



## Press Releases

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### RHB Capital Berhad posts 9% growth in net profit to RM382.1 million in first quarter of 2011

- Pre-tax profit grew 8% to RM511.6 million
- Earnings per share increased 9% to 17.7 sen
- Annualised ROE at 15.1% and annualised ROA at 1.2%
- Gross loans expanded by 4.3% to RM87.3 billion
- Customer deposits grew 4.7% to RM98.9 billion
- Total assets increased 2.9% to RM133.1 billion

*Kuala Lumpur, 24 May 2011*

#### Performance Review of the Group

RHB Capital Berhad ("the Group") today reported another set of healthy financial performance, which showed strong momentum in its business with continuous asset and liability growth. The Group continues to benefit from the disciplined execution of its strategies and remains well positioned to expand its market share in its targeted business and product segments.

For the first quarter of 2011, pre-tax profit grew by 8% to RM511.6 million from RM474.2 million recorded in the previous year's corresponding period. Net profit rose 9% to RM382.1 million compared to the same period last year. Earnings per share rose to 17.7 sen compared to 16.2 sen recorded in the first quarter of 2010.

The Group achieved an annualised return on equity of 15.1% and return on assets of 1.2%.

The improvement in performance was primarily due to higher net interest income, other operating income, income from Islamic Banking business and lower allowance for impairment on loans, financing and other losses, partially offset by higher other operating expenses.

Net interest income increased by RM51.7 million or 8% to RM681.3 million on the back of a loans growth of 4.3% during the first three months of the financial year.

Other operating income was higher at RM266.5 million in the first quarter of 2011, which is an increase of 8% as compared to RM247.9 million recorded a year ago. This was largely due to higher service charges and fees, brokerage income and higher net gain on foreign exchange.

Income from the Islamic Banking business increased to RM91.2 million, up 10% compared to the previous year's corresponding period. This was mainly due to higher net profit income by RM7.2 million on the back of a 6% loan growth for the first three months of the financial year to RM9.6 billion and higher net gain on revaluation of financial assets/investments and derivatives.

The rise in other operating expenses compared to the previous year's corresponding quarter was mainly due to higher personnel costs and marketing expenses. Cost to income ratio increased to 43.2% from 41.8% previously. This is in tandem with higher business volumes and the continuous investments into people, technology, customers' touch points and network infrastructure, as well as the expansion of Easy by RHB to over 150 outlets currently.

Gross loans grew by RM3.6 billion or 4.3% to reach RM87.3 billion as at 31 March 2011. The loans growth was broad-based across different segments, in particular lending for the purchase of securities, working capital, purchase of residential property and purchase of transport vehicles. Loans to individuals grew by 6.7% for the first three months and stood at RM38.9 billion as at 31 March 2011. The Group's domestic loans and advances expanded by 4.2% compared to the industry's average of 3.3%. Market share of domestic loans improved to 9.2% as at March 2011 from 9.1% as at December 2010.

Gross impaired loans ratio improved to 4.12% from 4.39% in December 2010 as gross impaired loans, advances and financing decreased by 2% to RM3.6 billion as at 31 March 2011. Annualised new impaired loans formation ratio improved to 0.78% from 1.70% as at 31 March 2010, whilst annualised credit charge ratio improved to 0.37% against 0.46% a year ago.



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The Group's customers' deposit base grew by 4.7% to reach RM98.9 billion as at 31 March 2011. Domestic customer deposits increased by 4.5% during the quarter under review as compared to that of the industry of 2.8%. Overall domestic deposits market share improved to 8.0% from 7.8% as at December 2010. Demand and savings deposits contributed to 26% of the Group's deposits compared to the industry's average of 25%. The Group's loans-to-deposits ratio improved to 88.3% as at 31 March 2011.

Total assets of the Group expanded by 3% to RM133.1 billion as at 31 March 2011. This was mainly due to the increases in loans and investment assets. Shareholders' equity exceeded the RM10 billion mark for the first time to reach RM10.3 billion as at 31 March 2011. Net assets per share improved to RM4.79 against RM4.63 as at December 2010.

### Performance Review of Subsidiaries

RHB Bank Berhad ("RHB Bank") continued to be the largest contributor to the Group, and accounted for 92% of the Group's profit. For the first quarter ended 31 March 2011, RHB Bank recorded a pre-tax profit of RM471.1 million, which is an increase of 3% from a year ago. The improved performance was mainly attributed to higher net interest income and other operating income, partially offset by higher other operating expenses and higher allowance for impairment on loans, financing and other losses.

RHB Bank's balance sheet remained strong with total assets at RM108.4 billion, and shareholders' equity of RM8.7 billion as at 31 March 2011. Risk-Weighted Capital Adequacy Ratio and Core Capital Ratio of RHB Bank were at 12.96% and 9.91% respectively as at 31 March 2011.

RHB Islamic Bank Berhad achieved a pre-tax profit of RM37.1 million for the first three months of 2011 as compared to the previous year's corresponding period of RM2.8 million. This was achieved on the back of a 6% loan growth by the Islamic Banking division to RM9.6 billion as at 31 March 2011. Higher net gain on revaluation of financial assets/investments and derivatives as well as lower allowance for impairment on financing and advances also contributed positively to the profitability of the Islamic Bank.

RHB Investment Bank Berhad recorded a pre-tax profit of RM6.5 million for the first quarter ended 31 March 2011 compared to RM25.4 million in the first quarter of 2010. The lower profit was mainly due to lower net interest income, lower net gain arising from financial investments available for sale, partially offset by higher brokerage income.

