
- Minority interests		3,219	1,831	7,660	5,689
		354,572	336,640	1,047,773	870,668
Earnings per share					
- Basic (sen)	B13	16.3	15.5	48.3	40.2
- Diluted (sen)	B13	16.3	15.5	48.3	40.2

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 NINE MONTHS ENDED 30 SEPTEMBER 2010**

	3rd quarter ended		Nine months ended	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period	354,572	336,640	1,047,773	870,668
Other comprehensive income/(loss):				
Currency translation differences	(21,744)	(7,312)	(71,849)	12,540
Financial investments available-for-sale ('AFS')				
- Unrealised net gain/(loss) on revaluation	152,246	115,098	265,119	(40,420)
- Net transfer to income statements on disposal or impairment	(14,762)	(6,031)	(69,510)	(25,111)
Gain on fair valuation of property arising from acquisition of a subsidiary	-	-	20,265	-
Income tax relating to components of other comprehensive income/(loss)	(34,298)	(27,086)	(49,847)	16,533
Other comprehensive income/(loss) for the financial period	81,442	74,669	94,178	(36,458)
Total comprehensive income for the financial period	436,014	411,309	1,141,951	834,210
Attributable to:				
- Equity holders of the Company	432,878	409,397	1,134,241	828,380
- Minority interests	3,136	1,912	7,710	5,830
	436,014	411,309	1,141,951	834,210

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 STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Note	3rd quarter ended		Nine months ended	
		30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
		RM'000	RM'000	RM'000	RM'000
<u>Company</u>					
Interest income	A8	118	22	209	83
Interest expense	A9	(37,144)	(32,511)	(108,015)	(102,190)
Net interest expense		(37,026)	(32,489)	(107,806)	(102,107)
Other operating income	A10	199,908	13,479	579,743	308,505
Net operating income/(loss)		162,882	(19,010)	471,937	206,398
Other operating expenses	A11	(4,720)	(4,823)	(13,762)	(14,175)
Profit/(Loss) before taxation		158,162	(23,833)	458,175	192,223
Taxation	B5	(39,780)	3,082	(115,067)	(51,687)
Net profit/(loss) for the financial period		118,382	(20,751)	343,108	140,536

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 NINE MONTHS ENDED 30 SEPTEMBER 2010

	3rd quarter ended		Nine months ended	
	30 Sept	30 Sept	30 Sept	30 Sept
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
<u>Company</u>				
Net profit/(loss) for the financial period	118,382	(20,751)	343,108	140,536
Other comprehensive income/(loss) for the financial period	-	-	-	-
Total comprehensive income/(loss) for the financial period	118,382	(20,751)	343,108	140,536

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 SEPTEMBER 2010

		Unaudited	Audited
	Note	As at	As at
		30 Sept 2010	31 Dec 2009
		RM'000	RM'000
Group			
ASSETS			
Cash and short term funds		14,895,508	16,675,261
Securities purchased under resale agreements		335,240	1,594,210
Deposits and placements with banks and other financial institutions		1,154,096	2,219,270
Financial assets held-for-trading	A13	1,604,520	860,216
Financial investments available-for-sale ('AFS')	A14	13,586,504	9,092,421
Financial investments held-to-maturity	A15	11,130,803	10,980,145
Loans, advances and financing	A16	76,968,843	66,923,091
Clients' and brokers' balances		472,635	249,667
Other assets	A17	966,200	706,414
Derivative assets		331,605	221,429
Statutory deposits		529,451	310,156
Tax recoverable		121,628	92,316
Deferred tax assets		199,968	272,261
Investments in an associate		-	11,180
Investments in a joint venture		24,828	25,976
Prepaid land lease		100,000	103,569
Property, plant and equipment		902,954	827,582
Goodwill		3,790,914	3,786,218
Total assets		127,115,697	114,951,382
LIABILITIES AND EQUITY			
Deposits from customers	A18/B9(a)	91,440,905	84,841,065
Deposits and placements of banks and other financial institutions	A19/B9(a)	10,639,764	7,416,025
Bills and acceptances payable		3,618,087	3,802,522
Clients' and brokers' balances		670,821	401,857
Other liabilities	A20	2,117,862	1,646,243
Derivative liabilities		300,423	232,354
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		1,014,759	1,168,826
Taxation		96,493	40,463
Deferred tax liabilities		12,630	177
Borrowings	B9(b)	3,673,429	3,829,672
Subordinated obligations	B9(c)	3,245,000	2,240,000
Hybrid Tier-1 Capital Securities	B9(d)	592,167	591,996
Total liabilities		117,422,340	106,211,200
Share capital		2,153,475	2,153,475
Reserves		7,500,500	6,554,266
		9,653,975	8,707,741
Minority interests		39,382	32,441
Total equity		9,693,357	8,740,182
Total liabilities and equity		127,115,697	114,951,382
Commitments and Contingencies	A25(a)	74,244,175	67,234,183
Net assets per share attributable to equity holders of the Company (RM)		4.48	4.04

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 SEPTEMBER 2010**

		Unaudited As at 30 Sept 2010	Audited As at 31 Dec 2009
	Note	RM'000	RM'000
<u>Company</u>			
ASSETS			
Cash and short term funds		1,423	100,919
Deposits and placements with banks and other financial institutions		31,879	860
Other assets	A17	155,260	153,049
Amounts due from subsidiaries		43,371	10,603
Tax recoverable		103,406	73,717
Deferred tax assets		19	19
Investments in subsidiaries		8,785,389	8,785,389
Property, plant and equipment		409	330
Total assets		<u>9,121,156</u>	<u>9,124,886</u>
LIABILITIES AND EQUITY			
Other liabilities	A20	25,234	61,833
Amounts due to subsidiaries		153,636	155,288
Borrowings	B9(b)	3,187,756	3,133,752
Total liabilities		<u>3,366,626</u>	<u>3,350,873</u>
Share capital		2,153,475	2,153,475
Reserves		3,601,055	3,620,538
Total equity		<u>5,754,530</u>	<u>5,774,013</u>
Total liabilities and equity		<u>9,121,156</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 NINE MONTHS ENDED 30 SEPTEMBER 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			
							Sub-total			
							RM'000	RM'000	RM'000	
Group										
Balance as at										
1 January 2010										
- 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	-	-	-	-	-	-	1,040,113	1,040,113	7,660	1,047,773
Other comprehensive income/(loss) for the financial period	-	-	-	19,252	146,725	(71,849)	-	94,128	50	94,178
Total comprehensive income/(loss) for the financial period	-	-	-	19,252	146,725	(71,849)	1,040,113	1,134,241	7,710	1,141,951
Transfer in respect of statutory requirements	-	-	164,441	-	-	-	(164,441)	-	-	-
Ordinary dividends	-	-	-	-	-	-	(362,591)	(362,591)	(769)	(363,360)
Balance as at 30 September 2010	2,153,475	2,352,093	2,411,052	27,815	229,084	(80,103)	2,560,559	9,653,975	39,382	9,693,357

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 NINE MONTHS ENDED 30 SEPTEMBER 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			
Group										
Balance as at										
1 January 2009	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	-	-	-	-	-	-	864,979	864,979	5,689	870,668
Other comprehensive income/(loss) for the financial period	-	-	-	-	(49,139)	12,540	-	(36,599)	141	(36,458)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(49,139)	12,540	864,979	828,380	5,830	834,210
Transfer in respect of statutory requirements	-	-	122,374	-	-	-	(122,374)	-	-	-
Ordinary dividends	-	-	-	-	-	-	(251,956)	(251,956)	(1,538)	(253,494)
Balance as at										
30 September 2009	<u>2,153,475</u>	<u>2,352,093</u>	<u>2,067,028</u>	<u>8,563</u>	<u>(26,354)</u>	<u>1,665</u>	<u>1,834,381</u>	<u>8,390,851</u>	<u>30,805</u>	<u>8,421,656</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 NINE MONTHS ENDED 30 SEPTEMBER 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
<u>Company</u>				
Balance as at 1 January 2010	2,153,475	2,352,093	1,268,445	5,774,013
Net profit for the financial period	-	-	343,108	343,108
Ordinary dividends	-	-	(362,591)	(362,591)
Balance as at 30 September 2010	<u><u>2,153,475</u></u>	<u><u>2,352,093</u></u>	<u><u>1,248,962</u></u>	<u><u>5,754,530</u></u>
Balance as at 1 January 2009	2,153,475	2,352,093	1,414,957	5,920,525
Net profit for the financial period	-	-	140,536	140,536
Ordinary dividends	-	-	(251,956)	(251,956)
Balance as at 30 September 2009	<u><u>2,153,475</u></u>	<u><u>2,352,093</u></u>	<u><u>1,303,537</u></u>	<u><u>5,809,105</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)

**CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Nine months ended	
	30 Sept 2010	30 Sept 2009
	RM'000	RM'000
Group		
Operating activities		
Profit before taxation	1,375,396	1,161,304
Adjustments for investing and financing items and other items not involving the movement of cash and cash equivalents	<u>(197,443)</u>	<u>(24,005)</u>
Operating profit before working capital changes	1,177,953	1,137,299
Net changes in operating assets	(9,744,830)	(2,908,687)
Net changes in operating liabilities	<u>10,331,063</u>	<u>4,974,150</u>
Cash generated from operations	1,764,186	3,202,762
Taxation paid	(325,676)	(316,374)
Taxation recovered	949	49,841
Net cash generated from operating activities	<u>1,439,459</u>	<u>2,936,229</u>
Investing activities		
Purchase of property, plant and equipment	(85,141)	(82,359)
Net purchase of financial investments AFS and held-to-maturity	(4,299,780)	(2,129,909)
Interest received from financial investments AFS and held-to-maturity	544,968	502,588
Investment income received from financial investments AFS and held-to-maturity	73,014	52,977
Dividend income received from financial assets held-for-trading and financial investments AFS and held-to-maturity	7,155	4,876
Proceeds from disposal of property, plant and equipment	1,720	5,649
Acquisition of subsidiaries	<u>(37,683)</u>	<u>-</u>
Net cash used in investing activities	<u>(3,795,747)</u>	<u>(1,646,178)</u>
Financing activities		
Proceeds from issuance of subordinated notes	1,005,000	-
Proceeds from issuance of Hybrid Tier-1 Capital Securities	-	366,941
Drawdown of borrowings	153,050	681,530
Repayment of borrowings	(216,835)	(502,475)
Payment to hire-purchase creditors	-	(146)
Dividends paid to equity holders of the Company	(362,591)	(251,956)
Dividends paid to minority interests in a subsidiary company	(769)	(1,538)
Net cash generated from financing activities	<u>577,855</u>	<u>292,356</u>
Net (decrease)/increase in cash and cash equivalents	(1,778,433)	1,582,407
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>14,895,471</u>	<u>15,927,988</u>
Cash and cash equivalents comprise the following:		
Cash and short term funds	14,895,508	15,929,924
Overdrafts	(37)	(1,936)
	<u>14,895,471</u>	<u>15,927,988</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 NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Nine months ended	
	30 Sept 2010	30 Sept 2009
	RM'000	RM'000
Company		
Operating activities		
Profit before taxation	458,175	192,223
Adjustments for investing and financing items and other items not involving the movement of cash and cash equivalents	<u>(471,858)</u>	<u>(206,025)</u>
Operating loss before working capital changes	(13,683)	(13,802)
Net changes in operating assets	(66,184)	(1,872)
Net changes in operating liabilities	<u>(3,446)</u>	<u>(781)</u>
Cash used in operations	(83,313)	(16,455)
Taxation recovered	-	16,455
Net cash used in operating activities	<u>(83,313)</u>	<u>-</u>
Investing activities		
Dividend income received from subsidiaries	434,270	231,506
Purchase of property, plant and equipment	(157)	(225)
Interest income received	393	139
Proceeds from disposal of property, plant and equipment	-	150
Net cash generated from investing activities	<u>434,506</u>	<u>231,570</u>
Financing activities		
Drawdown of borrowings	240,250	685,430
Repayment of borrowings	(186,750)	(466,380)
Dividends paid to equity holders of the Company	(362,591)	(251,956)
Interest expense paid	(140,278)	(102,083)
Payment to hire-purchase creditors	-	(146)
Net cash used in financing activities	<u>(449,369)</u>	<u>(135,135)</u>
Net (decrease)/increase in cash and cash equivalents	(98,176)	96,435
Cash and cash equivalents		
- at the beginning of the financial period	<u>99,562</u>	<u>19,749</u>
- at the end of the financial period	<u><u>1,386</u></u>	<u><u>116,184</u></u>
Cash and cash equivalents comprise the following:		
Cash and short term funds	1,423	118,120
Overdrafts	<u>(37)</u>	<u>(1,936)</u>
	<u><u>1,386</u></u>	<u><u>116,184</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)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2010, the Company has paid the following dividends:

- (a) a final dividend of 17.45% less 25% income tax amounting to RM281,836,000 in respect of the financial year ended 31 December 2009 on 30 June 2010; and
- (b) an interim dividend of 5.0% less 25% income tax amounting to RM80,755,000 in respect of the financial year ending 31 December 2010 on 30 September 2010.



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

	3rd quarter ended		Nine months ended	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
	RM'000	RM'000	RM'000	RM'000
A8. Interest Income				
<u>Group</u>				
Loans, advances and financing	997,495	768,086	2,650,980	2,321,595
Money at call, deposits and placements with financial institutions	79,040	61,971	234,582	216,327
Securities purchased under resale agreements	693	1,997	6,651	2,467
Financial assets held-for-trading	8,472	5,262	16,540	47,033
Financial investments AFS	95,867	86,264	258,087	245,916
Financial investments held-to-maturity	95,787	97,807	277,822	265,773
Others	1,844	6,169	12,681	17,052
	<u>1,279,198</u>	<u>1,027,556</u>	<u>3,457,343</u>	<u>3,116,163</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>7,183</u>	<u>-</u>	<u>29,745</u>	<u>-</u>
<u>Company</u>				
Money at call, deposits and placements with financial institutions	<u>118</u>	<u>22</u>	<u>209</u>	<u>83</u>



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

	3rd quarter ended		Nine months ended	
	30 Sept	30 Sept	30 Sept	30 Sept
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
A9. Interest Expense				
<u>Group</u>				
Deposits and placements of banks and other financial institutions	40,218	20,780	89,886	76,244
Deposits from customers	410,778	299,275	1,077,868	975,452
Borrowings	36,066	34,128	106,912	108,687
Subordinated obligations	42,429	29,317	109,047	86,994
Hybrid Tier-1 Capital Securities	11,323	7,514	33,601	15,028
Recourse obligation on loans sold to Cagamas	12,780	9,655	39,838	33,952
Others	11,548	15,407	42,122	40,447
	<u>565,142</u>	<u>416,076</u>	<u>1,499,274</u>	<u>1,336,804</u>
<u>Company</u>				
Borrowings	37,135	32,504	107,992	102,162
Others	9	7	23	28
	<u>37,144</u>	<u>32,511</u>	<u>108,015</u>	<u>102,190</u>



**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	3rd quarter ended		Nine months ended	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
	RM'000	RM'000	RM'000	RM'000
A10. Other Operating Income				
<u>Group</u>				
Fee income				
- Service charges and fees	39,070	35,188	116,355	109,293
- Commission	26,926	28,853	83,382	87,478
- Guarantee fees	10,235	11,367	26,042	30,096
- Commitment fees	13,626	11,939	39,693	34,784
- Brokerage	19,743	19,239	58,697	51,119
- Fund management fees	4,498	4,261	14,677	12,276
- Corporate advisory fees	1,617	2,797	12,474	6,656
- Underwriting and arrangement fees	3,768	3,288	28,148	19,686
- Unit trust fee income	41	233	399	1,818
- Other fee income	10,203	3,635	20,490	14,946
	129,727	120,800	400,357	368,152
Net gain arising on financial assets held-for-trading				
- net gain on disposal	18,021	5,354	30,727	31,389
- unrealised gain on revaluation	2,075	10,202	8,168	32,239
- gross dividend income	752	722	1,638	1,543
	20,848	16,278	40,533	65,171
Net gain/(loss) arising on derivatives				
- net loss on disposal	(1,740)	(1,788)	(5,834)	(5,434)
- unrealised gain on revaluation	18,299	2,190	26,876	10,084
	16,559	402	21,042	4,650
Net gain arising on financial investments AFS				
- net gain on disposal	13,778	4,813	66,765	6,875
- gross dividend income	4,581	3,986	5,758	4,049
	18,359	8,799	72,523	10,924
Net gain on redemption of financial investments held-to-maturity				
- net gain on redemption	316	6,435	1,380	6,377
- gross dividend income	-	135	45	135
	316	6,570	1,425	6,512



