FOR IMMEDIATE RELEASE

RHB Bank Reports Pre-tax Profit of RM1.2 billion for the First Half of 2016

- **Total income increased by 4.9% to RM3,200.6 million**
- **Cost-to-income ratio improved to 49.5% from 54.2% in 2015**
- **Operating profit before allowances recorded a strong growth of 15.5% year-on-year to RM1,616.2 million**
- **Current and savings account balances increased by an annualised rate of 14.4%, boosting CASA composition to 24.8%**
- **Islamic Banking continued its growth momentum, contributing 25.0% of total domestic gross loans from 23.0% in December 2015**
- **ROE at 10.5%**
- **Declared interim single tier cash dividend of 5 sen per share**

Kuala Lumpur, 24 August 2016

RHB Bank Berhad ("the Group") today reported a pre-tax profit of RM1,224.8 million and net profit of RM915.1 million for the first half of 2016. The 12.7% reduction in pre-tax profit was primarily due to a one-off full impairment on a corporate bond in Singapore for an equivalent amount of RM253.5 million in the current period against a write back for mortgage portfolio collective allowances totalling RM131.4 million in 2015. Excluding these two items, normalised pre-tax and net profit increased by 16.2% and 13.8% respectively.

The Group's operating profit before allowances increased by 15.5% to RM1,616.2 million in the first half of 2016. The commendable growth was underpinned by strong net fund based income growth and effective cost management initiatives. Total income increased by 4.9% to RM3,200.6 million, supported by solid net interest and fund based income growth of 7.9% to RM2,168.9 million, on the back of 4.8% growth in loan and financing assets. Net interest margin was lower by 3 basis points to 2.19%.

Non-fund based income remained relatively stable at RM1,031.7 million despite challenging market conditions. Lower net foreign exchange gain and lower fee income was mitigated by improvement in insurance underwriting surplus. While loans and markets-related fee income were lower, wealth management fee income continued to expand at an encouraging pace of 24.6% year-on-year.

The Group’s efficient cost transformation programme continued to deliver positive results. Operating expenses were lower by 4.2% from a year ago and cost to income ratio improved to 49.5% as compared to 54.2% in the previous year’s corresponding period.

Allowances for impairment on loans and financing was higher at RM140.1 million from RM9.4 million a year ago, primarily due to a write back arising from one-off model refinement on mortgage portfolio amounting to RM131.4 million in 2015 as mentioned earlier.

Total impairment losses on other assets was at RM251.6 million as full impairment was made for the corporate bond in Singapore.

Second Quarter 2016 Earnings

Against preceding quarter ended 31 March 2016, the pre-tax profit for the current quarter was 37.9% lower at RM469.3 million, due primarily to the impairment made on the corporate bond in Singapore.

Balance Sheet and Capital Position Strengthened

Total assets remained stable at RM227.1 billion as at 30 June 2016. Shareholders’ funds of the Group increased to RM21.2 billion following the completion of RM2.49 billion rights issue in April 2016. Net assets per share stood at RM5.28 as at 30 June 2016.

Capital adequacy ratios of RHB Bank Group remained healthy, with common equity tier-1 (“CET-1”) and total capital ratio standing at 13.047% and 17.219% respectively (after deducting interim dividend) as at 30 June 2016. The capital ratios are well above the Basel III minimum transitional arrangement requirements of 5.125% and 8.625% respectively, positioning us as one of the best capitalised banking groups in Malaysia.

Amidst the uncertainties in the global economy, the Group continued to exercise balance sheet discipline, pacing its assets growth and focusing on risk adjusted returns on capital while actively managing our funding and liquidity position.

The Group's gross loans and financing was substantially unchanged at RM151.7 billion for the first six months. However, loans grew by 1.4% in the second quarter compared to a decrease of 1.2% in the first quarter. The increase was mainly from mortgages and SME. On a year-on-year comparison, gross loans and financing increased by 4.8%. SME loan and financing growth was resilient with an annualised growth rate of 12.2%, more than offset the annualised 6.9% decrease in corporate loan portfolios. The Group’s domestic loan market share stood at 9.2% as at 30 June 2016.

Customer deposits increased by an annualised rate of 7.6% to RM164.1 billion. Domestic CASA grew at an annualised 9.2%, outpacing the industry which grew by

2.7%. Current and savings account ('CASA') composition improved to 24.8% as at 30 June 2016 from 24.0% in December 2015.

Gross impaired loans ratio was higher at 2.06% from 1.88% as at 31 December 2015. This was mainly due to the restructuring of a loan to a steel related manufacturer which was required to be classified as impaired in accordance to BNM Guidelines "*Classification and Impairment Provisions for Loans/Financing*".

