

RHB Capital Berhad recorded 12.8% growth in net profit to RM776.7 million in the first half of 2011

- **Pre-tax profit grew 12.7% to RM1,039.7 million**
- **Earnings per share increased 12.2% to 35.9 sen**
- **Annualised ROE at 15.0% and annualised ROA at 1.2%**
- **Gross loans grew by 9.1% in six months to RM91.3 billion**
- **Customers deposits grew by 9.0% to RM102.9 billion**
- **Total assets expanded by 8.8% to RM140.7 billion**
- **Proposed interim dividend of 8.0 sen less 25% tax**

Kuala Lumpur, 24 August 2011

Group Performance Review

RHB Capital Berhad (“the Group”) today reported a net profit of RM776.7 million for the first half of 2011, representing a 12.8% increase from a year ago. The earnings growth was achieved on the back of strong interest income growth and other operating income. The Group continues to benefit from a disciplined and focused execution of its strategies and the first half results continue to demonstrate good progress in expanding into targeted business and product segments.

For the first half of 2011, the Group achieved a pre-tax profit of RM1,039.7 million, up 12.7% as compared to RM922.2 million recorded a year ago. Earnings per share increased to 35.9 sen against 32.0 sen previously.

Annualised return on equity was at 15.0% and return on assets at 1.2%.

Net interest income increased by 12.6% to RM1,383.5 million on the back of strong loans growth of 9.1%, even as intensified competition on the pricing of both loans and deposits has continued to put pressure on margins.

Other operating income grew by 13.7% from previous year to RM582.8 million, boosted largely by higher service charges and fees, brokerage income, foreign exchange gains and insurance underwriting surplus, partially offset by a lower investment banking and treasury income.

Income from Islamic Banking business increased by 8.8% to reach RM174.1 million. This was mainly due to higher net profit income on the back of a 29.4% financing growth for the first six months of the year to reach RM11.7 billion.

Other operating expenses rose 16.6% from a year ago due mainly to higher personnel costs, establishment costs and marketing expenses. Cost to income ratio increased to 42.4% from 41.0% previously. The higher cost base is in tandem with the increased business volume and the Group’s continuous investments into people, technology, customers’ touch points and network infrastructure.

Asset quality of the Group continued to improve, reflecting our disciplined approach in risk management and collection processes. Allowance for loan impairment increased by 15.3% to RM202.7 million due mainly to higher collective allowances of 1.5% set aside for the loan volume growth.

On quarter-to-quarter comparison, the Group recorded a pre-tax profit of RM528.2 million, 3.2% higher as compared to RM511.6 million achieved in the first quarter of 2011. The higher profit was mainly attributable to higher other operating income and net interest income, partially offset by higher allowance for loan impairment and higher other operating expenses.

Gross loans grew by RM7.6 billion or 9.1% to reach RM91.3 billion as at 30 June 2011. The loans growth was broad-based, comprising mainly public sector lending, purchase of securities, purchase of transport vehicles and purchase of residential property.

Continuing its growth trajectory from previous year, the Group’s domestic loan growth of 8.9% continues to outpace that of the industry of 7.3% for the first half of 2011. Domestic loans market share further improved to 9.2% from 9.1% as at 31 December 2010.

Absolute gross impaired loans declined by 2.9% to RM3.6 billion, and gross impaired loans ratio improved to 3.90% from 4.39% in December 2010. Annualised new impaired loans formation ratio reduced to 0.84% from 1.03% a year ago.



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Customers deposits increased by 9.0% or RM8.5 billion to reach RM102.9 billion as at 30 June 2011. The deposits growth momentum surpassed that of the industry of 6.2%. Overall domestic deposits market share improved to 8.1% from 7.9% as at 31 December 2010. The Group's loans-to-deposits ratio stood at 88.8% as at 30 June 2011.

Total assets of the Group expanded by 8.8% to RM140.7 billion as at 30 June 2011, driven mainly by the increases in loans, investment assets and statutory deposits.

Shareholders' equity expanded further to RM10.7 billion as at 30 June 2011. Net assets per share improved to RM4.88 compared to RM4.63 as at 31 December 2010.

