



FOR IMMEDIATE RELEASE

RHB Capital Berhad Reports 26.2% Increase in Net Profit to RM450.7 million in First Quarter 2014

- **Total income increased 7.8% to RM1.5 billion**
- **Pre-tax profit was higher by 29.0% to RM637.4 million**
- **Gross loans grew by 3.7% for the quarter and 11.2% year-on-year to RM126.3 billion**
- **Customer deposits expanded by 4.0% for the first three months of the year and 6.0% year-on-year to RM143.3 billion**
- **Earnings per share at 17.7 sen**
- **Annualised ROE at 10.6%**

Kuala Lumpur, 26 May 2014

RHB Capital Berhad (“the Group”) today reported a quarterly net profit of RM450.7 million, up 26.2% from a year ago. Pre-tax profit was at RM637.4 million, 29.0% higher than the corresponding period in 2013.

Healthy business momentum supported by sustained loan expansion and stable margin resulted in higher net interest income, and stronger contribution from customer-related transactions and activities boosted non-interest income. Significant improvement in the loan impairment charges further contributed to the stronger first quarter performance.

Net interest income increased by 5.1% to RM818.9 million on the back of 3.7% and 11.2% growth in loans and advances from the previous quarter and year respectively. Net interest margin stabilised at 2.33%.

Other operating income recorded 10.7% growth to RM497.7 million, largely driven by higher fee income and increase in insurance underwriting surplus. Fee income increased by 17.0% to reach RM322.7 million, mainly attributed to higher service charges and fees, guarantee fees and fund management fees. The Group’s other operating income to total income ratio improved to 33.9% from 33.0% recorded a year ago.

Islamic Banking income increased by 13.5% to RM151.7 million, mainly due to higher net funding income on the back of a period to-date growth of 2.7% and 12.3% increase year-on-year in financing base to RM19.2 billion.

Year two post merger, the RHB-OSK franchise realised synergies were at RM48 million, accounting for 43% of year two synergies target of RM112 million.

Other operating expenses rose 9.9% to RM788.6 million. This was largely attributed to a 13.3% increase in staff-related costs due to the growth in staff strength and the appointments of key senior hires to support the business expansion of the Group.

Allowance for impairment on loans and financing for the quarter decreased significantly to RM54.2 million from RM154.9 million recorded in the same period last year. This was primarily due to the non-recurrence of an impairment made on a corporate account last year, and higher bad debts recovered during the period.

Balance Sheet and Asset Quality

Total assets of the Group expanded by 3.1% to RM196.9 billion as at 31 March 2014. The increase was mainly due to growth in net loans and cash and short term funds.

Loans growth gained further traction with a 3.7% quarter-on-quarter increase and 11.2% growth year-on-year to reach RM126.3 billion. The growth was broad-based across different segments with significant increase in residential property, purchase of securities, other purposes and working capital. Domestic market share improved to 9.4% as at 31 March 2014 from 9.3% in December 2013.

Asset quality continued to be strong with impaired loans ratio at 2.54%, compared to 2.81% in December 2013. Absolute gross impaired loans decreased 6.3% over the first three months to RM3.2 billion.

The Group continued to strengthen its liquidity and funding position, with loans-to-deposits ratio at 88.1%. Customer deposits grew 6.0% year-on-year and 4.0% from December 2013 to RM143.3 billion as at 31 March 2014.

Current and Savings Account balances grew by 5.1% and 5.0% respectively for the first quarter. CASA composition improved to 23.5% from 23.3% in December 2013.

Shareholders' equity strengthened further with 2.7% growth to RM17.2 billion. Net assets per share improved to RM6.75 against RM6.57 as at 31 December 2013.

Performance Review of Key Subsidiaries

For the first quarter ended 31 March 2014, RHB Bank Berhad (“RHB Bank”) recorded a pre-tax profit of RM513.5 million, significantly higher than the amount recorded in the previous corresponding period of RM417.3 million. This is largely attributable to lower allowance for loan impairment and higher other operating income and net interest income, partly offset by higher other operating expenses.

RHB Bank’s balance sheet remained strong with total assets at RM153.3 billion and shareholders’ equity at RM12.5 billion as at 31 March 2014.

RHB Bank continues to be well-capitalised with common equity Tier-1 and Tier-1 capital ratio of 10.2% and 10.7% respectively, with total capital ratio at 12.8% as at 31 March 2014.

RHB Islamic Bank Berhad (“RHB Islamic Bank”) achieved a pre-tax profit of RM66.1 million for the first three months of 2014, 24.5% higher from that achieved a year ago. The improvement was mainly attributable to a net write-back of loan loss provision of RM1.1 million recorded in the current quarter compared to a net allowance made of RM9.1 million in 2013 and higher net interest income, mitigated by lower other operating income and higher other operating expenses.

RHB Investment Bank Berhad (“RHB Investment Bank”) Group achieved a pre-tax profit of RM49.3 million, 8.6% lower than a year ago. This was largely due to lower other operating income and higher other operating expenses, partially offset by loan impairment written back during the quarter.

