



FOR IMMEDIATE RELEASE

RHB Capital Berhad recorded another commendable set of results for financial year 2012

- **Pre-tax profit grew 6.0% to RM2.4 billion**
- **Net profit increased 5.7% to RM1.8 billion**
- **Earnings per share increased 2.0% to 79.0 sen on enlarged share-base**
- **ROE at 13.4% and ROA at 1.0%**
- **Total assets expanded 24.1% to RM189.1 billion**
- **Gross loans grew 14.4% to RM111.5 billion**
- **Customer deposits increased 19.3% to RM138.2 billion**
- **Proposed single tier final dividend of 16.09% per share**

Kuala Lumpur, 26 February 2013

Financial Performance

RHB Capital Berhad (“the Group”) today reported a net profit of RM1.8 billion for the financial year 2012, representing a 5.7% increase from a year ago. Total revenue increased by 10.4% to RM4.8 billion, while pre-tax profit registered a 6.0% growth to RM2.4 billion. Earnings per share rose to 79.0 sen from 77.5 sen recorded in the previous year. Return on equity and return on assets stood at 13.4% and 1.0% 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 financial year 2011 have been restated to RM2.2 billion and RM1.7 billion respectively. Excluding the effects of the restatement, pre-tax profit and net profit for the Group would have been higher at 19.2% and 18.9% respectively.

Included in the Group’s 2012 results are the two months performance of OSK Investment Bank Berhad (“OSKIB”) amounting to RM20.0 million as well as merger and integration related expenses totaling RM28.5million.

The higher pre-tax profit of the Group was driven by higher net interest income, other operating income and income from Islamic banking business, lower impairment losses on other assets and contributions from OSKIB, partially offset by higher other operating expenses and higher allowance for impairment on loans and financing.

Interest income grew by 9.3% to RM6.2 billion, driven by a 14.4% increase in gross loans year-on-year. Interest expense was higher by 15.0% given a 19.3% increase in customer deposits and the issuance of longer dated debt securities for funding diversification purposes. Net interest margin declined by 3 basis points to 2.35% quarter-on-quarter.

Other operating income increased by 27.5% to RM1.4 billion from 2011, underpinned by higher fee income and improvement in fair value on derivatives, higher insurance underwriting surplus and net gains from trading and investment securities. The combined RHBIB-OSKIB franchise and capability has propelled the Group into a stronger position to drive non-interest income beyond the commercial banking transactional fee-based income. The Group's non-interest income to total income ratio increased to 28.6% in 2012 from 24.7% a year ago.

Income from Islamic Banking business increased by 11.0% to RM490.1 million, driven by higher net funding income, fee income and net gains from trading and investment securities.

Other operating expenses rose 20.5% year-on-year, mainly due to higher personnel costs associated with headcount growth and investments made to support business and branch network expansion, RHBIB-OSKIB merger related expenses and the consolidation of OSKIB. Consequently, cost to income ratio increased to 47.5% from 43.5% a year ago.

Allowance for impairment on loans and financing for the financial year was marginally higher by 1.6% against the previous financial year. This was mainly due to higher individual allowances, negated by higher bad debts recovered and lower collective allowances made during the year.

Fourth Quarter Earnings Against Previous Quarter

Pre-tax profit for the fourth quarter 2012 was at RM560.3 million, 12.5% lower than the previous quarter. This was mainly attributable to higher other operating expenses and allowance for impairment on loans and financing, partially offset by higher other operating income and net interest income.

Continued Strengthening of Financial Position

The Group's balance sheet is well diversified as growth was seen on both sides of the balance sheet, with inflows of deposits and continued disciplined loan growth, highlighting the strength of our franchise.

Total assets of the Group expanded by 24.1% to RM189.1 billion. The increase was mainly due to growth in net loans and investment portfolio as well as the consolidation of OSKIB.

Shareholders' equity strengthened by 30.1% to RM15.1 billion with net assets per share improving to RM6.06 against RM5.27 as at 31 December 2011.

