



**FOR IMMEDIATE RELEASE
MONDAY, 31 MAY 2010**

RHB Capital Group recorded a 53% increase in net profit to RM349.7 million in first quarter of 2010

- **Profit before taxation increased by 51% to RM474.2 million**
- **Earnings per share increased by 53% to 16.2 sen**
- **Gross loans grew by 4.4% to RM72.7 billion**
- **Annualised ROE at 15.6%**
- **Compliance with FRS 139 and in accordance with BNM Guidelines on Classification and Impairment Provisions**

Kuala Lumpur, 31 May 2010

Performance Review of the Group

RHB Capital Group (“the Group”) today reported a pre-tax profit of RM474.2 million for the first quarter ended 31 March 2010, up 51% from RM315.0 million recorded in the same period last year.

Net profit surged by 53% or RM121.1 million to RM349.7 million as compared to the corresponding period in 2009. Earnings per share rose to 16.2 sen compared to 10.6 sen recorded in the first quarter of 2009.

The marked improvement in performance of the Group was primarily contributed by higher net interest income, other operating income, income from Islamic Banking business and lower allowance for impairment on loans, advances and financing, partially offset by higher other operating expenses and lower write-back of impairment losses on other assets.

Net interest income increased by RM63.5 million or 11% to RM637.0 million for the first quarter of 2010 on the back of 4.4% loan growth during the quarter.

Other operating income was higher at RM247.9 million for the first quarter, an increase of 16% or RM34.6 million as compared to RM213.3 million recorded a year ago. This was largely due to higher fee income, contributed mainly from higher brokerage income and higher net gain on foreign exchange.

Income from Islamic banking business increased to RM84.3 million, up 39% as compared to RM60.4 million recorded in the previous year corresponding period. This was attributable to higher net profit income by RM11.8 million on the back of loan growth of RM354.6 million to RM6.4 billion and higher transfer from profit equalisation reserve (“PER”) of RM4.3 million in the first quarter of 2010 as compared to a transfer to PER of RM16.9 million in 2009, partly offset by lower net gain on disposal of financial investments available-for-sale by RM9.5 million.

Cost-to-income ratio improved to 42.4% from 44.6% recorded in the previous year corresponding period, as the Group continue to leverage on its scale and increase its overall efficiency.

Post implementation of FRS139, Financial Instruments: Recognition and Measurement, the Group’s allowance for impairment on loans, advances and financing decreased by 52% to RM83.5 million in 2010 as compared to the previous year corresponding period.

The Group’s gross loans, advances and financing increased by RM3.0 billion or 4.4% during the quarter to reach RM72.7 billion as at 31 March 2010 as compared to the industry loans growth of 3.1%. Domestic loans and advances expanded by 4.9%, driven mainly by residential property and financing to government and statutory bodies.

Loan approvals and disbursements were higher by 47% and 41% respectively in the first quarter of 2010 as compared to the previous year corresponding period. The Group’s market share of domestic loans improved to 8.6% as at end of March 2010 from 8.5% as at December 2009.

Despite a higher gross impaired loans, advances and financing ratio as at March 2010 arising from the adoption of FRS 139, annualised new impaired loans formation ratio of the Group improved to 1.70% from 2.97% recorded in March 2009, and annualised credit charge ratio improved to 0.46% against 1.11% a year ago.

As at 31 March 2010, the Group’s customers’ deposit base declined marginally by RM0.5 billion to RM84.3 billion, due mainly to lower fixed deposits. The Group’s loans to deposits ratio stood at 86.2% as at 31 March 2010. Domestic customers deposits market share stood at 7.4% as at end March 2010.

The Group’s total assets stood at RM115.0 billion while shareholders’ equity strengthened to RM9.2 billion as at 31 March 2010 and net assets per share rose to RM4.27 from RM4.04 as at 31 December 2009.

Performance Review of Subsidiaries

RHB Bank Berhad (“RHB Bank”) Group continued to be the largest contributor of the Group, accounting for 98% of the Group profit. For the first quarter ended 31 March 2010, RHB Bank Group recorded a pre-tax profit of RM466.0 million, up 44% from a year ago.

RHB Bank remains strongly capitalised with shareholders’ equity of RM7.7 billion as at 31 March 2010. Risk-Weighted Capital Adequacy Ratio and Core Capital Ratio of RHB Bank stood at 14.86% and 10.49% respectively as at 31 March 2010.

RHB Investment Bank Berhad (“RHB Investment Bank”) recorded a pre-tax profit of RM25.4 million for the first quarter ended 31 March 2010, an increase of 37% as compared to the previous year corresponding period. This was mainly attributed to higher brokerage fee income by RM12.4 million with brokerage market share improved to 6.7% as compared to 5.2% as at 31 March 2009.