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

	3rd quarter ended		Nine months ended	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
	RM'000	RM'000	RM'000	RM'000
A10. Other Operating Income (continued)				
Other income				
- Foreign exchange gain/(loss)				
- realised	(2,318)	70,795	125,187	137,354
- unrealised	38,463	(16,829)	16,004	743
- Underwriting surplus before management expenses	16,520	9,430	46,420	35,205
- Rental income	494	868	2,051	2,708
- Net gain on disposal of property, plant and equipment	202	-	940	2,835
- Other operating income	11,455	13,438	34,616	38,746
- Other non-operating income	730	1,576	2,679	4,490
	<u>65,546</u>	<u>79,278</u>	<u>227,897</u>	<u>222,081</u>
	<u>251,355</u>	<u>232,127</u>	<u>763,777</u>	<u>677,490</u>
Company				
Gross dividend income from:				
- Subsidiaries	<u>200,000</u>	<u>13,000</u>	<u>579,026</u>	<u>308,674</u>
Other income				
- Foreign exchange gain/(loss)				
- unrealised	(92)	316	717	(482)
- Net gain on disposal of property, plant and equipment	-	-	-	150
- Other operating income	-	163	-	163
	<u>(92)</u>	<u>479</u>	<u>717</u>	<u>(169)</u>
	<u>199,908</u>	<u>13,479</u>	<u>579,743</u>	<u>308,505</u>



**RHB CAPITAL BERHAD (312952 – H)
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	3rd quarter ended		Nine months ended	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
	RM'000	RM'000	RM'000	RM'000
A11. Other Operating Expenses				
<u>Group</u>				
Personnel costs				
- Salaries, bonus, wages and allowances	198,250	172,958	570,311	499,285
- Defined contribution plan	30,245	26,212	86,172	76,799
- Other staff related costs	19,027	12,187	48,904	41,705
	247,522	211,357	705,387	617,789
Establishment costs				
- Information technology expenses	26,409	25,327	79,575	59,154
- Depreciation	25,268	19,844	69,023	57,994
- Repair and maintenance	10,197	10,428	34,711	33,459
- Rental of premises	10,694	10,089	33,500	29,853
- Water and electricity	5,278	4,893	15,064	14,333
- Rental of equipment	2,398	2,994	7,521	8,945
- Insurance	6,885	9,507	21,306	18,624
- Amortisation of prepaid land lease	127	129	382	385
- PPE write off	10	-	10	-
- Others	2,194	2,126	6,320	4,577
	89,460	85,337	267,412	227,324
Marketing expenses				
- Sales commission	2,474	6,852	5,959	26,591
- Advertisements and publicity	10,334	8,980	25,858	21,236
- Dealers' handling fee	4,494	3,033	12,056	7,976
- Others	24,356	22,273	65,895	56,640
	41,658	41,138	109,768	112,443
Administration and general expenses				
- Communication expenses	22,682	20,183	63,371	63,680
- Legal and professional fee	4,375	4,506	12,280	13,922
- Others	17,170	18,594	61,915	60,896
	44,227	43,283	137,566	138,498
	422,867	381,115	1,220,133	1,096,054



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

	3rd quarter ended		Nine months ended	
	30 Sept	30 Sept	30 Sept	30 Sept
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
A11. Other Operating Expenses (continued)				
<u>Company</u>				
Personnel costs				
- Salaries, bonus, wages and allowances	2,220	1,957	6,978	6,489
- Defined contribution plan	361	309	1,120	1,023
- Other staff related costs	390	326	1,076	940
	2,971	2,592	9,174	8,452
Establishment costs				
- Rental of premises	282	280	875	884
- Depreciation	32	89	78	210
- Repair and maintenance	89	65	195	158
- Rental of equipment	15	15	32	43
- Water and electricity	21	19	54	44
- Information technology expenses	-	2	6	7
- Insurance	2	1	2	2
	441	471	1,242	1,348
Marketing expenses				
- Advertisements and publicity	96	68	602	734
- Others	53	1,401	240	1,668
	149	1,469	842	2,402
Administration and general expenses				
- Communication expenses	90	67	224	193
- Legal and professional fee	892	146	1,543	1,575
- Others	177	78	737	205
	1,159	291	2,504	1,973
	4,720	4,823	13,762	14,175



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

	3rd quarter ended		Nine months ended	
	30 Sept	30 Sept	30 Sept	30 Sept
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
A12. Allowance for Impairment on Loans, Advances and Financing				
<u>Group</u>				
Allowance for impaired loans and financing:				
- Individual assessment allowance	89,160	-	182,999	-
- Collective assessment allowance	120,185	-	313,617	-
- Specific allowance	-	224,392	-	632,073
- General allowance	-	(62,608)	-	(40,712)
Impaired loans and financing recovered	(35,446)	(61,392)	(142,917)	(126,748)
Impairment allowance for other debtors	358	336	(3,616)	3,296
	174,257	100,728	350,083	467,909



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

	Group	
	Unaudited As at 30 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000
A13. Financial Assets Held-for-trading		
At fair value		
<u>MONEY MARKET INSTRUMENTS:</u>		
Malaysian government securities	165,404	49,775
Malaysian government treasury bills	10,000	-
Malaysian government investment issues	112,943	-
Bank Negara Malaysia ('BNM') monetary notes	899,414	-
Negotiable instruments of deposits	50,559	452,193
Singapore government treasury bills	105,647	92,749
<u>QUOTED SECURITIES:</u>		
In Malaysia		
Shares	62,160	54,684
Unit trust	965	863
Outside Malaysia		
Shares	2,926	5,496
<u>UNQUOTED SECURITIES:</u>		
In Malaysia		
Private debt securities	194,502	204,456
	1,604,520	860,216



**RHB CAPITAL BERHAD (312952 – H)
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	Group	
	Unaudited As at 30 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000
A14. Financial Investments Available-for-sale		
At fair value		
<u>MONEY MARKET INSTRUMENTS:</u>		
Malaysian government securities	4,476,856	2,512,175
Malaysian government investment issues	2,800,529	1,000,660
Cagamas bonds and Cagamas Mudharabah bonds	575,258	444,542
Khazanah bonds	53,133	11,179
Negotiable instruments of deposits	106,184	109,672
Singapore government securities	128,254	83,610
Singapore government treasury bills	1,817	134,262
Thailand government bonds	82,268	20,755
1 Malaysia sukuk	152,773	-
<u>QUOTED SECURITIES:</u>		
In Malaysia		
Corporate loan stocks	13,464	15,612
Shares	6,514	5,689
Outside Malaysia		
Shares	22	11
<u>UNQUOTED SECURITIES:</u>		
In Malaysia		
Private debt securities	4,502,995	4,374,356
Shares	360,862	168,472
Corporate loan stocks	129,469	133,267
Unit trust	166,864	-
Redeemable Convertible Preference Shares	13,980	-
Outside Malaysia		
Private debt securities	14,705	54,209
Corporate loan stocks	557	1,221
Structured notes	-	22,729
	13,586,504	9,092,421

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 September 2010 is RM1,800.4 million (31.12.2009: RM2,558.7 million).



**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	Group	
	Unaudited	Audited
	As at	As at
	30 Sept 2010	31 Dec 2009
	RM'000	RM'000
A15. Financial Investments Held-to-maturity		
At amortised cost		
<u>MONEY MARKET INSTRUMENTS:</u>		
Malaysian government securities	2,966,417	2,387,667
Malaysian government investment issues	1,403,515	1,327,616
Cagamas bonds and Cagamas Mudharabah bonds	765,289	779,550
Khazanah bonds	52,028	34,935
Negotiable instruments of deposits	1,430,000	1,800,000
Singapore government securities	117,020	121,748
Thailand government securities	201,186	237,187
Sukuk (Brunei) Incorporation	23,470	41,538
Singapore government treasury bills	11,735	-
<u>UNQUOTED SECURITIES:</u>		
In Malaysia		
Private debt securities	2,344,167	2,439,042
Corporate loan stocks	82,142	60,507
Bonds	25,036	25,036
Prasarana bonds	1,850,604	1,852,771
Outside Malaysia		
Floating rate notes	-	28,419
Private debt securities	18,377	20,364
Structured paper	32,461	33,060
	<u>11,323,447</u>	<u>11,189,440</u>
Accumulated impairment losses	<u>(192,644)</u>	<u>(209,295)</u>
	<u>11,130,803</u>	<u>10,980,145</u>

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 September 2010 is RM26.1 million (31.12.2009: RM28.8 million). The fair value of these financial investments as at 30 September 2010 is RM28.2 million (31.12.2009: RM29.0 million).