The Group's total gross loans grew by 14.4% to reach RM111.5 billion as at 31 December 2012. The loans growth was mainly from loans for the purposes of working capital, purchase of securities and residential properties. Excluding the consolidation of OSKIB, the Group registered a loans growth of 12.3%. Domestic loans market share increased to 9.5% as at 31 December 2012 from 9.3% in the previous year.

The Group's funding position remained strong as customers deposits increased by 19.3% to reach RM138.2 billion. Excluding the consolidation of OSKIB, customers deposits growth was at 14.5%. In a drive to diversify funding mix and reduce reliance on shorter tenure funding as well as in preparation for the impending implementation of Basel III, additional RM750 million sub-notes and USD500 million senior debt securities were issued by RHB Bank Berhad ("RHB Bank") during the financial year.

During the period under review, RHB Bank and RHB Investment Bank Berhad ("RHB Investment Bank") have issued RM1.3 billion and RM245 million new sub-notes to replace the existing RM1.3 billion and RM200 million sub-debts respectively which was due for step-up in coupon.

Liquidity position of the Group remained healthy with loans to deposits ratio stood at 80.6% as at December 2012.

Improvement in Asset Quality

The Group continued to show improvements in asset quality as gross impaired loans ratio declined to 2.99% from 3.59% in December 2011 and absolute gross impaired loans decreased by 4.5% to RM3.3 billion as at 31 December 2012, compared to RM3.5 billion in December 2011.

Proposed Final Dividend

"We maintain our commitment to provide value to our shareholders and have proposed a final single tier dividend of 16.09% totaling RM401.3 million. Together with the interim dividend of 6.00%, the total dividend for 2012 amounted to 22.09% per share, consistently delivering a dividend payout ratio of 30%", 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 proposed final dividend.

Performance Review of Key Subsidiaries

RHB Bank continued to deliver a strong set of performance, contributing 83% to the Group's pre-tax profit for the financial year ended 31 December 2012. RHB Bank recorded a pre-tax profit of RM2.2 billion, up 4.8% from a year ago. The improved performance was mainly due to higher net interest income and other operating income, lower allowance for loan impairment and write-back of impairment losses on other assets, partially offset by higher other operating expenses.

RHB Bank remained well capitalised with core Tier-1 and Tier-1 capital ratio of 11.47% and 11.88% respectively, while its risk-weighted capital adequacy ratio stood at 15.09% as at 31 December 2012.

RHB Islamic Bank Berhad recorded a pre-tax profit of RM208.3 million for the financial year ended 31 December 2012 compared with RM211.0 million in the previous year. The marginally lower profit was due to higher financing impairment allowances and other operating expenses, partially offset by higher net financing income on the back of a strong financing growth of 24.6%, higher fee income and the absence of unrealised loss on derivatives for hedging.

Pre-tax profit of RHB Investment Bank improved significantly to RM84.4 million for the financial year 2012 against RM45.2 million achieved in 2011. This was attributed to the revitalised RHB Investment Banking business, pre-merger synergies with OSKIB and lower impairment losses on other assets.

The combined asset under management of RHB Investment Management Berhad – OSK-UOB Investment Management Berhad stood at RM31.1 billion, accounting for 10.0% of the domestic market share as at 31 December 2012.

Significant Corporate Developments

- (1) RHB Capital Berhad (“the Company”) had on 19 October 2009, 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 (approximately RM1,163 million) (“Proposed Acquisition”); and
 - (ii) proposed put and call option for additional up to 9% of the issued and paid-up share capital of Bank Mestika after its initial public offering (“Proposed Option”).

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.

On 13 July 2012, Bank Indonesia issued a new regulation on share ownership in Indonesian commercial banks which stipulates, amongst others, that the maximum limit for shares ownership in a commercial bank by a bank or financial institution shall be 40% of its paid-up capital.