Total assets under management of RHB Asset Management Sdn Bhd grew significantly by 16.7% during the quarter to reach RM45.8 billion as at 31 March 2014. Domestic retail fund market share improved further to 11.0% from 10.0% in December 2013.

Prospects for The Year

The Malaysian Gross Domestic Product is projected to expand by 4.5%-5.5% in 2014 versus 4.7% in 2013. The growth is expected to be supported by stronger external demand for the country's export on the back of improving global activities, coupled with sustained domestic demand and robust private investment. The ample liquidity in the financial system will also provide a conducive capital market.

“We have launched IGNITE 2017, the third phase of our transformation programme, which focuses on growing the domestic and regional business and developing the RHB Banking Group into a leading multinational financial services group by 2020.

Barring unforeseen circumstances, we expect 2014 performance to be better than 2013”, said Kellee Kam, Group Managing Director of RHB Banking Group.

Financial Performance	3 months ended 31 March 2014	3 months ended 31 March 2013
Operating profit before allowances	679,692	644,538
Profit before taxation	637,408	494,285
Profit attributable to equity holders of the Company	450,691	357,194
Earnings per share (sen)	17.7	14.3
	As at 31 March 2014	As at 31 December 2013
Balance Sheet		
Gross loans, advances and financing	126,289,196	121,752,896
Gross impaired loans, advances and financing	3,210,455	3,426,629
Deposits from customers	143,271,570	137,741,241
Total assets	196,944,147	191,089,907
Equity attributable to equity holders of the Company	17,194,232	16,739,071
Net assets per share (RM)	6.75	6.57

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 the following key focus areas namely, Group Retail and Commercial Banking, Group Treasury, Transaction Banking, Group Islamic Banking and Group Insurance, Corporate and Investment Banking Business and Group International Business. 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 undertaken by RHB Asset Management Sdn Bhd and RHB Islamic International Asset Management Berhad. The Group's regional presence now spans nine countries including Malaysia, Singapore, Indonesia, Thailand, Brunei, Cambodia, Hong Kong, Vietnam and Lao PDR. 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.

APPENDIX

Significant Corporate Development

(1) Proposed Acquisition of PT Bank Mestika Dharma (“Bank Mestika”)

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 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 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%, for a total cash consideration of Rp2,066 billion (approximately RM651 million as at 23 January 2013) (“Revised Purchase Consideration”).

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 2014, or such other date as may be agreed in writing by RHB Bank and the Vendor.

(2) Establishment of RHB Bank (Lao) Limited (“RHB Bank Lao”)

RHB Bank has on 30 April 2014 been officially granted with the banking license by the Governor of the Bank of Lao People’s Democratic Republic (‘Lao PDR’) for the establishment of RHB Bank Lao. RHB Bank Lao will commence business operations upon receipt of the Business Registration License from the Ministry of Industry and Commerce of Lao PDR.

(3) Capital Management Plan

(i) RHB Investment Bank and RHB Bank have obtained approval from the Securities Commission of Malaysia (“SC”) for their respective proposed Multi-Currency Medium Term Note Programme (“MCMTN Programme”):

	RHB Investment Bank	RHB Bank
Programme	Issuance of senior notes and/or subordinated notes of up to RM1.0 billion in nominal value (or its equivalent in other currencies)	Issuance of senior notes and/or subordinated notes of up to RM5.0 billion in nominal value (or its equivalent in other currencies)
Approval from SC	25 July 2013	4 February 2014
Approval from Bank Negara Malaysia (“BNM”)	12 June 2013	20 December 2013
Utilisation of proceeds	To be utilised for RHB Investment Bank’s working capital and general banking purposes, including but not limited to repayment of borrowings and subordinated debts	To be utilised for RHB Bank’s general working capital and other corporate purposes, including but not limited to provision of advances to any of RHB Bank’s subsidiaries and repayment of borrowings and subordinated debts (if any)

The subordinated notes to be issued under both the MCMTN Programme are Basel III compliant.

As of todate, RHB Investment Bank and RHB Bank have yet to issue any part of the MCMTN Programme.

- (ii) RHB Islamic Bank has obtained approval from SC for the proposed issuance of subordinated Sukuk Murabahah Programme (“Sukuk Programme”) of up to RM1.0 billion in nominal value.

Approval from BNM for the establishment of the Sukuk Programme has been obtained in December 2013. The proceeds raised from the Sukuk Programme will be utilised for RHB Islamic Bank’s working capital and general banking purposes, including but not limited to repayment of its financing facilities and any subordinated Sukuk provided always that any such utilisation shall be for Shariah-compliant purposes.

RHB Islamic Bank has on 15 May 2014 issued RM500 million subordinated Sukuk Murabahah for a tenure of 10 non-callable 5 years under the Sukuk Programme, with a fixed profit rate of 4.95% per annum, payable semi-annually in arrears throughout the entire tenure.