**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	Group	
	Unaudited As at 30 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000
A16. Loans, Advances and Financing		
At amortised cost		
Overdrafts	6,251,479	5,989,096
Term loans/financing		
- housing loans/financing	17,410,475	15,510,118
- syndicated term loans/financing	2,302,382	2,899,403
- hire-purchase receivables	12,530,753	11,360,314
- lease receivables	162,812	191,548
- other term loans/financing	29,376,667	21,246,324
Bills receivable	1,564,791	1,238,462
Trust receipts	386,281	381,389
Claims on customers under acceptance credits	4,774,688	4,909,188
Staff loans/financing	354,416	370,422
Credit/charge cards receivables	2,673,632	2,247,498
Revolving credits	4,146,646	4,968,972
	<u>81,935,022</u>	<u>71,312,734</u>
Unearned interest and income	(1,895,343)	(1,677,729)
Gross loans, advances and financing	<u>80,039,679</u>	<u>69,635,005</u>
Allowance for impaired loans and financing		
- individual assessment allowance	(1,434,810)	-
- collective assessment allowance	(1,636,026)	-
- specific allowance	-	(1,757,142)
- general allowance	-	(954,772)
Net loans, advances and financing	<u>76,968,843</u>	<u>66,923,091</u>

Included in term loans are loans sold to Cagamas with recourse amounting to RM1,014,759,000 (31.12.2009: RM1,168,826,000).



**RHB CAPITAL BERHAD (312952 – H)
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	Group	
	Unaudited As at 30 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000
A16. Loans, Advances and Financing (continued)		
(a) By type of customer		
Domestic non-bank financial institutions		
- others	234,397	377,356
Domestic business enterprises		
- small medium enterprises	11,283,922	11,342,280
- others	21,376,164	19,754,848
Government and statutory bodies	7,627,198	3,764,664
Individuals	34,775,205	29,547,312
Other domestic entities	115,935	12,609
Foreign entities	4,626,858	4,835,936
	<u>80,039,679</u>	<u>69,635,005</u>
(b) By geographical distribution		
In Malaysia	76,392,583	65,990,201
Outside Malaysia		
- Singapore operations	3,173,418	3,068,090
- Thailand operations	321,827	414,566
- Brunei operations	151,851	162,148
	<u>80,039,679</u>	<u>69,635,005</u>
(c) By interest/profit rate sensitivity		
Fixed rate		
- housing loans/financing	1,508,587	1,501,691
- hire-purchase receivables	10,659,810	9,703,885
- other fixed rate loans/financing	12,473,375	8,129,335
Variable rate		
- base lending/financing rate plus	31,737,337	27,386,890
- cost-plus	18,973,533	18,203,737
- other variable rates	4,687,037	4,709,467
	<u>80,039,679</u>	<u>69,635,005</u>



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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	Group	
	Unaudited As at 30 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000
A16. Loans, Advances and Financing (continued)		
(d) By purpose		
Purchase of securities	3,766,307	2,408,854
Purchase of transport vehicles	9,271,371	8,225,802
Purchase of landed property:		
- residential	17,962,412	16,002,278
- non-residential	4,685,919	3,943,025
Purchase of property, plant and equipment other than land and building	3,443,544	3,757,180
Personal use	2,280,875	2,081,904
Credit card	2,673,632	2,247,498
Purchase of consumer durables	56,521	61,414
Construction	2,651,004	2,218,554
Working capital	21,106,013	22,217,787
Other purpose	12,142,081	6,470,709
	<u>80,039,679</u>	<u>69,635,005</u>
(e) By remaining contractual maturities		
Maturity within one year	27,373,627	20,552,606
One year to three years	5,145,171	4,832,451
Three years to five years	9,756,720	8,217,320
Over five years	37,764,161	36,032,628
	<u>80,039,679</u>	<u>69,635,005</u>



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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	Group	
	Unaudited As at 30 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000
A16. Loans, Advances and Financing (continued)		
(f) Impaired loans, advances and financing		
(i) Movements in impaired loans, advances and financing are as follows:		
Balance as at the beginning of the financial period/year		
- As previously stated	3,253,499	2,840,118
- Effect of adoption of FRS 139	1,384,069	-
- As restated	4,637,568	2,840,118
Classified as impaired during the financial period/year	3,001,865	3,871,236
Amount recovered	(752,637)	(396,318)
Reclassified as non-impaired during the financial period/year	(1,973,913)	(2,502,944)
Amount written off	(388,943)	(559,943)
Exchange difference	(13,646)	1,350
Balance as at the end of the financial period/year	<u>4,510,294</u>	<u>3,253,499</u>
(ii) By purpose		
Purchase of securities	130,045	4,705
Purchase of transport vehicles	227,035	180,867
Purchase of landed property:		
- residential	1,123,890	1,088,996
- non-residential	297,396	167,974
Purchase of property, plant and equipment other than land and building	216,546	114,830
Personal use	90,258	92,830
Credit card	66,412	69,677
Purchase of consumer durables	3,706	3,745
Construction	210,575	105,533
Working capital	2,076,586	1,376,343
Other purpose	67,845	47,999
	<u>4,510,294</u>	<u>3,253,499</u>



**RHB CAPITAL BERHAD (312952 – H)
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	Group	
	Unaudited As at 30 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000
A16. Loans, Advances and Financing (continued)		
(f) Impaired loans, advances and financing (continued)		
(iii) By geographical distribution		
In Malaysia	4,358,399	3,072,824
Outside Malaysia		
- Singapore operations	124,148	164,374
- Thailand operations	23,219	8,896
- Brunei operations	4,528	7,405
	4,510,294	3,253,499
(iv) Movements in allowance for impaired loans, advances and financing are as follows:		
<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	1,351,202	-
Allowance made	244,747	-
Amount recovered	(61,748)	-
Amount written off	(91,889)	-
Exchange difference	(7,502)	-
Balance as at the end of the financial period/year	1,434,810	-
<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	1,614,354	-
Net allowance made	506,992	-
Amount recovered	(193,375)	-
Amount written off	(287,521)	-
Exchange difference	(4,424)	-
Balance as at the end of the financial period/year	1,636,026	-



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	Group	
	Unaudited	Audited
	As at 30 Sept 2010	As at 31 Dec 2009
	RM'000	RM'000
A16. Loans, Advances and Financing (continued)		
(f) Impaired loans, advances and financing (continued)		
(iv) Movements in allowance for impaired loans, advances and financing are as follows:		
<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	<u>(1,757,142)</u>	-
- 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	<u>-</u>	<u>1,757,142</u>
<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	<u>(954,772)</u>	-
- As restated	-	1,106,697
Net allowance written back	-	(152,103)
Exchange difference	-	178
Balance as at the end of the financial period/year	<u>-</u>	<u>954,772</u>

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 30 Sept 2010	As at 31 Dec 2009	As at 30 Sept 2010	As at 31 Dec 2009
	RM'000	RM'000	RM'000	RM'000
A17. Other Assets				
Other debtors, deposits and prepayments	636,156	386,134	42,738	40,343
Deposit for proposed acquisition of PT Bank Mestika Dharma (refer to Note B8(b))	112,515	112,515	112,515	112,515
Accrued interest receivable	217,529	207,765	7	191
	<u>966,200</u>	<u>706,414</u>	<u>155,260</u>	<u>153,049</u>



**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	Group	
	Unaudited As at 30 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000
A18. Deposits from Customers		
(a) By type of deposits		
Demand deposits	19,156,046	18,597,038
Savings deposits	5,752,650	5,663,371
Fixed deposits	66,274,802	60,264,247
Negotiable instruments of deposits	257,407	316,409
	<u>91,440,905</u>	<u>84,841,065</u>
(b) By type of customer		
Government and statutory bodies	7,250,861	6,566,945
Business enterprises	53,774,672	50,519,461
Individuals	26,913,375	25,372,763
Others	3,501,997	2,381,896
	<u>91,440,905</u>	<u>84,841,065</u>
(c) By maturity structure of fixed deposits and negotiable instruments of deposits		
Due within six months	56,510,909	51,127,186
Six months to one year	9,709,548	8,801,962
One year to three years	284,306	645,883
Three years to five years	26,881	5,382
Over five years	565	243
	<u>66,532,209</u>	<u>60,580,656</u>