### Significant Corporate Developments

1. RHB Capital Berhad ("RHB Capital") 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 (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) including additional performance-related returns of up to 15% per annum compounded annually (adjusted for dividends paid) ("Proposed Options").

The Proposed Acquisition 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").

The Proposed Acquisition and Proposed Rights Issue were subsequently approved by Bank Negara Malaysia ("BNM") and Bursa Malaysia Securities Berhad ("Bursa Securities") on 4 January 2010 and 20 April 2010 respectively, subject to certain conditions being fulfilled. Bursa Securities had thereafter granted the Company an extension of six months until 19 October 2011 to complete the Proposed Rights Issue. The Proposed Rights

Issue was also approved by the shareholders on 19 May 2010.

The Company had subsequently assigned all of its rights, titles, interests, benefits and entitlements as well as novated all of its obligations and liabilities as contained in the CSPA, option agreement and escrow agreement pursuant to the Proposed Acquisition and Proposed Options 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. The change in the acquisition structure was approved by BNM on 31 January 2011.

On 18 April 2011, upon mutual agreement between RHB Bank and the Vendor, the period to satisfy or waive the condition precedent based on the terms as contained in the CSPA was further extended from 19 April 2011 to 31 December 2011. The extension of the CSPA is conditional upon, inter-alia, permission and approval from RHB Bank for Bank Mestika to distribute dividend to the Vendor no later than 19 May 2011 which was subsequently approved by the Board of RHB Bank, as announced on 3 May 2011.

2. RHB Capital had on 1 March 2011, announced the proposed implementation of Dividend Reinvestment Plan ("DRP") as part of the Company's capital management plan that provides shareholders with the option of electing to reinvest their cash dividend declared by the Company (whether interim, final, special or any other form of cash dividend) ("Dividend") in new ordinary shares of RM1.00 each in the Company ("RHB Capital Shares")

All relevant approvals have been obtained for the DRP:

- i. approval from BNM was obtained on 24 February 2011 subject to the permissible shareholding limit imposed on the Company's substantial/major shareholders are complied with at all times;
- ii. approval from the shareholders was obtained on 6 April 2011;
- iii. approval from Bursa Securities for the listing of and quotation for the new RHB Capital Shares to be issued pursuant to the DRP on the Main Market of Bursa Securities was obtained on 4 April 2011.

As announced on 6 April 2011, the issue price of new RHB Capital Shares to be issued pursuant to the DRP was fixed at RM7.56 per new RHB Capital Share. The new RHB Capital Shares arising from the DRP will be listed on the Main Market of Bursa Securities either on 23 May 2011 or 24 May 2011.

A total of 38,441,644 new RHB Capital Shares have been issued and listed on 23 May 2011, representing 84.17% of the entitled shareholders that had elected to reinvest their respective Electable Portions of their dividends into new RHB Capital Shares.

3. On 9 May 2011, the Securities Commission had approved RHB Bank's application for the establishment of a multi-currency Euro Medium Term Note Programme ("EMTN Programme"), under which RHB Bank may issue up to USD500 million in nominal value (or its equivalent in other currencies) of senior medium term notes.

The proceeds from the EMTN Programme will be utilised for RHB Bank and its subsidiaries' general working capital, other corporate purposes and repayment of borrowings, if applicable.

As of to date, RHB Bank has yet to issue any part of the EMTN Programme.

4. 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 RM5.4 million. The acquisition was completed on 16 July 2010.

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

## **Prospects For The Year**

"The Malaysian economy is expected to grow moderately in the first half of 2011, gradually gaining momentum towards the second half of the year with full year growth projected at 5% to 6%. The impact of rising crude oil prices and the nuclear disaster in Japan will affect growth. The outlook of the Malaysian banking sector remains positive, supported by the underlying strengths of the domestic economy and the roll-out of the large-scale infrastructure projects under the Economic Transformation Programme ("ETP")," said Tan Sri Azlan Zainol, Chairman of RHB Bank.



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"The Group is optimistic of stronger market demand for banking products and services and a more active capital market. It will remain focused on building its core businesses and will continue to look for opportunities to expand its market share and increase its leadership position in targeted markets and product segments.

The Group's performance for the first quarter of 2011 was satisfactory and in line with our expectations. We are executing our strategic initiatives as planned and remain confident of our full year outlook," concluded Dato' Mohamed Khadar Merican, Chairman of RHB Capital Berhad.

### Financial Highlights

#### RHB CAPITAL (RM'000)

Financial Performance	3 months ended 31 March 2011	3 months ended 31 March 2010
Operating profit before allowances	590,243	558,561
Profit before taxation	511,572	474,232
Profit attributable to equity holders of the Company	382,124	349,730
Earnings per share (sen)	17.7	16.2

Balance sheet	As at 31 March 2011	As at 31 March 2011
Gross loans, advances and financing	87,323,611	83,710,244
Gross impaired loans, advances and financing	3,594,616	3,672,175
Deposits from customers	98,901,204	94,433,828
Total assets	133,136,003	129,325,495
Equity attributable to equity holders of the Company	10,315,387	9,962,157
Net assets per share (RM)	4.79	4.63

*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*



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*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 300 branches and outlets in Malaysia, Brunei, Thailand, Singapore and Vietnam.

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### **About the RHB Banking Group**

*The RHB Banking Group is the fifth 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 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 be recognised as one of the top financial services group in the ASEAN Region.*

*It's time we simplify banking*