Performance Review of Key Business Units

Retail Banking remained the biggest contributor to the Group and it reported a pre-tax profit of RM570.1 million for the first half of the year, 14.1% lower from the previous year's corresponding period. Excluding a one-off impairment allowance written back on mortgage portfolio in 2015, pre-tax profit increased by 7.1%, underpinned by lower operating expenses and allowances for loans and financing, partially offset by lower net fund based income and non-fund based income.

Retail loans and financing stood at RM68.4 billion. Mortgage loans and financing growth was largely offset by the contraction in auto financing and loans for purchase of securities. Mortgage loans grew at a strong annualised rate of 13.2% with domestic market share increased to 8.4% from 8.2% as at December 2015.

Retail deposits increased by an annualised 4.1% due mainly to higher fixed deposits and savings account balances by 3.6% and 9.5% respectively, surpassing industry growth rate of 6.5% and 3.8% respectively.

Business Banking's pre-tax profit increased by 49.4% to RM229.0 million. This was mainly due to lower allowances for loans and financing and higher net funding income.

Gross loans and financing expanded by 13.8% on an annualised basis for the first half of 2016 to RM21.1 billion, driven mainly by the SME portfolio growth. Market share for SME continued to improve to 8.8% as at June 2016 from 8.4% a year ago. Deposits grew by 1.7% from December 2015 to RM21.8 billion, reflecting positive outcome of our SME strategy under the IGNITE 2017 programme.

Corporate and Investment Banking ("CIB")'s pre-tax profit was higher by 10.7% to RM372.1 million on account of higher non fund based income and lower impairment allowances for loans and financing, partially offset by lower write-back on impairment of securities and lower net fund-based income.

Corporate Banking registered a 6.4% growth in pre-tax profit to RM308.6 million on the back of lower loan loss impairment, partially offset by lower net fund based income.

Investment Banking business fee based income was affected by a softer financial and capital market. However, pre-tax profit of Investment Banking increased by 50.9% due mainly to lower operating expenses.

Gross loans and financing decreased by 3.6% in the first six months to RM46.6 billion due mainly to one large corporate repayment totalling RM1.0 billion. Deposits increased by 22.5% over the same period to RM56.7 billion primarily due to increases in fixed and current deposits.

Total Assets under Management ("AUM") increased by 2.1% to RM53.1 billion, up from RM52.0 billion as at 31 December 2015 and domestic retail fund market share was maintained at 12.3%.

Group Treasury recorded a strong 14.7% growth in pre-tax profit to RM439.2 million, mainly due to higher net fund based income, partially offset by lower foreign exchange gain and lower investment and trading gain.

Group International Business recorded a pre-tax loss of RM154.0 million. Excluding the one-off impairment on a corporate bond, Singapore Bank operations recorded a pre-tax profit of SGD30.9 million, 2.8% lower than the previous year corresponding period. Against the backdrop of a weaker economic environment in Singapore, gross loans and advances was relatively unchanged at SGD4.2 billion, customer deposits increased by 9.5% in the first half to SGD5.4 billion.

International business excluding Singapore registered a pre-tax profit of RM23.1 million, 55.0% higher from 2015. This was mainly due to improved profitability in Cambodia which recorded an increase in pre-tax profit by 14.3% to USD3.2 million. Lao recorded a pre-tax profit of USD0.6 million in its second year of operations.

RHB Group's Islamic business recorded a strong growth in pre-tax profit by 16.6% to RM196.9 million for the first half of 2016. This was mainly due to higher total income, partially offset by higher impairment losses on financing and higher operating expenses.

Gross financing grew by an annualised rate at 17.9% to RM33.9 billion, outpacing the industry growth rate of 9.4%. Islamic financing now contributes 25.0% to the Group's total domestic gross loans and financing, up from 23.0% as at 31 December 2015. Asset quality of RHB Islamic continued to improve to 1.08% from 1.17% as at December 2015.

Interim Dividend

In line with our commitment to reward shareholders, the Board of Directors has declared an interim single tier cash dividend of 5 sen per share totalling RM200.5 million, representing a dividend payout ratio of 22.0%.

Conclusion

The second half of 2016 will continue to be challenging as macro-economic uncertainties in most parts of the world will not spare Malaysia from the headwinds. Risks on external demands and softer consumer sentiments are expected to moderate Malaysia's GDP growth in 2016 to 4.0% from 5.0% in 2015.

The Malaysian banking sector growth is expected to remain modest, attributable to a deceleration in corporate loans market and ongoing consolidation of household loans sector. A softer financial and capital market, and rising pressure on liquidity and asset quality will also weigh on the performance of banks.

The Group internal reorganisation which was completed on 14 April 2016 and the listing on Bursa Securities on 28 June 2016, has positioned RHB Bank on a much firmer footing to face the competition and withstand the market challenges, with strong capitalisation, leaner organisation structure and greater efficiency.