In view of this, RHB Bank had on 30 January 2013 entered into an amended agreement to the CSPA with the Vendor (“Amended CSPA”) to revise the proposed acquisition from up to 89% of the issued and paid-up share capital in Bank Mestika to 40%, comprising of 327,207 fully-paid ordinary shares, each with a nominal value of Rp1,000,000, for a total cash consideration of Rp2,066,437,000,000 (approximately RM651,134,299 as at 23 January 2013) (“Revised Purchase Consideration”).

The Revised Purchase Consideration represents price-to-book ratio of 3.08 times based on the unaudited net assets of Bank Mestika as at 30 June 2012 of Rp1,677.3 billion (approximately RM528.5 million) and price-to-earnings ratio of 18.6 times based on the unaudited net profit of Bank Mestika for the last twelve months ended 30 June 2012 of approximately Rp277.7 billion (approximately RM87.5 million).

Simultaneously, RHB Bank had on even date entered into an option termination agreement with the Vendor to terminate the original Proposed Option.

The Revised Purchase Consideration shall be funded by RHB Bank via internally generated funds and/or via equity financing from RHB Capital, in which case, RHB Capital may procure the necessary funding required via a separate equity financing exercise.

Pursuant to the Amended CSPA, the conditional period for the completion of the Amended CSPA is now amended to 30 June 2013, or such other date as may be agreed in writing by RHB Bank and the Vendor.

- (2) On 28 May 2012, the Company entered into a conditional share purchase agreement with OSK Holdings Berhad (“OSKH”) for the acquisition of OSKIB.

The acquisition of OSKIB was completed on 9 November 2012, and OSKIB become a wholly-owned subsidiary of RHB Capital pursuant to the listing and quotation of 245 million shares of RM1.00 each in RHB Capital and the cash settlement to OSKH amounted to RM196 million.

The merger integration exercise of RHB Investment Bank and OSKIB is on track. The Legal Day One for the completion of the merger is scheduled for April 2013.

The merged RHB-OSK investment bank will become the largest and most complete investment bank and brokerage house in Malaysia.

Prospects for The Year

The Malaysian economy is expected to continue to perform well in 2013 with Gross Domestic Product (GDP) projected to grow at 5.6%. This expectation is premised on an improving exports and strong domestic demand on the back of an improving global growth together with the impact of the various projects under the Economic Transformation Programme (“ETP”). The Malaysian banking sector is expected to remain resilient, in line with the country’s economic growth trajectory.

“The completion of the acquisition of OSK Investment Bank Group has enhanced the Group’s geographical footprint and capabilities with presence in seven countries across the Asean region and Hong Kong.

The Group continues to strengthen its leadership positions in targeted markets and product segments, building strong customer relationships as well as leveraging on the Group’s infrastructure and multiple distribution networks for business growth.

Although the Group foresees a continued competitive operating environment in 2013, we are still well-positioned to drive our targeted business segments and geographies to becoming a leading multinational financial services group. Barring any unforeseen circumstances, the Group expects satisfactory results for the financial year 2013,” said Dato’ Mohamed Khadar Merican.

Financial Performance	12 months ended 31 December 2012	Restated 12 months ended 31 December 2011
Operating profit before allowances	2,535,866	2,472,863
Profit before taxation	2,384,623	2,249,878
Profit attributable to equity holders of the Company	1,784,742	1,687,913
Earnings per share (sen)	79.0	77.5

Balance Sheet	As at 31 December 2012	Restated As at 31 December 2011
Gross loans, advances and financing	111,474,069	97,437,908
Gross impaired loans, advances and financing	3,337,637	3,493,951
Deposits from customers	138,224,225	115,860,584
Total assets	189,077,565	152,303,557
Equity attributable to equity holders of the Company	15,117,215	11,615,398
Net assets per share (RM)	6.06	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 500 branches and outlets in Malaysia, Brunei, Thailand, Singapore, Indonesia, Cambodia, Vietnam, Hong Kong and China.

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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 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, OSK Investment Bank Berhad, RHB Insurance Berhad and RHB Islamic Bank Berhad, while its asset management and unit trust businesses are undertaken by RHB Investment Management Berhad and OSK-UOB 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.