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RHB Capital Berhad first half 2012 net profit up 6% to RM889.4 million

- **Pre-tax profit grew 6% to RM1,184.0 million**
- **Earnings per share increased to 40.3 sen**
- **Annualised ROE at 14.8% and annualised ROA at 1.1%**
- **Total assets expanded 3.9% to RM158.5 billion**
- **Gross loans grew 6.7% in first six months to RM104.0 billion**
- **Proposed interim single-tier dividend of 6.0 sen**

Kuala Lumpur, 27 August 2012

Financial Performance

RHB Capital Berhad ("the Group") today reported a 6% increase in pre-tax profit and net profit to RM1,184.0 million and RM889.4 million respectively. The Group's revenue registered an increase of 6.6% to RM2.3 billion from a year ago. Earnings per share rose to 40.3 sen as compared to 38.8 sen recorded in the corresponding period last year. Annualised return on equity and return on assets was at 14.8% and 1.1% respectively.

With effect from 1 January 2012, the Group adopted the retrospective application of Malaysia Financial Reporting Standards ('MFRS') 139, Financial Instruments: Recognition and Measurement. Pre-tax profit and net profit for the corresponding first half 2011 have been restated to RM1,121.4 million and RM839.1 million respectively. Excluding the effect of the restatement, the pre-tax profit and net profit for the Group would be higher by 13.9% and 14.5% respectively.

The higher pre-tax profit was driven by higher net interest income, strong growth in other operating income and income from Islamic banking business and lower allowance for impairment on loans and financing, partially offset by higher other operating expenses.

First half interest income rose by 9.4% to RM2,956.7 million on the back of a 13.6% increase in gross loans year-on-year. Interest expense was higher by 18.1%, attributed mainly to a higher deposit base and diversification of funding mix with the issuance of RM750 million sub-notes under the Multi-Currency Medium Term Note Programme and USD300 million senior notes under the Euro Medium Term Note Programme during the second quarter. Net interest margin stabilised at 2.40% in the second quarter of 2012 as compared to 2.41% reported in the first quarter 2012.

Other operating income increased by 12.1% to RM653.4 million from 2011, underpinned by higher net gains from trading and investment securities, higher fee income and improvement in fair value on derivatives, partially offset by lower foreign exchange gain.

Income from the Islamic Banking business increased to RM223.8 million, up 29.5% compared to the previous year's corresponding period, driven by a higher net profit income and net gains on disposal of trading and investment securities.

Other operating expenses was higher by 15.7% as a result of ongoing investment into people, products and platform.

Allowance for impairment on loans and financing for the first half of 2012 decreased by RM72.9 million or 47.0% against the previous year corresponding period, mainly due to a one-off major bad debt recovery during the period and lower collective allowances, partially offset by higher individual allowances.

On quarter-to-quarter comparison, the Group registered a pre-tax profit of RM603.2 million, 3.9% higher as compared to RM580.7 million achieved in first quarter. The higher profit was mainly attributable to higher net interest income, lower allowance for impairment on loans and financing and a write back of impairment losses on other assets, partially offset by higher other operating expenses.

Continued Strengthening of Financial Position

Total assets of the Group expanded by 3.9% to RM158.5 billion as at 30 June 2012, mainly due to addition in net loans and investment portfolio.



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Shareholders' equity strengthened by 7.0% to RM12.4 billion with net assets per share improved to RM5.56 against RM5.27 as at 31 December 2011.

Gross loans grew by 6.7% for the first six months of the year to reach RM104.0 billion, with domestic market share stood at 9.3% as at 30 June 2012. The loans growth was broad based, primarily from corporate as well as purchase of securities and residential properties.

Customers deposits advanced by 2.0% to reach RM118.2 billion as at 30 June 2012. Liquidity position remained healthy with loans to deposits ratio stood at 88.0% as at June 2012. The Group continued to diversify its funding mix with an issuance of RM750 million sub-notes and USD300 million senior notes at RHB Bank Berhad during the quarter under review.