**RHB CAPITAL BERHAD (312952 – H)
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	Group	
	Unaudited	Audited
	As at 30 Sept 2010	As at 31 Dec 2009
	RM'000	RM'000
A19. Deposits and Placements of Banks and Other Financial Institutions		
Licensed banks	6,186,314	4,412,113
Licensed Islamic banks	-	802,720
Licensed investment banks	3,000	100,000
BNM	2,177,533	690,006
Other financial institutions	2,272,917	1,411,186
	<u>10,639,764</u>	<u>7,416,025</u>

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 30 Sept 2010	As at 31 Dec 2009	As at 30 Sept 2010	As at 31 Dec 2009
	RM'000	RM'000	RM'000	RM'000
A20. Other Liabilities				
Accrued interest payable	446,418	357,376	21,703	55,790
Other creditors and accruals	1,016,895	758,212	3,531	6,043
General insurance fund	371,131	201,169	-	-
Short term employee benefits	124,557	167,572	-	-
Lessee deposits	71,111	74,864	-	-
Prepaid instalment	76,723	76,602	-	-
Remisiers' trust deposits	9,130	8,624	-	-
Amount due to Danaharta	1,775	1,824	-	-
Amount payable for creation of units due to funds	122	-	-	-
	<u>2,117,862</u>	<u>1,646,243</u>	<u>25,234</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

Nine months ended 30 September 2010

	Corporate & Investment Banking	Retail Banking	Treasury and Money Market	Islamic Banking Business	International Banking	Others	Intersegment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
External revenue	896,794	2,205,389	906,640	249,521	200,882	11,415	-	4,470,641
Intersegment revenue	13,677	12,877	16,897	1,218	2,604	23,578	(70,851)	-
Segment revenue	910,471	2,218,266	923,537	250,739	203,486	34,993	(70,851)	4,470,641
Segment results	389,225	807,174	405,367	101,007	48,189	90,742	-	1,841,704
Unallocated expenses								(466,887)
Profit after unallocated expenses								1,374,817
Share of results of an associate								12
Share of results of a joint venture								567
Profit before taxation								1,375,396
Taxation								(327,623)
Net profit for the financial period								1,047,773



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A21. Segment Information (continued)

Revenue and Results

Nine months ended 30 September 2009

	Corporate & Investment Banking	Retail Banking	Treasury and Money Market	Islamic Banking Business	International Banking	Others	Intersegment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
External revenue	716,785	2,037,893	789,723	240,955	233,341	15,911	-	4,034,608
Intersegment revenue	17,121	13,805	16,385	2,705	2,357	17,533	(69,906)	-
Segment revenue	<u>733,906</u>	<u>2,051,698</u>	<u>806,108</u>	<u>243,660</u>	<u>235,698</u>	<u>33,444</u>	<u>(69,906)</u>	<u>4,034,608</u>
Segment results	255,554	707,047	277,885	87,059	50,246	107,548	-	1,485,339
Unallocated expenses								<u>(324,425)</u>
Profit after unallocated expenses								1,160,914
Share of results of an associate								32
Share of results of a joint venture								358
Profit before taxation								<u>1,161,304</u>
Taxation								<u>(290,636)</u>
Net profit for the financial period								<u><u>870,668</u></u>



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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 nine months ended 30 September 2010, other than as summarised below:

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

Positive Properties became 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 cash consideration of RM35,003,874. The effect of the acquisition on the Group's financial results and position as at 30 September 2010 are as follows:

	At date of acquisition RM'000
Property, plant and equipment	62,000
Cash, bank balances and deposits with banks	812
Other receivables, deposits and prepayments	84
Tax recoverable	61
Other payables	(43)
Deferred tax liabilities	(2,026)
	<hr/>
Fair value of total net assets	60,888
Less: Amount accounted for as an associate at date of acquisition	(11,192)
Less: Fair value adjustment on net assets attributable to equity interest held previously, net of tax	(19,252)
	<hr/>
Fair value of net assets acquired at date of acquisition	30,444
Goodwill arising from consolidation	4,560
	<hr/>
Total purchase consideration	35,004
Less: Cash and cash equivalents of subsidiary acquired	(812)
	<hr/>
Net cash outflow of the Group on acquisition of subsidiary	34,192
	<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)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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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 September 2010 are as follows:

	As at 30 Sept 2010 RM'000
Property, plant and equipment	62,000
Cash, bank balances and deposits with banks	840
Other receivables, deposits and prepayments	40
Tax recoverable	67
Other payables	(7)
Deferred tax liabilities	<u>(2,027)</u>
Group's share of net assets	60,913
Less: Amount accounted for as an associate at date of acquisition	(11,192)
Less: Group's share of profit had the Group not acquired the additional interest	<u>(4)</u>
Increase in Group's net assets	<u><u>49,717</u></u>

(b) Acquisition of RHB Property Management Sdn Bhd ('RHBPM')

RHBPM became a wholly-owned subsidiary of RHB Hartanah, a wholly-owned subsidiary of the Company with effect from 16 July 2010 pursuant to the acquisition of the entire issued and paid-up share capital of RHBPM. The acquisition was settled via cash consideration of RM5,360,005. The effect of the acquisition on the Group's financial results and position as at 30 September 2010 are as follows:

	At date of acquisition RM'000
Property, plant and equipment	64
Cash, bank balances and deposits with banks	1,869
Other receivables, deposits and prepayments	820
Tax recoverable	1,520
Inventory	19
Amount due from holding company	4,039
Amount due from related companies	1,159
Other payables	(1,031)
Tax liabilities	(1,660)
Amount due to related companies	(1,413)
Deferred tax liabilities	<u>(5)</u>
Fair value of net assets acquired at date of acquisition	5,381
Negative goodwill arising from consolidation	<u>(21)</u>
Total purchase consideration	5,360
Less: Cash and cash equivalents of subsidiary acquired	<u>(1,869)</u>
Net cash outflow of the Group on acquisition of subsidiary	<u><u>3,491</u></u>

The financial results of RHBPM 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)

(b) Acquisition of RHB Property Management Sdn Bhd ('RHBPM') (continued)

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

	As at 30 Sept 2010 RM'000
Property, plant and equipment	54
Cash, bank balances and deposits with banks	6,395
Other receivables, deposits and prepayments	1,013
Tax recoverable	1,520
Inventory	17
Amount due from holding company	70
Amount due from related companies	2,337
Other payables	(1,284)
Tax liabilities	(1,610)
Amount due to related companies	(2,913)
Deferred tax liabilities	(5)
	<hr/>
Increase in Group's net assets	<u>5,594</u>



**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 Sept 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	2,736,663	2,671,630	3,045,596	2,251,758	2,251,758	2,014,053
Transaction-related contingent items	1,894,563	925,088	1,018,488	2,197,336	1,098,669	842,297
Short term self-liquidating trade-related contingencies	790,108	155,642	122,369	1,671,688	334,338	222,581
Obligations under underwriting agreements	214,644	107,322	52,494	430,900	215,450	163,615
Other assets sold with recourse and commitments with certain drawdown	176,375	176,375	55,728	-	-	-
Irrevocable commitments to extend credit						
- maturity not exceeding one year	31,192,936	1,668,877	1,060,036	29,508,470	310,873	310,873
- maturity exceeding one year	4,329,646	1,226,860	1,028,311	5,496,841	2,654,057	2,039,733
Foreign exchange related contracts						
- less than one year	18,745,939	286,314	148,387	10,094,034	143,085	46,885
- one year to less than five years	1,221,962	170,648	53,833	1,419,297	185,127	63,620



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

(a) Commitments and Contingencies (continued)

Group	Unaudited			Audited		
	As at 30 Sept 2010			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
Interest rate related contracts						
- less than one year	3,350,301	16,638	4,290	2,638,766	10,583	2,116
- one year to less than five years	8,996,819	294,478	69,432	8,108,858	375,480	85,236
- more than five years	530,000	58,619	11,724	885,352	89,164	21,674
Commodity contracts						
- less than one year	11,169	-	-	-	-	-
Others	53,050	20,965	12,856	2,530,883	-	-
	74,244,175	7,779,456	6,683,544	67,234,183	7,668,584	5,812,683

* 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.

With effect from 1 July 2010, the credit equivalent amount ('CE') and risk weighted amount ('RWA') of the Group are an aggregate of CE and RWA of:

- (i) its commercial banking subsidiary, which is computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework: IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II);
- (ii) its Islamic 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 Basic Indicator Approach for Operational Risk (Basel II); and
- (iii) its investment banking subsidiary which is computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

For 31 December 2009, the CE and RWA of the Group were an aggregate of CE and RWA of:

- (i) its commercial banking subsidiary, which was computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market Risk (Basel I);
- (ii) its Islamic banking subsidiary which was computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit Risk and Basic Indicator Approach for Operational Risk (Basel II); and
- (iii) its investment banking subsidiary which was computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).