"While the Group's performance in the second quarter was affected by one large impairment on securities, we are on the right track to achieve our long-term objectives set under the reframed strategy of focusing on performance", commented Dato' Khairussaleh Ramli, Group Managing Director of RHB Banking Group.

"The Group will stay on course in executing the various initiatives under the Group 2017 IGNITE transformation programme, while continuing to be vigilant amidst a challenging macro environment and volatility in the market place", he added.

Key Financial Highlights

Financial Performance (RM'000)	6 Months Ended 30 June 2016	Restated 6 Months Ended 30 June 2016
Operating profit before allowances	1,616,156	1,398,942
Profit before taxation	1,224,811	1,403,357
Profit attributable to equity holders of the Company	915,054	1,072,337
Earnings per share (sen)		
- Per RM1.00 share	24.7	N/A
- Per RM0.50 share	N/A	15.7
Balance Sheet (RM'000)	**As at 30 June 2016**	**Restated As at 31 December 2015**
Gross loans, advances and financing	151,686,203	151,386,384
Gross impaired loans, advances and financing ratio (%)	2.06%	1.88%
Deposits from customers	164,141,082	158,157,840
Total assets	227,149,673	227,938,347
Equity attributable to equity holders of the Company	21,163,665	17,667,869
Net assets per share (RM)		
- Per RM1.00 share	5.28	N/A
- Per RM0.50 share	N/A	2.55

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.

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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 main business pillars, namely Group Retail Banking, Group Business & Transaction Banking, Group Wholesale Banking, Singapore Business Operations, Group Shariah Business, Group International Business and Group Insurance. Group Wholesale Banking comprises Corporate Banking, Investment Banking, Client Coverage, Group Treasury and Global Markets, Asset Management and Private Equity. All the seven business pillars are offered through RHB Bank Berhad and the Group's main subsidiaries, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad, while its asset management and unit trust businesses are undertaken by RHB Asset Management Sdn Bhd and RHB Islamic International Asset Management Berhad. The Group's regional presence now spans ten countries including Malaysia, Singapore, Indonesia, Thailand, Brunei, Cambodia, Hong Kong, Vietnam, Lao PDR and Myanmar. It is RHB Banking Group's aspiration to continue to deliver superior customer experience and shareholder value; and to be recognised as a Leading Multinational Financial Services Group.

APPENDIX

Significant Events During The Financial Period

(a) Group Internal Reorganisation

On 14 April 2016, the Bank has completed the following acquisitions under the Group Internal Reorganisation:

(i) the entire equity interests in certain subsidiaries ("Identified Assets") from the former holding company, RHB Capital Berhad ('RHB Capital') under a Share Sale Agreement dated 6 April 2016, for a total cash consideration of approximately RM3.32 billion ('Disposal Consideration'). The Disposal Consideration was arrived at based on a 'willing-buyer, willing-seller' basis after taking into consideration the audited net assets ('NA')/net liabilities and/or the audited net book value of the Identified Assets as extracted from the audited financial statements of the respective subsidiaries of RHB Capital as at 31 December 2014; and

(ii) certain assets and liabilities of RHB Hartanah Sdn Bhd, including its subsidiary, RHB Property Management Sdn Bhd under an Asset Purchase Agreement dated 6 April 2016, for a total cash consideration of approximately RM298.37 million.

Following the completion of the Group Internal Reorganisation, RHB Capital has injected an aggregate of approximately RM2.49 billion into the Bank ('Capital Injection'), being proceeds raised from its rights issue exercise, proceeds from the redemption of its investment in RHB Liquid Fund as well as excess cash available (after setting aside adequate cash to defray any expenses of RHB Capital), in exchange for approximately 447.84 million new shares of the Bank of RM1.00 each, which were issued at an issue price of RM5.56 per share.

With the completion of the Group Internal Reorganisation, the Bank is effectively the new group holding company which will spearhead the Group's future growth and is expected to achieve greater synergy and efficiency.

(b) Distribution and Capital Repayment

On 13 June 2016, RHB Capital ceased to be the shareholder of the Bank upon the completion of its Distribution and Capital Repayment, which entails the distribution of its entire shareholding in the Bank after the capital injection in (a) above to entitled shareholders of RHB Capital whose names appear in the Record of Depositors of RHB Capital.

(c) Transfer of Listing Status

The Bank has assumed the listing status of RHB Capital, and has been admitted to the Official List of Bursa Malaysia Securities Berhad ('Bursa Securities') in place of RHB Capital, with the listing of and quotation for the entire issued and paid-up share capital of the Bank on the Main Market of Bursa Securities on 28 June 2016.

The Transfer of Listing Status will enable the shareholders to have a direct participation in the equity and envisaged growth of the Group as well as enable the Group to gain direct access to the capital markets to raise funds for its continued growth, to gain recognition and corporate stature through its listing status and further enhance its corporate reputation and assist the Group in expanding its customer base.