Further Improvement in Asset Quality

The Group's gross impaired loans remained stable at RM3.5 billion as at 30 June 2012. Impaired loans ratio improved to 3.33% from 3.59% as at 31 December 2011.

Interim Dividend

"In view of the improved performance of the Group the Board of Directors have proposed an interim single tier dividend of 6.0 sen amounting to RM134.1 million," said Dato' Mohamed Khadar Merican, Chairman of RHB Capital Berhad.

Subject to the necessary approvals being obtained, the earlier shareholders' approved Dividend Reinvestment Plan will be applicable to this interim dividend.

Performance Review of Subsidiaries

For the first half of 2012, RHB Bank Berhad ("RHB Bank") recorded a pre-tax profit of RM1,124.0 million, 12.8% higher than that of RM996.6 million recorded a year ago. The higher profit was mainly due to lower allowance for impairment on loans and financing, partly offset by higher other operating expenses.

RHB Bank's balance sheet remained strong with total assets at RM125.6 billion and shareholders' equity at RM10.4 billion as at 30 June 2012.

As at 30 June 2012, Core Tier-1 and Tier-1 of RHB Bank stood strongly at 11.58% and 12.11% respectively, with Risk-Weighted Capital Adequacy Ratio at 15.98%.

RHB Islamic Bank Berhad achieved a pre-tax profit of RM94.2 million for the first six months of 2012, compared to the previous year corresponding period of RM91.7 million. This was mainly due higher net profit income derived from financing and advances and higher other operating income, offset by higher allowance for impairment on financing and other operating expenses.

RHB Investment Bank Berhad recorded a pre-tax profit of RM47.3 million, 21.0% lower as compared to RM59.9 million achieved in last year corresponding period. This was mainly due to lower net interest income as it continued to execute its strategy as an asset lite investment bank, and lower writeback of impairment losses on other assets.

Significant Corporate Developments

1. RHB Capital Berhad ("the Company") had on 19 October 2009, entered into a conditional sale and purchase agreement ("CSPA") with PT Mestika Benua Mas ("Vendor") to acquire 80% of the issued and paid-up share capital in PT Bank Mestika Dharma for a total cash consideration of Rp3,118 billion ("Proposed Acquisition").

The Proposed Acquisition will be financed via new borrowings, which in turn will be refinanced through the proceeds to be raised from the proposed renounceable rights issue of new ordinary shares of RM1.00 each in RHB Capital, totaling RM1.3 billion ("Proposed Rights Issue"). - 4 -

The Proposed Acquisition has been approved by Bank Negara Malaysia ("BNM") and the Proposed Rights Issue has been approved by Bursa Malaysia Securities Berhad ("Bursa Securities") and the shareholders.

The Company had subsequently assigned all of its rights, titles, interests, benefits and entitlements and novated all of its obligations and liabilities contained in the CSPA, option agreement and escrow agreement pertaining thereto to RHB Venture Capital Sdn Bhd (a wholly-owned subsidiary of the Company), which in turn assigned and novated the same to RHB Bank on 17 December 2010, as the new acquirer for the Proposed Acquisition.

Bursa Securities had on 21 October 2011, granted RHB Capital a further extension of 6 months to 19 April 2012 to complete the implementation of the Proposed Rights Issue, which has since lapsed. The Company, will resubmit an application to Bursa upon obtaining the necessary regulatory approvals for the Proposed Acquisition, of which are still pending at this juncture, given that the Proposed Rights Issue is conditional upon the Proposed Acquisition.

On 29 June 2012, upon mutual agreement between RHB Bank and the Vendor, the conditional period for the completion of the CSPA was further extended from 30 June 2012 to 30 November 2012.

With the issuance of the new foreign ownership ruling by Bank Indonesia in July 2012, the Company is currently engaging relevant authorities and the Vendor in Indonesia for clarification with an aim to complete the transaction.