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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 nine months ended 30 September 2010.

A26. Capital Commitments

	Group	
	Unaudited	Audited
	As at	As at
	30 Sept 2010	31 Dec 2009
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- authorised and contracted for	80,442	59,757
- authorised but not contracted for	85,323	103,259
	165,765	163,016
Proposed acquisition of Bank Mestika (refer to Note B8(b))	1,050,611	1,050,611
	1,216,376	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.

With effect from 1 July 2010, the capital ratios of RHB Bank are computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework: IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II). The capital ratios of RHB Investment Bank are computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II). The capital ratios of RHB Islamic Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

The capital ratios of RHB Bank for 31 December 2009 was computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework for Credit and Market Risk ('Basel I'). The bank has applied paragraph 7.2 of Risk Weighted Capital Adequacy Framework ('Basel II') - Disclosure Requirements (Pillar 3) dated 5 February 2010, where the Bank is exempted from disclosing comparative figures in the previous reporting period.

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

	RHB Bank		RHB Investment Bank		RHB Islamic Bank	
	Unaudited As at 30 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000	Unaudited As at 30 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000	Unaudited As at 30 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000
Tier I capital						
Paid-up ordinary share capital	3,318,085	3,318,085	263,646	263,646	523,424	523,424
Hybrid Tier-1 Capital Securities	597,167	596,996	-	-	-	-
Share premium	8,563	8,563	-	-	-	-
Retained profits	1,979,504	1,696,589	34,298	220,169	167,172	167,172
Other reserves (exclude AFS reserve)	2,534,683	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)	-	-
Total Tier I capital	7,308,997	6,878,613	418,308	604,179	871,289	871,289
Tier II capital						
Subordinated obligations	3,000,000	2,000,000	209,154	245,000	-	-
Collective assessment allowance	242,512	-	1,379	-	104,831	-
General allowance for bad and doubtful debts	-	862,725	-	1,137	-	88,984
Total Tier II capital	3,242,512	2,862,725	210,533	246,137	104,831	88,984



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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)

	RHB Bank		RHB Investment Bank		RHB Islamic Bank	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	As at 30 Sept 2010	As at 31 Dec 2009	As at 30 Sept 2010	As at 31 Dec 2009	As at 30 Sept 2010	As at 31 Dec 2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Less:						
Investments in subsidiaries	(622,666)	(622,666)	(84,970)	(58,270)	-	-
Investments in a joint venture	-	-	(27,399)	(27,399)	-	-
Securitisation exposures subject to deductions [#]	-	-	(457)	-	-	-
Excess of total Expected Loss over total Eligible Provision under the IRB approach	(203,926)	-	-	-	-	-
Other deductions*	(3,240)	(3,230)	(420)	(422)	(2)	(12)
Eligible Tier II Capital	<u>2,412,680</u>	<u>2,236,829</u>	<u>97,287</u>	<u>160,046</u>	<u>104,829</u>	<u>88,972</u>
Total capital base	<u>9,721,677</u>	<u>9,115,442</u>	<u>515,595</u>	<u>764,225</u>	<u>976,118</u>	<u>960,261</u>
<u>Before deducting proposed dividends</u>						
Core capital ratio	8.82%	10.55%	22.16%	35.58%	11.79%	12.50%
Risk-weighted capital adequacy ratio (RWCR)	11.73%	13.99%	27.31%	45.01%	13.21%	13.78%
<u>After deducting proposed dividends</u>						
Core capital ratio	8.82%	10.41%	22.16%	24.64%	11.79%	12.50%
Risk-weighted capital adequacy ratio	11.73%	13.84%	27.31%	31.95%	13.21%	13.78%

[#] 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:

	RHB Bank		RHB Investment Bank		RHB Islamic Bank	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	As at 30 Sept 2010	As at 31 Dec 2009	As at 30 Sept 2010	As at 31 Dec 2009	As at 30 Sept 2010	As at 31 Dec 2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit risk	75,298,530	64,025,583	1,185,894	1,118,845	6,769,955	6,401,766
Market risk	1,161,498	1,118,776	277,767	148,681	60,665	9,114
Indicator operational risk	6,400,970	-	424,118	430,394	559,466	558,743
	<u>82,860,998</u>	<u>65,144,359</u>	<u>1,887,779</u>	<u>1,697,920</u>	<u>7,390,086</u>	<u>6,969,623</u>



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	Group	
	Unaudited	Audited
	As at	As at
	<u>30 Sept 2010</u>	<u>31 Dec 2009</u>
	RM'000	RM'000
A28. Operations of Islamic Banking		
(a) Statement of Financial Position as at 30 September 2010		
ASSETS		
Cash and short-term funds	2,118,101	2,273,441
Deposits and placements with banks and other financial institutions	330,000	305,000
Financial assets held-for-trading	103,854	30,931
Financial investments available-for-sale	1,593,871	1,195,204
Financial investments held-to-maturity	1,105,933	1,042,352
Financing and advances	6,870,106	5,842,302
Other assets	87,105	59,322
Deferred tax assets	18,982	17,046
Tax recoverable	9,427	15,666
Statutory deposits	85,940	69,240
Property, plant and equipment	23,777	23,083
Intangible assets	24,151	27,601
Total assets	<u>12,371,247</u>	<u>10,901,188</u>
LIABILITIES AND ISLAMIC BANKING FUNDS		
Deposits from customers	9,435,096	8,127,782
Deposits and placements of banks and other financial institutions	1,133,000	1,288,620
Bills and acceptances payable	15,316	25,228
Other liabilities	203,437	88,718
Total liabilities	<u>10,786,849</u>	<u>9,530,348</u>
Islamic Banking Funds	1,584,398	1,370,840
Total liabilities and Islamic Banking Funds	<u>12,371,247</u>	<u>10,901,188</u>
Commitments and contingencies	<u>2,782,949</u>	<u>2,815,528</u>



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3rd quarter ended		Nine months ended	
30 Sept	30 Sept	30 Sept	30 Sept
2010	2009	2010	2009
RM'000	RM'000	RM'000	RM'000

A28. Operations of Islamic Banking (continued)

(b) Income Statement for the nine months ended 30 September 2010

Group

Income derived from investment of depositors' funds	132,077	110,919	352,652	320,535
Income derived from investment of shareholder's funds	13,541	13,114	42,813	34,864
Allowance for impairment on financing and advances	(10,354)	(20,678)	(60,513)	(73,367)
Profit equalisation reserve	(947)	(3,335)	(1,919)	2,401
Total distributable income	134,317	100,020	333,033	284,433
Income attributable to depositors	(58,609)	(41,438)	(144,025)	(116,845)
	75,708	58,582	189,008	167,588
Personnel expenses	(13,909)	(14,856)	(44,324)	(42,589)
Other overheads and expenditures	(23,025)	(24,867)	(70,620)	(70,425)
Profit before taxation	38,774	18,859	74,064	54,574
Taxation	(9,226)	(8,987)	(17,367)	(26,482)
Net profit for the financial period	29,548	9,872	56,697	28,092



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3rd quarter ended		Nine months ended	
30 Sept	30 Sept	30 Sept	30 Sept
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 nine months ended 30 September 2010

Group				
Net profit for the financial period	<u>29,548</u>	9,872	<u>56,697</u>	28,092
Other comprehensive income/(loss):				
Financial investments available-for-sale				
- Unrealised gain/(loss) on revaluation	13,492	3,660	14,684	(4,938)
- Net transfer to income statement on disposal or impairment	(1,031)	-	(2,793)	(9,522)
Income tax relating to components of other comprehensive income/(loss)	<u>(3,119)</u>	(918)	<u>(2,984)</u>	3,920
Other comprehensive income/(loss) for the financial period	<u>9,342</u>	2,742	<u>8,907</u>	(10,540)
Total comprehensive income for the financial period	<u><u>38,890</u></u>	<u>12,614</u>	<u><u>65,604</u></u>	<u>17,552</u>



