



FOR IMMEDIATE RELEASE

## RHB Capital Berhad Records RM2.1 Billion Pre-tax Profit for Financial Year 2015

- ◆ Excluding one off CTS expenses, pre-tax profit stood at RM2.4 billion
- ◆ Gross loans grew by 6.2% to RM151.4 billion
- ◆ Customer deposits remained stable at RM158.2 billion, but current and savings account balances increased by 11.0%, boosting CASA composition to 24.0%
- ◆ Asset quality measured by gross impaired loans ratio improved to 1.88% from 2.03%
- ◆ Interim single tier cash dividend of 12 sen per share, translating into payout ratio of 24.4%
- ◆ Completed rights issue of RM2.34 billion in December 2015

**Kuala Lumpur, 26 February 2016**

RHB Capital Berhad (“the Group”) today reported a pre-tax profit of RM2,106.7 million and net profit of RM1,511.4 million respectively for the financial year ended 31 December 2015. Excluding one-off Career Transition Scheme (“CTS”) expenses of RM308.8 million, the Group’s normalised pre-tax profit was at RM2,415.5 million.

The Group’s performance was affected by lower investment banking and securities market related fee income, lower trading income, higher loan impairment charges, and absence of large write-back and income from disposal of investments during the year.

Gross fund based income increased by 9.7% on the back of 6.2% increase in gross loans and financing. Funding and interest expense however, was higher by 14.5% mainly due to higher customer deposits and higher funding expense on sukuk and sub-debts totaling RM1.5 billion and USD300 million senior unsecured notes issued during the second half of 2014. As a result, net fund based income grew by 3.7% to RM4,083.3 million with net interest margin for the year lower at 2.14% as compared to 2.30% in 2014.

Non-fund based income was lower by 8.2% at RM2,107.9 million. Capital and financial market volatility resulted in lower investment banking and securities market related fee income, as well as lower trading and investment income. This was partially offset by increase in wealth management fee income. Asset Under Management under the Group's wealth management business increased by RM3.5 billion or 7.2% to RM52.0 billion, affirming our position as the 3<sup>rd</sup> largest fund manager in the country.

Excluding the one off CTS expenses, other operating expenses rose marginally by 2.1%, reflecting our effective cost management across the Group.

Allowances for impairment on loans and financing for the year increased to RM340.3 million or 65.0%. The increase was primarily due to higher individual allowances and absence of one-off major recoveries in 2014. However, this was partially mitigated by lower collective allowances arising from the refinement of Retail collective assessment impairment methodology in previous year.

Impairment losses written back on other assets were lower at RM48.8 million due to non-recurrence of a one-off recovery amounting to RM112.4 million in 2014.

#### **Fourth Quarter 2015 Earnings**

Pre-tax profit for the quarter was at RM475.2 million compared to pre-tax profit of RM603.1 million (excluding one-off CTS cost) recorded in the preceding quarter ended 30 September 2015. This was mainly due to higher impairment on loans and financing, higher operating expenses and higher impairment losses on other assets, partly offset by higher non-fund based and net fund based income.

#### **Balance Sheet and Capital Position Strengthened**

Total assets rose by 5.2% or RM11.4 billion to RM230.7 billion as at 31 December 2015. Shareholders' funds increased by 22.8% to RM23.1 billion with the completion of rights issue of RM2.3 billion and the profit recorded for the year. Net assets per share stood at RM7.51 as at 31 December 2015.

Common Equity Tier-1 and Total Capital ratio of RHB Bank Group is strong at 11.6% and 16.1% respectively as at 31 December 2015.

The Group's gross loans and financing grew by 6.2% year-on-year to RM151.4 billion. Gross loans growth picked up in the second half of 2015 compared to a growth of only 1.5% in the first half of 2015. The growth was broad based, predominantly from purchase of residential and non-residential properties, working capital and construction. The Group's domestic loan market share stood at 9.4% as at 31 December 2015.

As the Group continues to rebalance its liquidity and funding mix, customer deposits grew by a marginal 0.6% during the year to RM158.2 billion. Current and savings account (“CASA”) balances registered a strong growth of 11.0%, resulting in the CASA composition improving to 24.0% as at 31 December 2015 from 21.7% in December 2014.

Asset quality continued to improve with gross impaired loans ratio decreasing to 1.88% from 2.03% in December 2014.