"In view of the good performance of the Group and our commitment to consistently provide value to our shareholders, the Board of Directors has proposed an interim dividend of 8.0 sen less 25% tax, amounting to RM131.5 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 the interim dividend. The issue price of the new shares arising from the application of the Dividend Reinvestment Plan to the interim dividend shall be fixed by the Board of Directors at the adjusted volume weighted average market price for the five (5) market days immediately prior to the price fixing date (to be announced at a later date) after applying a discount of not more than 10%.

Performance Review of Subsidiaries

For the first six months of the year, RHB Bank Berhad ("RHB Bank") recorded a pre-tax profit of RM931.3 million, up 6.2% from a year ago. The improved performance was mainly due to higher net interest income and other operating income, partially offset by higher other operating expenses and higher allowance for loan impairment.

RHB Bank's balance sheet remained strong with total assets at RM114.8 billion and shareholders' equity of RM8.9 billion as at 30 June 2011. Risk-Weighted Capital Adequacy Ratio and Core Capital Ratio of RHB Bank were at 14.0% and 10.8% respectively as at 30 June 2011.

RHB Islamic Bank Berhad achieved a pre-tax profit of RM68.5 million for the first six months of 2011, compared with RM32.6 million recorded previously. The significant improvement in profit was mainly due to higher net profit income on the back of strong financing growth of 29.4% and lower financing impairment.

RHB Investment Bank Berhad ("RHB Investment Bank") recorded a pre-tax profit of RM59.6 million, 49.8% higher as compared to RM39.8 million recorded a year ago. The higher profit was mainly due to a write-back of impairment losses on financial investments amounted to RM6.4 million compared with an impairment allowance made of RM30.0 million in the previous year corresponding period.

RHB Investment Bank continued to maintain its industry leadership position in the country across most spectrums of the capital market league table.

Significant Corporate Developments

(1) RHB Capital Berhad ("RHB Capital") 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").

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



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RHB Capital 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.

On 18 April 2011, upon mutual agreement between RHB Bank and the Vendor, the conditional period for the completion of the CSPA was further extended from 19 April 2011 to 31 December 2011.

(2) RHB Bank has obtained approvals from the Securities Commission of Malaysia for the issuances of up to USD500 million and RM3 billion in nominal value (or its equivalent in other currencies) multi-currency Euro Medium Term Note Programme (“EMTN Programme”) and multi-currency Medium Term Note Programme (“MCMTN Programme”) on 9 May 2011 and 5 July 2011 respectively.

The proceeds from the EMTN and MCMTN Programme will be utilised for RHB Bank and its subsidiaries’ general working capital, other corporate purposes and repayment of borrowings, if applicable.

As at to date, RHB Bank has yet to issue any part of the EMTN and MCMTN Programmes.

Prospects For The Year

“The Malaysian economy is expected to grow at between 5% to 6% for 2011 amidst a challenging external environment due to continued weakness in the US and the Europe. The outlook for the Malaysian banking sector remains positive, supported by the underlying strengths of the domestic economy and the roll-out of the large-scale infrastructure projects under the Economic Transformation Programme.

In spite of what is expected to be a more challenging second half, we remain cautiously confident that the Malaysian economy will continue to be supportive of business growth. RHB Bank aims to maintain its growth momentum for the second half of the year,” said Tan Sri Azlan Zainol, Chairman of RHB Bank.

“We will remain focus on building our core businesses and continue to look for opportunities to expand our market share and increase our leadership position in targeted markets and product segments. The Group expects to maintain a satisfactory performance in 2011,” concluded Dato’ Mohamed Khadar Merican, Chairman of RHB Capital Berhad.

Financial Highlights

RHB CAPITAL (RM’000)

Financial Performance	6 months ended 30 June 2011	6 months ended 30 June 2010
Operating profit before allowances	1,232,308	1,122,628
Profit before taxation	1,039,747	922,180
Profit attributable to equity holders of the Company	776,743	688,760
Earnings per share (sen)	35.9	32.0



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Balance sheet	As at 30 June 2011	As at 31 December 2010
Gross loans, advances and financing	91,340,842	83,710,244
Gross impaired loans, advances and financing	3,564,689	3,672,175
Deposits from customers	102,897,915	94,433,828
Total assets	140,665,351	129,325,495
Equity attributable to equity holders of the Company	10,689,450	9,962,157
Net assets per share (RM)	4.88	4.63

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 300 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 be recognised as one of the top financial services group in the ASEAN Region.

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