



**FOR IMMEDIATE RELEASE
TUESDAY 24 AUGUST 2010**

RHB Capital Group recorded a 30% increase in net profit to RM688.8 million for first half of 2010

- **Pre-tax profit increased by 29% to RM922.2 million**
- **Earnings per share increased by 30% to 32.0 sen**
- **Gross loans grew by 8.6% to RM75.6 billion**
- **Annualised ROE at 15.3%**
- **Proposed interim dividend of 5.0 sen less 25% tax**

Kuala Lumpur, 24 August 2010

Performance Review of the Group

RHB Capital Group (“the Group”) today reported a net profit of RM688.8 million in the first half of 2010, up 30% as compared to RM530.2 million recorded in the corresponding period of 2009. Pre-tax profit strengthened further by 29% to RM922.2 million as the Group progressed in its effort to grow market share and customer-driven non-interest income. Earnings per share rose to 32.0 sen as compared to 24.6 sen recorded in the same period last year.

The strong profit performance was primarily contributed by higher net interest income and other operating income, coupled with lower allowance for impairment on loans, advances and financing, partially offset by higher other operating expenses and higher impairment losses on other assets.

Net interest income increased by RM76.1 million or 7% to RM1,244.0 million for the first half of 2010 on the back of a strong loan growth of RM6.0 billion or 8.6% from December 2009.

Other operating income was higher at RM512.4 million for the first six months, an increase of 15% or RM67.1 million as compared to RM445.4 million recorded a year ago. This was largely due to higher fee income, higher net gain arising from disposal of financial investments available-for-sale and higher net gain on foreign exchange.

Cost-to-income ratio increased marginally to 41.5% from 40.3% recorded in the previous year corresponding period, as the Group continued investing into customers’ touch points and network infrastructure. Easy by RHB (the Group’s simple, fast and paperless community banking initiative) increased from 2 to 70 outlets in just over six months.

Post implementation of FRS139, Financial Instruments: Recognition and Measurement, the Group's allowance for impairment on loans, advances and financing reduced to RM175.8 million or 52% as compared to the previous year corresponding period.

The Group achieved an annualised return on equity of 15.3% and return on assets of 1.2%, compared to 13.4% and 1.0% respectively a year ago.

For the second quarter of 2010, the Group recorded a pre-tax profit of RM447.9 million as compared to RM474.2 million achieved in the first quarter of 2010. The lower profit was mainly attributable to lower net interest income, higher allowance for impairment on loans, advances and financing and higher impairment losses on other assets, partially offset by lower other operating expenses and higher other operating income.

The Group's gross loans, advances and financing increased by 8.6% during the first six months to reach RM75.6 billion as at 30 June 2010. Domestic loans and advances expanded by 19% on an annualised basis as compared to that of the industry of 14.0%, loan growth was mainly in the form of residential property, purchase of securities and financing to government and statutory bodies.

Loan approvals and disbursements were higher by 16% and 18% respectively in the first half of 2010 as compared to the previous year corresponding period. The Group's market share of domestic loans improved to 8.7% as at the end of June 2010 from 8.5% as at December 2009.

Gross impaired loans, advances and financing moderated to RM4.5 billion as at 30 June 2010 as compared to RM4.6 billion post-implementation of FRS 139 on 1 January 2010. Gross impaired loans ratio improved to 5.90% as compared to 6.66% at the beginning of the year. Annualised new impaired loans formation ratio improved to 1.03% from 2.26% in June 2009, and annualised credit charge ratio improved to 0.46% against 1.14% recorded a year ago.

For the six months to June 2010, the Group's customer deposits grew by RM3.6 billion or 4.2% as compared with the industry deposits growth of 2.3%, mainly contributed by the increase in fixed deposits by 5.0%. Market share for domestic customer deposits improved to 7.7% from 7.5% as at December 2009. Demand and savings deposits contributed 28% of the Group's deposits as compared to the industry of 25%. The Group's loans-to-deposits ratio stood at 85.5% as at 30 June 2010.

Total assets expanded by RM5.2 billion or 5% to RM120.2 billion, while shareholders' equity strengthened to RM9.3 billion as at 30 June 2010. Net assets per share rose to RM4.32 from RM4.04 as at 31 December 2009.

In view of the sustained improvement in performance of the Group, the Board of Directors has proposed an interim dividend of 5.0 sen less 25% tax amounting to RM80.8 million.

Performance Review of Subsidiaries

RHB Bank Berhad (“RHB Bank”) continued to be the largest contributor of the Group, accounting for 95% of the Group profit. For the first six months to 30 June 2010, RHB Bank recorded a pre-tax profit of RM876.6 million, up 35% from a year ago.

The balance sheet of RHB Bank remained strong with total assets at RM98.8 billion. Shareholders’ equity stood at RM7.9 billion as at 30 June 2010.