## **Interim Dividend**

In line with our commitment to enhance shareholders’ value, the Company has declared an interim single tier cash dividend of 12 sen per share totalling RM369.0 million. The interim dividend represents a dividend payout ratio of 24.4% out of RHB Capital Group’s net profit after tax attributable to shareholders of RM1,511.4 million for the financial year 2015. The dividend payout ratio of 24.4% is the highest in 3 years.

## **Performance Review of Key Business Units**

**Retail Banking** recorded a pre-tax profit of RM1,147.5 million for the financial year ended 31 December 2015, 34.9% higher than the previous year. This was mainly due to lower allowances for loans and financing, and lower overhead expenses. However, this was mitigated by lower net fund based income despite higher average loans volume as competition in retail market remained keen. Gross loans and financing grew by 6.2% year-on-year to RM68.2 billion mainly driven by growth in mortgage and commercial property financing, partially offset by a decrease in auto loans. Deposits increased by 1.2% mainly due to growth in current and savings account balances of 5.9%.

**Business Banking’s** pre-tax profit was lower by 9.0% at RM362.6 million, mainly attributed to higher allowances for loans and financing and higher overhead expenses, partially offset by higher net fund based income. Gross loans and financing grew by 11.3% in 2015 to RM19.8 billion driven mainly by SME loans. SME market share improved to 8.7% from 7.2% as at December 2014. Deposits increased by 5.3% to RM22.0 billion attributable mainly by a 9.9% growth in current deposits.

**Corporate and Investment Banking’s** pre-tax profit was lower by 56.4% to RM550.9 million. This was mainly attributed to lower investment banking and securities market related fee income both in Malaysia and Singapore, higher impairment allowances for loans and financing, several major recoveries in 2014 and the absence of write-back on other assets amounting to RM112.4 million recorded in 2014. Gross loans and financing was marginally higher by 0.8% for the year at RM48.3 billion, whilst deposits increased by 19.5% to RM45.6 billion with fixed deposits and current deposits growing by 19.8% and 18.4% respectively.

**Group Treasury's** pre-tax profit was higher by 35.1% to RM427.1 million, mainly due to higher net fund based income and net foreign exchange gain, and higher impairment write-back on other assets, partially offset by lower investment and trading gain.

**Group International Business'** pre-tax profit increased by 28.7% to RM135.2 million, mainly attributed to higher net interest income, partially offset by higher operating expenses and higher loan impairment. Singapore, being the largest contributor of Group International Business, recorded pre-tax profit growth of 9.5% to SGD46.4 million for financial year 2015. Gross loans and advances in Singapore grew by 1.3% to SGD 4.1 billion year-on-year, due mainly to the increase in business banking and retail loans by 16.0% and 10.5% respectively, partially offset by several large corporate repayments during the year. Customer deposits increased by 9.7% to SGD 4.9 billion.

**RHB Group's Islamic business** recorded a strong growth in pre-tax profit to RM348.7 million for the year 2015, an increase of 14.8%. Total income increased by 14.3% to RM632.9 million, mainly due to higher net fund based income on the back of gross financing growth of 22.0% in 2015 to RM31.1 billion. This is higher than the industry financing growth of 16.3%. Islamic financing as a percentage of Group's total domestic gross loans and financing increased to 23.0% as at 31 December 2015 compared to 19.5% in 2014.

## **IGNITE Update**

We have reframed our strategy in August 2015 to anchor on 3 key themes - "Funding Our Journey", "Winning by Differentiating Ourselves in the Medium Term" and "Getting the People & Organisation Right". IGNITE 2017 initiatives were further sharpened to focus on 17 high priority initiatives to drive greater profitability and efficiency. We are showing steady progress especially in cost management and capital optimisation, and this will continue in the current challenging environment.

## **Prospect for the Year and Comments from Group Managing Director**

The Malaysian economic outlook remains challenging as a result of the global economic volatility. Real GDP is projected to grow by 3.9% in 2016 from 5.0% in 2015, supported mainly by domestic demand which is expected to grow by 3.3% compared to 5.1% in 2015.

Growth in the Malaysian banking sector is expected to be moderate, with slower loan demand and narrower margin as competition for deposits remains intense. The soft financial and capital market activities will also affect non-interest income in the banking sector.

"2015 was a challenging year, with volatility in the foreign currency markets, significant reduction in oil prices, intense competition in deposits and slower capital market activities.