RHB CAPITAL BERHAD (312952 – H)
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FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Group	
	Unaudited	Audited
	As at	As at
	<u>30 Sept 2010</u>	<u>31 Dec 2009</u>
	RM'000	RM'000
A28. Operations of Islamic Banking (continued)		
(d) Financing and Advances		
At amortised cost		
Cashline	130,374	87,557
Term financing		
- housing financing	2,228,628	1,872,246
- syndicated term financing	333,590	793,288
- hire purchase receivables	1,788,396	1,215,426
- other term financing	1,851,191	1,297,163
Claims on customers under acceptance credit	568,819	503,119
Trust receipts	22,906	32,787
Staff financing	11,677	12,990
Credit/charge cards receivables	16	-
Revolving financing	522,113	451,209
	<u>7,457,710</u>	<u>6,265,785</u>
Less: Unearned income	(275,028)	(179,697)
Gross financing and advances	<u>7,182,682</u>	<u>6,086,088</u>
Less: Allowance for impaired financing and advances		
- individual assessment allowance	(153,173)	-
- collective assessment allowance	(159,403)	-
- specific allowance	-	(154,802)
- general allowance	-	(88,984)
Net financing and advances	<u><u>6,870,106</u></u>	<u><u>5,842,302</u></u>



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	Group	
	Unaudited	Audited
	As at	As at
	30 Sept 2010	31 Dec 2009
	RM'000	RM'000
A28. Operations of Islamic Banking (continued)		
(d) Financing and Advances (continued)		
(i) Movements in impaired financing and advances		
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	411,351	424,210
Reclassified as non-impaired during the financial period/year	(239,462)	(239,410)
Amount recovered	(33,956)	(40,005)
Amount written off	-	(35,212)
Balance as at the end of the financial period/year	<u><u>616,345</u></u>	<u><u>376,940</u></u>
(ii) Movements in the allowance for impaired financing and advances		
<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	56,542	-
Amount recovered	(9,939)	-
Amount written off	(465)	-
Balance as at the end of the financial period/year	<u><u>153,173</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	140,428	-
- As restated	<u>140,428</u>	<u>-</u>
Allowance made	18,975	-
Balance as at the end of the financial period/year	<u><u>159,403</u></u>	<u><u>-</u></u>



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	Group	
	Unaudited	Audited
	As at	As at
	<u>30 Sept 2010</u>	<u>31 Dec 2009</u>
	RM'000	RM'000
A28. Operations of Islamic Banking (continued)		
(d) Financing and Advances (continued)		
(ii) Movements in allowance for impaired financing and advances (continued)		
<u>Specific allowance</u>		
Balance as at the beginning of the financial period/year		
- As previously reported	154,802	92,581
- Effect of adoption of FRS 139	(154,802)	-
- 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	88,984	97,984
- Effect of adoption of FRS 139	(88,984)	-
- 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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	Group	
	Unaudited	Audited
	As at	As at
	<u>30 Sept 2010</u>	<u>31 Dec 2009</u>
	RM'000	RM'000
A28. Operations of Islamic Banking (continued)		
(e) Other Assets		
Income receivable	27,225	28,681
Deposits and prepayments	46,145	22,227
Sundry deposits debtors	1,251	1,352
Other debtors	12,484	7,062
	<u>87,105</u>	<u>59,322</u>
(f) Deposits from Customers		
<u>Non-Mudharabah Funds</u>		
Demand deposits	1,596,465	1,607,302
Savings deposits	558,626	563,317
Negotiable Islamic Debt Certificates	4,920	4,754
	<u>2,160,011</u>	<u>2,175,373</u>
<u>Mudharabah Funds</u>		
Demand deposits	365,686	374,513
General investment deposits	1,582,557	1,166,442
Special investment deposits	5,326,842	4,411,454
	<u>9,435,096</u>	<u>8,127,782</u>



**RHB CAPITAL BERHAD (312952 – H)
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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.



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

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:

	Balance as at 1 January 2010, as previously reported	Effect of adoption of FRS 139	Adjusted balance as at 1 January 2010, as restated
	RM'000	RM'000	RM'000
<u>Group</u>			
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



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B1. Review of Group Results

For the nine months ended 30 September 2010, the Group recorded a profit before taxation of RM1,375.4 million, 18% higher than the previous year corresponding period of RM1,161.3 million.

The higher profit was mainly due to higher net interest income by RM178.7 million, lower allowance for impairment on loans, advances and financing by RM117.8 million, higher other operating income by RM86.3 million and higher income from Islamic Banking business by RM8.6 million, partly offset by higher impairment losses on other assets by RM53.4 million and higher other operating expenses by RM124.1 million.

B2. Changes in Profit for the Quarter

For the third quarter ended 30 September 2010, the Group recorded a profit before taxation of RM453.2 million, 1% higher as compared to RM447.9 million recorded in the preceding quarter ended 30 June 2010. The higher profit was mainly due to higher net interest income by RM107.1 million, lower impairment losses on other assets by RM22.4 million and higher income from Islamic Banking business by RM6.9 million, partly offset by lower other operating income by RM13.2 million, higher other operating expenses by RM36.2 million and higher allowance for impairment on loans, advances and financing by RM81.9 million.

B3. Prospects for the Financial Year Ending 31 December 2010

The Malaysian economy is expected to grow by 7% for the full year of 2010, having recorded a strong growth of 8.0% for the first nine months of the year. In line with this forecast, the Malaysian banking sector will remain robust underpinned by high capitalisation, stable asset quality and strong liquidity position.

Market demand for banking products and services is expected to remain strong and active and the Group will continue to focus on building up its respective market shares in its core businesses. The introduction of "EASY by RHB" (RHB's simple, fast and paperless community banking initiative) has progressed well and has now over 100 outlets opened to date. In addition, capital markets activities will continue to be active in the next quarter and the Group is well positioned to benefit from the continued economic growth.

The Group is confident to achieve a satisfactory performance for 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.

	3rd quarter ended		Nine months ended	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
	RM'000	RM'000	RM'000	RM'000
B5. Taxation				
Group				
Income tax based on profit for the financial period				
- Malaysian income tax	110,130	84,276	355,817	279,113
- Overseas tax	78	108	745	961
Deferred tax	(5,516)	15,910	(24,103)	15,536
	104,692	100,294	332,459	295,610
(Over)/Under provision in respect of prior years	(6,048)	9,312	(4,836)	(4,974)
	98,644	109,606	327,623	290,636

The effective tax rate of the Group for the third quarter and nine months ended 30 September 2010 was lower than the statutory tax rate mainly due to offshore/overseas operations and certain income not subject to tax.



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B5. Taxation (continued)

	3rd quarter ended		Nine months ended	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
	RM'000	RM'000	RM'000	RM'000
Company				
Income tax based on profit for the financial period				
- Malaysian income tax	39,755	(5,587)	115,042	49,182
Under provision in respect of prior years	25	2,505	25	2,505
	<u>39,780</u>	<u>(3,082)</u>	<u>115,067</u>	<u>51,687</u>

The effective tax rate of the Company for the third quarter and nine months ended 30 September 2010 is higher than the statutory tax rate mainly due to non-deductibility of certain expenses.

B6. Purchase and Sale of Quoted Securities

There were no purchases or sales of quoted securities during the nine months ended 30 September 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 nine months ended 30 September 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;



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B8. Status of Corporate Proposals (continued)

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

- (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.

On 11 October 2010, the Company announced that RHB Investment Bank has not made any issuance of the HT1 Securities to date and has decided not to proceed with the issuance of the HT1 Securities given that its core financial ratios remain at levels adequate to support its current level of operations. As such, the proposed HT1 Securities has been cancelled with effect from 10 October 2010.

(b) 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;
- (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.



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B8. Status of Corporate Proposals (continued)

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

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.

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.



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B8. Status of Corporate Proposals (continued)

(c) 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.

BNM had via its letter dated 24 September 2010 approved the Proposed Acquisition as announced by the Company on 27 September 2010.

Subsequent thereto, the Company and Nissay Dowa had on 30 September 2010, entered into a share sale agreement ('SSA') and the salient terms of the SSA are as contained in the announcement of the Company dated 30 September 2010. In an announcement made on 8 October 2010, the Company announced that the Proposed Acquisition has been completed on the same date.

(d) Internal Reorganisation

The Company announced on 30 September 2010 that RHB Private Equity Holdings Sdn Bhd ('PEHSB'), a wholly-owned subsidiary of RHB Investment Bank, which in turn is a wholly-owned subsidiary of the Company had, on even date completed the acquisition of 100% issued and paid-up ordinary share capital of RHB Private Equity Fund Ltd, comprising one (1) ordinary share of USD1.00 each for a cash consideration of USD1.00 from RHB Private Equity Management Ltd, a wholly-owned subsidiary of PEHSB ('Internal Reorganisation').

