



## Press Releases

---

### RHB Capital Berhad reports net profit of RM767.5 million for first half of 2013

- Revenue was at RM2.8 billion, up by 20.6% compared with the same period last year
- Operating profit before allowances was up 4.8% to RM1.3 billion, underpinned by growth across all business segments
- Pre-tax profit was at RM1,048.0 million, 11.5% lower than the previous year due to higher allowances for loan impairment
- Non-interest income to total income ratio increased to 33.5%
- Gross loans was at RM117.3 billion, up 5.2% for the first half of 2013 and 12.8% over the past 12 months
- Liquidity remained healthy with loans to deposits ratio stood at 86.0% as at 30 June 2013
- Earnings per share was at 30.8 sen
- Declared interim single-tier dividend of 6.0% per share, unchanged from the previous half year

*Kuala Lumpur, 30 August 2013*

#### Financial Performance

RHB Capital Berhad ("the Group") today reported a net profit of RM767.5 million for the first half of 2013, 13.7% lower from the previous year corresponding period.

Pre-tax profit was at RM1,048.0 million, 11.5% lower than a year ago. The lower earnings was affected by higher impairment allowance for loans and higher cost base post acquisition of OSK Investment Bank Berhad ("OSK Investment Bank"), given a lag effect of revenue synergy achievement.

First half 2013 total income rose 20.6% to RM2.8 billion. Net interest income rose 9.8% to RM1.6 billion on the back of a strong loans growth of 12.8% year-on-year to reach RM117.3 billion as at 30 June 2013. Net interest margin remained stable at 2.34% for the first half of the year.

Reflecting the full period effect of the acquisition of OSK Investment Bank, other operating income recorded a strong growth of 43.2% year-on-year to reach RM935.8 million, boosted by a four-fold increase in brokerage and seven-fold increase in wealth management related fee income, higher capital market-related fee income and marked-to-market gain on derivatives. This was however partially offset by non-repeated net gain on financial assets held-for-trading.

The Group's other operating income to total income ratio rose to 33.5% from 28.2% recorded previously due mainly to the reinvigorated franchise and businesses of the merged RHB Investment Bank Berhad ("RHB Investment Bank").

Merger synergies realised todate since the completion of the transaction on 9 November 2012 amounted to RM69 million, this has surpassed the first full year target of RM63 million. The merger synergies are derived mainly from investment banking fee income and income from wealth and asset management businesses.

Islamic Banking income increased by 24.2% to RM278.0 million, driven mainly by higher net funding income on the back of a 21.5% increase in financing base to RM17.9 billion from a year ago.

Other operating expenses rose 39.6% year-on-year mainly due to the full-period impact of the enlarged investment bank cost base and higher cost base associated with increased sales related staff strength, as well as higher commission and incentive compensation linked to a stronger business volume and merger integration related cost totaling RM15.2 million. Given the time lag effect of revenue synergy achievement, cost to income ratio of the Group stood at 52.5% as at 30 June 2013.

Allowance for impairment on loans and financing for the first half of 2013 increased to RM299.4 million from RM82.2 million recorded a year ago. This increase was primarily the result of higher individual allowances and one time bad debts written off pertaining to the one time refinement of application of MFRS139 (Financial Instruments: Recognition and Measurement)

For the second quarter ended 30 June 2013, the Group recorded a pre-tax profit of RM553.7 million, 12.0% higher as compared to RM494.3 million recorded in the first quarter 2013. The higher pre-tax profit was mainly due to higher total



## Press Releases

---

income, lower allowance for impairment on loans and financing and higher impairment write back on other assets. This was, however, partially offset by higher other operating expenses.

Total assets for the Group stood at RM185.9 billion as at 30 June 2013. Shareholders' equity strengthened to RM15.8 billion with net assets per share improved to RM6.35 against RM6.06 as at 31 December 2012.

The Group's gross loan base grew by 5.2% growth during the first half of the year and 12.8% for the 12 months period to reach RM117.3 billion. Loans growth was mainly from purchase of securities, purchases of residential and non-residential properties as well as working capital purposes. Domestic loans market share stood at 9.5% as at 30 June 2013.

The Group's loans to deposits ratio stood at 86.0%. Customer deposits declined marginally by 1.4% to RM136.3 billion for the first six months to 30 June 2013. However, CASA (Current and Savings Account) balance increased by 3.3% for the first half of 2013 and 6.1% year on year. CASA composition improved to 22.3% from 21.3% in December 2012.

Gross impaired loans ratio increased to 3.15% from 2.99% in December 2012 upon classification of several impaired accounts.

The Board of Directors has declared a single tier dividend of 6.0% for the first half of 2013, unchanged from the previous year. Subject to the necessary approvals being obtained, RHB Capital will continue to implement the earlier approved Dividend Reinvestment Plan to eligible shareholders for the 2013 interim dividend.

### Performance Review of Key Subsidiaries

For the first half of 2013, RHB Bank Berhad ("RHB Bank") recorded a pre-tax profit of RM888.8 million, 20.9% lower from that of previous year corresponding period. This was mainly attributable to higher allowance for loan impairment, higher other operating expenses and lower other operating income, partially offset by higher net interest income.

RHB Bank's balance sheet remained strong with total assets at RM141.1 billion and shareholders' equity at RM11.5 billion as at 30 June 2013.

RHB Bank continues to be well-capitalised with common equity Tier-1 and Tier-1 capital ratio of 11.051% and 11.646% respectively, while its total capital ratio stood at 14.212% as at 30 June 2013.