In 2016, the economic landscape is expected to remain challenging. We will continue with our focus of optimising cost and managing asset quality, while we choose to invest in key growth areas and enhance our portfolio returns. Our emphasis will also be on improving customer experience and building digital capabilities,” commented Dato’ Khairussaleh Ramli, Group Managing Director of RHB Banking Group.

The successful completion of the Company’s rights issue of RM2.343 billion in December 2015 has strengthened the capital base of the Group for growth and regulatory requirements. The proposed internal reorganisation is expected to be completed by the first quarter of 2016, and the listing of RHB Bank Berhad on the Bursa Securities, to take over the listing status of the Company by the second quarter of 2016.

## Key Financial Highlights

Financial Performance (RM'000)	12 Months Ended 31 December 2015	12 Months Ended 31 December 2014
Operating profit before allowances	2,398,009	2,823,711
Profit before taxation	2,106,744	2,735,053
Profit attributable to equity holders of the Company	1,511,427	2,038,000
Earnings per share (sen)	58.1	79.7
Balance Sheet (RM'000)	As at 31 December 2015	As at 31 December 2014
Gross loans, advances and financing	151,386,384	142,486,190
Gross impaired loans, advances and financing ratio (%)	1.88	2.03
Deposits from customers	158,151,008	157,133,993
Total assets	230,717,667	219,354,436
Equity attributable to equity holders of the Company	23,084,793	18,794,297
Net assets per share (RM)	7.51	7.31

*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 three main business pillars, namely Group Retail and Commercial Banking, Group International Business and Group Corporate and Investment Banking. 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 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 Corporate Development

#### (1) **Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments (collectively referred to as the “Proposals”)**

RHB Capital had announced that it proposes to undertake the following proposals:

##### (i) Rights Issue

On 21 December 2015, RHB Capital completed its renounceable rights issue of new ordinary shares of RM1.00 each in RHB Capital (“RHB Capital Shares”) via the listing of and quotation for 486,193,294 new RHB Capital Shares on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”), raising proceeds of approximately RM2.343 billion (“Proceeds”).

The Proceeds shall be utilised to further capitalise RHB Bank and to finance the working capital requirements of RHB Bank and its subsidiaries (“RHB Bank Group”), only if the relevant approvals for the Proposed Internal Reorganisation are obtained and the Proposed Internal Reorganisation is implemented (“Capital Injection”).

In the event that the Proposed Internal Reorganisation is not implemented, the Proceeds shall be utilised to repay external bank borrowings of the Company and any surplus thereafter for injection as equity into RHB Bank and/or repayment of borrowings from RHB Bank, if required.

The Rights Issue will enable the Company to raise funds to further strengthen the capital position of RHB Bank, via the Capital Injection, to support the continuous business growth of RHB Bank Group and meeting the requirements of Basel III.

##### (ii) Proposed Internal Reorganisation

The Proposed Internal Reorganisation will entail the transfer by RHB Capital of its entire equity interests in, or certain assets and liabilities of its subsidiaries to RHB Bank (“Identified Assets”), after the Rights Issue, for a total indicative consideration of approximately RM3.71 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/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. The Disposal Consideration to be received by the Company under the Proposed Internal Reorganisation will be utilised to repay the bank borrowings of the Company as well as to defray expenses relating to the Proposed Internal Reorganisation.



The Identified Assets shall comprise, amongst others, the entire equity interest in RHB Investment Bank (which shall include its subsidiaries, associates and joint ventures), the entire equity interest in RHB Insurance Berhad and certain assets and liabilities of RHB Hartanah Sdn Bhd, including its subsidiary, RHB Property Management Sdn Bhd. The Identified Assets are not exhaustive and may be varied as the Board may deem fit until completion of the Proposed Internal Reorganisation.

The Proposed Internal Reorganisation will be undertaken to streamline the businesses of RHB Capital Group under RHB Bank with the aim to achieve greater tax efficiency in view of the change from the two-tier tax system to a single-tier tax system as well as to position RHB Bank to spearhead the Group's future growth.

(iii) Proposed Distribution and Capital Repayment

The Proposed Distribution and Capital Repayment will entail the distribution of the entire shareholdings of the Company in RHB Bank after the Rights Issue and Proposed Internal Reorganisation to entitled shareholders of the Company whose names appear in the Record of Depositors of RHB Capital on an entitlement date to be determined and announced later upon completion of the Rights Issue and Proposed Internal Reorganisation and the receipt of all relevant approvals for the Proposed Distribution and Capital Repayment ("Distribution Entitlement Date"). The basis for the Proposed Distribution and Capital Repayment can only be determined later.