Significant Corporate Developments

- (1) On 19 October 2009, RHB Capital Berhad (“RHB Capital”) entered into the following agreements with PT Mestika Benua Mas:
 - (i) a conditional sale and purchase agreement to acquire 80% of the issued and paid-up share capital in PT Bank Mestika Dharma (“Bank Mestika”) for a total cash consideration of Rp3,118 billion (equivalent to RM1,163 million) (“Proposed Acquisition”); and
 - (ii) a put and call option agreement to acquire a further 9% interest in Bank Mestika after its proposed initial public offering for a total cash consideration of Rp350.8 billion (equivalent to RM131 million) plus additional performance related returns of up to 15% per annum compounded annually (adjusted for dividends paid) (“Proposed Options”).

The acquisition of the first 80% equity in Bank Mestika 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 (“Proposed Rights Issue”).

Bank Negara Malaysia (“BNM”) had on 4 January 2010 granted its approval to the Company to acquire up to 89% of the issued and paid-up share capital of Bank Mestika and Bursa Malaysia Securities Berhad (“Bursa Securities”) had on 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. The approval of both BNM and Bursa Securities are subject to certain conditions being fulfilled.

The shareholders of the Company had approved the Proposed Rights Issue at an Extraordinary General Meeting convened on 19 May 2010.

The Proposed Acquisition, Proposed Options and Proposed Rights Issue are expected to be completed by the third quarter of 2010.

- (2) On 5 March 2010, RHB Bank entered into a memorandum of understanding ("MOU") with TM Asia Life Malaysia Berhad ("TM Asia"), which constitutes the preliminary statement of the intentions of the parties relating to the negotiation of the terms for the establishment of a mutually exclusive 10-year bancassurance alliance in Malaysia to sell, market and promote conventional life insurance products developed by TM Asia for sale by RHB Bank to any party or persons including but not limited to RHB Bank's customers under the proposed exclusive bancassurance arrangement via RHB Bank's network of offices, branches and other alternative distribution channels developed jointly by TM Asia and RHB Bank.
- (3) BNM had vide its letter dated 3 February 2010 stated that it has no objection in principle for RHB Capital to commence negotiations with the remaining shareholders of RHB Insurance Berhad ("RHB Insurance") in relation to the proposed acquisition of the remaining equity interest in RHB Insurance not already owned by the Company.
- (4) On 26 May 2010, RHB Hartanah Sdn Bhd ("RHBH"), a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with Bedford Land Sdn Bhd to acquire 11,596,000 ordinary shares of RM1.00 each in Positive Properties Sdn Bhd ("PPSB"), representing the remaining 50% equity interest in PPSB for a total cash consideration of RM35,003,874. The purchase consideration was arrived at based on "willing-buyer-willing-seller" basis after taking into consideration the unaudited net assets of PPSB for the financial period ended 31 March 2010 and an independent market valuation of a plot of freehold land ("Lot 29") held by PPSB.

The rationale for the proposed acquisition of PPSB is to enable RHB Capital to fully control PPSB and thus facilitate future development on Lot 29. The proposed acquisition of PPSB represents a long term strategic planning of RHB Capital to consolidate all of RHB Banking Group's Kuala Lumpur City Centre operations into a single location for better operational efficiency.

Prospects for the Year

“The Malaysian economy is expected to grow by 4.5% to 5.5% in 2010, extending the positive momentum from the fourth quarter of 2009. The recent Government's objective in moving Malaysia towards a high income economy is expected to provide a fresh impetus for the country to enhance and create a sustainable long term economic growth.

The strengthening of the domestic economy will bolster the Malaysian banking sector, which is expected to remain healthy with ample growth opportunity,” said Dato’ Tajuddin Atan, Group Managing Director.

“We are optimistic of a stronger market demand for banking products and services and capital markets activities are expected to increase going into the second half of 2010. Domestically, we shall continue to focus on building our core businesses and to increase our market share through an expanded network such as Easy by RHB. On the international front, our key focus is to complete the acquisition of Bank Mestika, Indonesia and strengthen our regional footprint.

We expect to achieve a satisfactory performance in 2010 and continue RHB Capital’s positive growth momentum,” concluded Dato’ Mohamed Khadar Merican, Chairman of RHB Capital.

Financial Highlights

RHB CAPITAL (RM'000)		
Financial Performance	3 months ended 31 March 2010	3 months ended 31 March 2009
Operating profit before allowances	558,561	469,767
Profit before taxation	474,232	314,997
Profit attributable to equity holders of the Company	349,730	228,641
Earnings per share (sen)	16.2	10.6
Balance sheet	As at 31 March 2010	As at 31 December 2009
Gross loans advances and financing	72,665,592	69,635,005
Gross impaired loans, advances and financing	4,696,478	3,253,499
Deposits from customers	84,340,558	84,841,065
Total assets	114,966,015	114,951,382
Equity attributable to equity holders of the Company	9,201,376	8,707,741
Net assets per share (RM)	4.27	4.04

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. Actual performance may be materially different from that anticipated or described herein, and RHB Capital's financial and business plans may be subject to change.

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 200 branches and outlets in Malaysia, Brunei, Thailand, Singapore and Vietnam.

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