RHB Islamic Bank Berhad achieved a pre-tax profit of RM93.8 million for the first half of 2013, marginally lower from RM94.2 million recorded a year ago.

For the first half of 2013, RHB Investment Bank Group doubled its pre-tax profit to RM99.0 million, representing the full effect of its merger with OSK Investment Bank. The higher profitability was on account of higher net interest income and other operating income, and higher write-back on loan impairment and impairment on other assets, partially offset by higher other operating expenses.

The combined assets under management of RHB Investment Management Sdn Bhd - OSK-UOB Investment Management Berhad stood at RM33.5 billion, accounting for 10.1% of the domestic retail fund market share as at 30 June 2013.

### Prospects for The Year

Whilst the US economy is improving and the risk of an Eurozone meltdown is reducing, there are some concerns over China's growth level. The Malaysian economy is expected to remain resilient underpinned by domestic demand and investment growth, with Gross Domestic Product forecasted to increase by 4.5% to 5.0% for 2013.

Bank Negara Malaysia's new measures effective July 2013 are expected to moderate growth in household lending. The improving external and domestic demand, and a stronger capital market post-election will be the key drivers of a healthy banking market.

"Pipeline deals are healthy and we expect to see more mandates being executed going forward. Similarly, loan pipelines are encouraging. The corporate and business banking segments are expected to grow in tandem with the improving domestic business environment and healthier capital market for the remaining of the year.



## Press Releases

---

The slower start for the year together with higher impairment losses on loans have posted earnings drag for our full year performance. Nevertheless, our business has remained resilient and we remained focused in executing our stated strategy to deliver long term growth for our shareholders and we aim to achieve a stronger second half," said Kellee Kam, Group Managing Director of RHB Banking Group.

<b>Financial Performance</b>	<b>6 months ended 30 June 2013</b>	<b>6 months ended 30 June 2012</b>
Operating profit before allowances	1,329,144	1,267,857
Profit before taxation	1,047,952	1,183,957
Profit attributable to equity holders of the Company	767,527	889,396
Earnings per share (sen)	30.8	40.3

<b>Balance Sheet</b>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>
Gross loans, advances and financing	117,252,185	111,474,069
Gross impaired loans, advances and financing	3,697,537	3,337,637
Deposits from customers	136,305,103	138,224,225
Total assets	185,918,024	189,077,565
Equity attributable to equity holders of the Company	15,831,459	15,117,215
Net assets per share (RM)	6.35	6.06

*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.

For analyst enquiries, contact:  
Yap Choi Foong/Teh Soh Geok  
Group Investor Relations  
Tel: 603-92802463/603-92802154  
Email: [cfyap@rhb.com.my](mailto:cfyap@rhb.com.my)  
[teh.soh.geok@rhbgroup.com](mailto:teh.soh.geok@rhbgroup.com)  
Website: [www.rhbgroup.com](http://www.rhbgroup.com)

For media enquiries, contact:  
Lois Kam  
Corporate Communications  
Tel: 603-92805089  
Email: [lois.kam@rhbgroup.com](mailto:lois.kam@rhbgroup.com)

### **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, RHB Insurance Berhad and RHB Islamic Bank Berhad, while its asset management and unit trust businesses are undertaken by RHB Investment Management Sdn Bhd and OSK-UOB Investment Management Berhad. The Group's regional presence now spans eight countries including Brunei, Cambodia, Indonesia, Hong Kong, Malaysia, Singapore, Thailand and 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.*

### **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 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%, 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 September 2013, or such other date as may be agreed in writing by RHB Bank and the Vendor.

2. Asset Management Businesses

On 3 July 2013, the following sale and purchase agreements ("SPA") have been entered into between:

- i. RHB Investment Bank and United Overseas Bank (Malaysia) Bhd ("UOBM") for the sale of all the shares owned by UOBM in OSK-UOB Investment Management Berhad ("OUIM"), a subsidiary of RHB Investment Bank, representing 30% of the issued share capital of OUIM, to RHB Investment Bank at the consideration of RM43.1 million;
- ii. OUIM and UOB Asset Management Limited ("UOBAM") for the sale of all the shares owned by UOBAM in OSK-UOB Islamic Fund Management Berhad ("OUIFM"), a subsidiary of OUIM, representing 30% of the issued share capital of OUIFM, to OUIM at the consideration of RM3.0 million; and
- iii. RHB Investment Bank and UOBAM for the acquisition by UOBAM of all the shares owned by RHB Investment Bank in UOB-OSK Asset Management Sdn Bhd ("UOAM"), representing 30% of the issued share capital of UOAM, at the consideration of RM26.2 million.

The consideration for all the above transactions will be settled in cash, and was arrived at on a willing-buyer-willing-seller basis. The completion of the transactions, which will be concurrent, is subject to the approval of regulators in Malaysia and Singapore.

3. Capital Management

RHB Investment Bank has obtained approval from the Securities Commission of Malaysia for its proposed Multi-Currency Medium Term Note Programme ("MCMTN Programme") on 25 July 2013 for the issuance of senior notes and/or subordinated notes of up to RM1.0 billion in nominal value (or its equivalent in other currencies).

The subordinated notes to be issued under the MCMTN Programme are Basel III compliant. The proceeds from the MCMTN Programme will be utilised for RHB Investment Bank and its subsidiaries' general banking purposes, including but not limited to repayment of borrowings and subordinated debts.

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