Upon completion of the Proposed Distribution and Capital Repayment, the existing shareholders of RHB Capital will continue to hold shares in the Company with par value of RM0.05 each, in the proportion of their shareholdings as at the Distribution Entitlement Date. Upon receiving the approval of the shareholders of the Company for the proposed winding up of RHB Capital ("Proposed Winding Up") at a separate extraordinary general meeting ("EGM") to be convened later, RHB Capital will appoint a liquidator to liquidate the Company and any surplus cash (after the settlement of all liabilities and defrayment of expenses) thereafter will be returned to the shareholders.

RHB Capital will cease to be a shareholder of RHB Bank upon completion of the Proposed Distribution and Capital Repayment. The effective percentage shareholdings of the shareholders of RHB Capital in RHB Bank shall remain unchanged before and after the Proposed Distribution and Capital Repayment.

#### (iv) Proposed Transfer of Listing Status

Upon completion of the Proposed Distribution and Capital Repayment, RHB Bank will assume the listing status of RHB Capital. RHB Bank will be admitted to the Official List of Bursa Securities in place of RHB Capital with the listing of and quotation for the entire issued and paid-up share capital of RHB Bank on the Main Market of Bursa Securities.

The Proposed Transfer of Listing Status will enable RHB Capital's shareholders to have a direct participation in the equity and envisaged growth of RHB Bank Group as well as enable RHB Bank 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 RHB Bank Group in expanding its customer base.

In addition to the above, RHB Capital also proposes to undertake the Proposed M&A Amendments which entails the consequential amendments to the memorandum and articles of association of the Company to facilitate the Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status.

The inter-conditionality of the Proposals are as follows:

- (i) The Rights Issue is not conditional upon any of the other Proposals.
- (ii) The Proposed Internal Reorganisation is conditional upon the Rights Issue but is not conditional upon the Proposed Distribution and Capital Repayment and the Proposed Transfer of Listing Status.
- (iii) The Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments are inter-conditional upon each other and are also conditional upon the Proposed Internal Reorganisation and Rights Issue.

The Proposed Transfer of Listing Status can only be effected after the approval of the shareholders of the Company for the Proposed Winding Up have been obtained at a separate EGM to be convened.

To date, approvals which have been obtained for the Proposals include, amongst others, the following:-

- (i) Ministry of Finance and/or Bank Negara Malaysia (as the case may be) on 23 July 2015 for the Rights Issue, Proposed Internal Reorganisation and the Proposed Distribution and Capital Repayment under the Financial Services Act, 2013.

- (ii) Bursa Securities on 30 July 2015 and 4 September 2015 for the listing of and quotation for the new RHB Capital Shares on the Main Market of Bursa Securities pursuant to the Rights Issue as well as the Proposed Transfer of Listing Status, respectively.
- (iii) Shareholders of the Company on 27 August 2015 at the EGM of the Company for the Rights Issue, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments.

RHB Capital is currently in the midst of procuring all the other approvals required for the Proposals from the relevant parties/regulatory authorities.

**(2) Proposed Subscription in Digital Financial Lab Limited (“DFLL”), by RHB Finexsia.com Sdn Bhd (“RHB Finex”) and Silverlake International Capital Market Solution Limited (“Silverlake Capital”)**

RHB Finex, a company in which RHB Capital holds a 100% effective equity interest in through its 59.95% direct shareholding and 40.05% indirect shareholding through RHB Investment Bank, which in turn is a wholly-owned subsidiary of RHB Capital, had on 6 August 2015 extend into a subscription agreement (“Agreement”) with Silverlake Capital, to subscribe for redeemable convertible preference shares of USD1.00 each (“RCPS”) at par in DFLL.

Pursuant to the Agreement, RHB Finex and Silverlake Capital will each be subscribing for 50% RCPS in DFLL for RM10 million each (“Proposed Subscription”). The Proposed Subscription by RHB Finex will be funded by its internally generated funds. The RCPS shall rank *pari passu* with the existing ordinary shares of USD1.00 each (“Ordinary Shares”) in DFLL in respect with the rights attached to the Ordinary Shares and shall be convertible at any time into Ordinary Shares at no extra cost.