2. The Company has obtained approval from BNM on 13 October 2011 to commence negotiations with OSK Investment Bank Berhad ("OSKIB"), OSK Holdings Berhad ("OSKH") and major shareholders of OSKH for a possible merger of the businesses ("Proposed Merger").

On 11 January 2012, the Company has submitted an application to BNM for approval of BNM and the Minister of Finance for the Proposed Merger of the businesses of the RHB Banking Group and the OSKIB Group.

The Company has on 27 April 2012 received notification from BNM that the Minister of Finance has granted approval for the Proposed Merger.

On 28 May 2012, the Company had entered into a conditional share purchase agreement ('OSK CSPA') with OSKH for the Proposed Merger.

The Proposed Merger is subject to approvals being obtained from the following:

- a. shareholders of the Company at an Extraordinary General Meeting to be convened for the proposed issuance of new RHB Capital shares as part settlement of the purchase consideration; and
- b. approvals from all regulatory authorities in which OSKIB is present.

Prospects For The Year

The Malaysian economy continued to perform although the external economic environment remains challenging. The Economic Transformation Programme is envisaged to further strengthen and support this positive outlook. The Group expects that the Malaysian economy will grow at 4% to 5% in 2012.

"The RHB Group will continue to strengthen our leadership position in targeted markets and product segments, building strong customer relationships as well as leveraging on the Group's infrastructure and multiple distribution network.

Our key focus is to complete the proposed acquisitions of OSK Investment Bank Group and PT Bank Mestika Dharma. This will enhance the Group's geographical footprint and product offerings. In the second half of the year, we foresee a challenging operating environment and pressure on margins apart from the demanding global economic scenario. However, the Group expects to continue the growth momentum in 2012," added Dato' Khadar.

Financial Performance



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Financial Performance	6 months ended 30 June 2012	Restated 6 months ended 30 June 2011
Operating profit before allowances	1,267,857	1,266,371
Profit before taxation	1,183,957	1,121,449
Profit attributable to equity holders of the Company	889,396	839,149
Earnings per share (sen)	40.3	38.8

Balance sheet	As at 30 June 2012	Restated As at 31 December 2011
Gross loans, advances and financing	103,992,384	97,437,908
Gross impaired loans, advances and financing	3,459,630	3,493,951
Deposits from customers	118,159,833	115,860,584
Total assets	158,508,603	152,628,040
Equity attributable to equity holders of the Company	12,429,530	11,615,398
Net assets per share (RM)	5.56	5.27

This release contains forward-looking statements such as the outlook for the RHB Banking Group. Although RHB believes that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such expectations will prove correct subsequently. Actual performance may be materially different from that which had been anticipated or described herein, and RHB Capital's financial and business plans may be subject to change from time to time.

A leader in financial services, the RHB Banking Group (Bursa Malaysia: RHBCAP) offers innovation and experience in investment & commercial banking and insurance services & products. The RHB Banking Group has earned numerous awards by industry observers and editors. Today, its managers and staff serve customers via a network of over 400 branches and outlets in Malaysia, Brunei, Thailand, Singapore and Vietnam.

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About the RHB Banking Group

The RHB Banking Group is the fifth largest fully integrated financial services group in Malaysia. The Group's core businesses are streamlined into seven Strategic Business Groups ("SBGs"): Retail Banking, Business Banking, Group Transaction Banking, Corporate & Investment Banking, Islamic Banking, Global Financial Banking and Group Treasury. These businesses are offered through its main subsidiaries - RHB Bank Berhad, RHB Investment Bank Berhad, RHB Insurance Berhad and RHB Islamic Bank Berhad, while its asset management and unit trust businesses are held under RHB Investment Management Berhad. RHB's Global Financial Banking Division includes commercial banking operations in Singapore, Thailand and Brunei. The Group also has a non-ringgit based offshore funding operations in Labuan as well as a representative office in Vietnam. It is RHB Banking Group's aspiration to deliver superior customer experience and shareholder value; and to be recognised as a leading multinational financial services group.

It's time we simplify banking