The Internal Reorganisation will result in an optimal corporate structure for RHB Capital Group's private equity business and which in turn will facilitate growth. The Internal Reorganisation is not subject to the approval of the shareholders of RHB Capital or any regulatory authorities. In addition, the Internal Reorganisation will not have any effect on the share capital, substantial shareholding structure and financials of the RHB Capital Group.



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B8. Status of Corporate Proposals (continued)

(e) Incorporation of a new subsidiary

The Company announced on 13 October 2010 that RHB Investment Management Sdn Bhd ('RHBIM'), a wholly-owned subsidiary of RHB Investment Bank which in turn is a wholly-owned subsidiary of RHB Capital, has incorporated a new wholly-owned subsidiary by the name of RHB Islamic Asset Management Sdn Bhd ('RHBIAM').

RHBIAM was incorporated in Malaysia on 11 October 2010 with an authorised share capital of RM5,000,000 comprising of 5,000,000 ordinary shares of RM1.00 each, of which two (2) ordinary shares are fully issued and paid-up.

Subject to regulatory approvals, the principal activity of RHBIAM would be to carry on business as Islamic investment managers, advisers, consultants, and to provide investment management, advisory, consultancy services of every description in accordance with Shariah principles, rules and practices.

The incorporation of RHBIAM is not expected to have any material effect on the earnings and net assets of the RHB Capital Group for the financial year ending 31 December 2010.

None of the Directors, major shareholders of RHB Capital and/or persons connected to them has any interest, direct or indirect, in the incorporation of RHBIAM.



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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	Audited
	As at 30 Sept 2010 RM'000	As at 31 Dec 2009 RM'000
(a) Deposits from customers and placements of banks and other financial institutions		
Deposits from customers		
- one year or less	91,129,153	84,189,557
- more than one year	311,752	651,508
	<u>91,440,905</u>	<u>84,841,065</u>
Deposits and placements of banks and other financial institutions		
- one year or less	10,020,331	6,751,343
- more than one year	619,433	664,682
	<u>10,639,764</u>	<u>7,416,025</u>

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 30 Sept 2010 RM'000	As at 31 Dec 2009 RM'000	As at 30 Sept 2010 RM'000	As at 31 Dec 2009 RM'000
(b) Borrowings				
Unsecured:				
Revolving credits	705,050	646,000	777,300	648,800
Overdrafts	37	1,357	37	1,357
Term loans - RM	800,000	800,000	1,060,000	1,060,000
Term loan - USD	817,923	958,720	-	-
RM600 million 6 years				
Serial Fixed Rate Bonds	299,783	449,147	299,783	449,147
RM350 million				
Fixed Rate Bonds	346,636	345,448	346,636	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	630,000	555,000	630,000	555,000
	<u>3,673,429</u>	<u>3,829,672</u>	<u>3,187,756</u>	<u>3,133,752</u>
Schedule repayment of borrowings:				
Within one year	1,435,600	1,842,717	1,706,120	1,794,157
One year to three years	1,247,259	845,755	1,046,636	904,595
Three years to five years	635,622	768,840	435,000	435,000
Over five years	354,948	372,360	-	-
	<u>3,673,429</u>	<u>3,829,672</u>	<u>3,187,756</u>	<u>3,133,752</u>



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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 Sept 2010 RM'000	Audited As at 31 Dec 2009 RM'000
(c) Subordinated obligations		
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	700,000	-
5.6% RM300 million Tier II subordinated notes 2010/2025	300,000	-
5.3% RM200 million Tier II subordinated notes 2007/2017	200,000	195,000
5.5% RM45 million Tier II subordinated notes 2008/2018	45,000	45,000
	<u>3,245,000</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 Sept 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	367,167	366,996
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>592,167</u>	<u>591,996</u>



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B10. Derivatives Financial Instruments

Details of derivative financial instruments outstanding as at 30 September 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 September 2010			Audited As at 31 Dec 2009		
	<u>Contract/ Notional Amount</u> RM'000	<u>Fair Value</u>		<u>Contract/ Notional Amount</u> RM'000	<u>Fair Value</u>	
		<u>Assets</u> RM'000	<u>Liabilities</u> RM'000		<u>Assets</u> RM'000	<u>Liabilities</u> RM'000
Foreign exchange related contracts						
- forwards	3,984,511	40,067	104,764	3,130,993	17,243	32,704
- swaps	8,195,054	124,572	54,365	5,930,615	35,563	30,204
- options	157,238	437	393	167,251	701	660
- spots	6,409,136	5,026	4,936	906,263	2,018	1,361
- cross-currency	1,221,962	6,759	9,341	1,378,209	22,534	20,695
Subtotal	<u>19,967,901</u>	<u>176,861</u>	<u>173,799</u>	<u>11,513,331</u>	<u>78,059</u>	<u>85,624</u>
Interest rate related contracts						
- futures	270,000	-	1,634	990,000	-	6,499
- swaps	12,607,120	154,744	124,990	10,642,976	143,370	140,231
Subtotal	<u>12,877,120</u>	<u>154,744</u>	<u>126,624</u>	<u>11,632,976</u>	<u>143,370</u>	<u>146,730</u>
Commodity contracts						
- forwards	11,169	-	-	-	-	-
Subtotal	<u>11,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>32,856,190</u>	<u>331,605</u>	<u>300,423</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 September 2010 are as follows: (continued)

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

Group	Unaudited			Audited		
	As at 30 September 2010			As at 31 Dec 2009		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
RM'000	Assets	Liabilities	RM'000	Assets	Liabilities	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Foreign exchange related contracts						
- Less than 1 year	18,745,939	170,102	164,458	10,094,034	55,215	64,663
- 1 year to 3 years	7,760	179	174	49,697	800	749
- More than 3 years	1,214,202	6,580	9,167	1,369,600	22,044	20,212
Subtotal	19,967,901	176,861	173,799	11,513,331	78,059	85,624
Interest rate related contracts						
- Less than 1 year	3,294,909	38,478	13,484	2,716,502	10,707	22,069
- 1 year to 3 years	6,360,164	66,093	63,987	3,563,812	51,249	46,150
- More than 3 years	3,222,047	50,173	49,153	5,352,662	81,414	78,511
Subtotal	12,877,120	154,744	126,624	11,632,976	143,370	146,730
Commodity contracts						
- Less than 1 year	11,169	-	-	-	-	-
Subtotal	11,169	-	-	-	-	-
Total	32,856,190	331,605	300,423	23,146,307	221,429	232,354



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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 September 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	3,984,511	1,922,016	904,068	734,870	423,557	-	-
- swaps	8,195,054	5,920,406	920,579	643,796	710,273	-	-
- options	157,238	114,930	30,700	11,608	-	-	-
- spots	6,409,136	6,408,673	463	-	-	-	-
- cross-currency	1,221,962	-	-	-	-	7,760	1,214,202
Interest rate related contracts							
- futures	270,000	-	130,000	-	-	140,000	-
- swaps	12,607,120	156,089	572,844	620,000	1,815,976	6,220,164	3,222,047
Commodity contracts							
- forwards	11,169	11,169	-	-	-	-	-
Total	32,856,190	14,533,283	2,558,654	2,010,274	2,949,806	6,367,924	4,436,249

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, 23 November 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	3,744,869	1,041,802	1,381,168	947,942	373,832	125	-
- swaps	7,813,505	5,316,887	1,445,624	675,557	375,437	-	-
- options	293,382	208,726	57,896	4,228	22,532	-	-
- spots	2,261,407	2,261,407	-	-	-	-	-
- cross-currency	1,238,987	-	-	-	7,869	62,590	1,168,528
Interest rate related contracts							
- futures	270,000	130,000	-	110,000	-	30,000	-
- swaps	13,349,665	423,066	410,000	312,698	1,788,818	6,398,221	4,016,862
Total	28,971,815	9,381,888	3,294,688	2,050,425	2,568,488	6,490,936	5,185,390



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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 hearing on 18 January 2011.

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

No dividend has been declared for the third quarter ended 30 September

B13. Earnings per Share	3rd quarter ended		Nine months ended	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
Basic/diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	<u>351,353</u>	<u>334,809</u>	<u>1,040,113</u>	<u>864,979</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>16.3</u>	<u>15.5</u>	<u>48.3</u>	<u>40.2</u>

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

BY ORDER OF THE BOARD

AZMAN SHAH MD YAMAN
(Licence No. LS0006901)

Company Secretary

29 November 2010