RHB Bank continued to be well capitalised, with Risk-Weighted Capital Adequacy Ratio of RHB Bank improved to 15.69% as at 30 June 2010 with the issuance of RM1.0 billion nominal value of Subordinated Notes in April 2010.

RHB Investment Bank Berhad (“RHB Investment Bank”) recorded a pre-tax profit of RM39.8 million for the first six months ended 30 June 2010, 32% lower as compared to the previous year corresponding period. The lower profit was mainly due to higher impairment loss on other assets, lower net interest income and higher other operating expenses, partially offset by higher fee income and higher net gain on disposal of financial investments available-for-sale.

RHB Investment Bank outperformed its competitors to maintain the first (1st) position in mergers and acquisitions (for deals with target Malaysian companies) and ranked second (2nd) and third (3rd) in the equities market and debt capital market respectively.

Significant Corporate Developments

- (1) On 19 October 2009, RHB Capital Berhad (“RHB Capital”) entered into the following agreements with PT Mestika Benua Mas (“Vendor”):
 - (i) a conditional sale and purchase agreement (“CSPA”) 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 totaling RM1.3 billion (“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.

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, of which the period to satisfy or waive the conditions precedent of the CSPA (‘Long Stop Date’) had expired on 16 July 2010. In this respect, RHBVC and the Vendor had mutually agreed to extend the Long Stop Date to 19 April 2011.

- (2) On 1 July 2010, RHB Bank entered into an exclusive Bancassurance Agreement with Tokio Marine Life Insurance Malaysia Berhad (formerly known as TM Asia Life Malaysia Berhad) (“Tokio Marine Life”).

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

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

- (3) On 19 July 2010, RHB Insurance Berhad (“RHB Insurance”), a 79.5% owned subsidiary of the Company and Nissay Dowa General Insurance Co. Ltd (“Nissay Dowa”) 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 of the remaining equity interest in RHB Insurance not already owned by the Company as announced on 4 February 2010.

- (4) On 26 May 2010, RHB Hartanah Sdn Bhd ("RHB Hartanah"), 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 a "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 purchase consideration was fully settled on the even date and PPSB became a wholly-owned subsidiary of RHB Hartanah effective from 26 May 2010.

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

- (5) On 8 July 2010, RHB Hartanah entered into a Share Sale Agreement with Rashid Hussain Berhad (in members' voluntary liquidation) ("RHB") to acquire the entire issued and paid-up share capital of RHB Property Management Sdn Bhd ("RHBPM"), comprising 500,000 ordinary shares of RM1.00 each in RHBPM, from RHB for a cash consideration of RM5.36 million ("Proposed Acquisition").

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

The Proposed Acquisition was completed on 16 July 2010, whereby on even date RHBPM became a wholly-owned subsidiary of RHB Hartanah.

Prospects for the Year

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

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

“We will continue to focus on building our core businesses. We have expanded Easy by RHB outlets fivefold to 70 currently, and is on track to close the year with 120 outlets; together with its Bancassurance partnership and the third-largest self service terminals network of over 1,300 in the country, the significantly expanded network will provide the key foundation for the Group to increase its market share in the chosen business segment. In addition, RHB Investment Bank will continue to be at the forefront of the investment banking arena, and is expected to be involved in more landmark deals such as the newly completed South East Asia’s largest Real Estate Investment Trust.

We expect the RHB Banking Group to achieve a satisfactory performance in 2010,” concluded Dato’ Mohamed Khadar Merican, Chairman of RHB Capital.

Financial Highlights

RHB CAPITAL (RM'000)		
Financial Performance	6 months ended 30 June 2010	6 months ended 30 June 2009
Operating profit before allowances	1,122,628	1,059,998
Profit before taxation	922,180	715,058
Profit attributable to equity holders of the Company	688,760	530,170
Earnings per share (sen)	32.0	24.6
Balance sheet	As at 30 June 2010	As at 31 December 2009
Gross loans, advances and financing	75,645,100	69,635,005
Gross impaired loans, advances and financing	4,466,828	3,253,499 ^{N1}
Deposits from customers	88,428,904	84,841,065
Total assets	120,191,837	114,951,382
Equity attributable to equity holders of the Company	9,301,852	8,707,741
Net assets per share (RM)	4.32	4.04
<i>N1: Old BNM GP3</i>		

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.

For analyst enquiries, contact:
 Teh Soh Geok
 Group Investor Relations
 Tel: 603-92802154
 Email: teh.soh.geok@rhb.com.my
 Website: www.rhb.com.my

For media enquiries, contact:
 Azman Shah Md Yaman/Eza Shafina Dzul Karnain
 Group Corporate Communications
 Tel: 603-92802552
 Email: eza.dzulkarnain@rhb.com.my

About the RHB Banking Group

The RHB Banking Group is the fourth 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 International Banking Division include the 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 the RHB Banking Group's aspiration to deliver superior customer experience and shareholder value; and be recognised as one of the top financial services groups in ASEAN.

It's time we simplify banking.