



## Press Releases

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### **RHB Capital Group recorded a 20% increase in net profit to RM1.04 billion for first nine months of 2010**

- **Pre-tax profit increased by 18% to RM1.38 billion**
- **Earnings per share increased by 20% to 48.3 sen**
- **Annualised ROE at 15.1%**
- **Gross loans grew by 15% to RM80.0 billion or an annualised 20%**
- **Customer deposits grew by 8% to RM91.4 billion**
- **Total assets expanded by 11% to RM127.1 billion**

*Kuala Lumpur, 29 November 2010*

#### **Performance Review of the Group**

RHB Capital Group ("the Group") today reported a pre-tax profit of RM1.38 billion for the first nine months of 2010, an increase of 18% from a year ago. Net profit was up 20% to RM1.04 billion from RM865.0 million recorded in the corresponding period of 2009. Earnings per share rose to 48.3 sen as compared to 40.2 sen recorded in the same period last year.

The improved performance was underpinned by higher net interest income and other operating income, coupled with lower allowance for impairment on loans, advances and financing, partially offset by higher other operating expenses and higher impairment losses on other assets.

Net interest income increased by RM178.7 million or 10% to RM1,958.1 million for the first nine months of 2010, on the back of a strong growth in loans, advances and financing by RM10.4 billion from December 2009.

Other operating income was higher at RM763.8 million, an increase of 13% as compared to RM677.5 million recorded in 2009. This was largely due to higher fee income and higher net gain arising from the disposal of financial investments available-for-sale. The higher fee income was broad-based with major improvements in fee and commitment income, and income from investment banking business. As the Group continued to build and invest into people, technology, customers' touch points and network infrastructure, cost-to-income ratio remained one of the lowest at 41.1%, marginally higher than 40.6% recorded in the previous year's corresponding period.

Post-implementation of FRS 139, Financial Instruments: Recognition and Measurement, the Group's allowance for impairment on loans, advances and financing reduced to RM350.1 million or 25% lower as compared to a year ago.

The Group achieved an annualised return on equity of 15.1% and return on assets of 1.1%, compared to 14.2% and 1.1% respectively a year ago.

For the quarter ended 30 September 2010, the Group recorded a pre-tax profit of RM453.2 million as compared to RM447.9 million achieved in the preceding quarter. The higher profit was mainly attributable to higher net interest income and lower impairment losses on other assets, partially offset by higher allowance for impairment on loans, advances and financing and higher other operating expenses.

The Group's gross loans, advances and financing grew by 14.9% during the first nine months in 2010 to reach RM80.0 billion as at 30 September 2010. Domestic loans and advances expanded by 21% on an annualised basis as compared to that of the industry of 13%. The increases are from financing to government and statutory bodies, residential property, purchase of securities and purchase of transport vehicles.

Loan approvals and disbursements were higher by 27% and 14% respectively in the first nine months of 2010 as compared to the previous year's corresponding period. Market share of domestic loans improved to 9.0% as at September 2010 from 8.5% as at December 2009.

Gross impaired loans, advances and financing stood at RM4.5 billion as at 30 September 2010, as compared to RM4.6 billion post-implementation of FRS 139 on 1 January 2010. Gross impaired loans ratio improved to 5.64% as compared to 6.66% at the beginning of the year. Annualised new impaired loans formation ratio improved to 1.71% from 2.01% in September 2009, and annualised credit charge ratio was at 0.58% against 0.93% recorded a year ago.



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The Group's customer deposits grew by 7.8% or RM6.6 billion for the first nine months to September 2010 on the back of a 10% and 3% increase in fixed deposits and demand deposits respectively. Domestic customer deposits increased by 7.9% during the first nine months of the year, almost twice that of the industry of 4.1%. Overall market share improved to 7.8% from 7.5% as at December 2009. Demand and savings deposits contributed 27% of the Group's deposits as compared to the industry of 25%. The Group's loans-to-deposits ratio stood at 87.5% as at 30 September 2010.

Total assets of the Group expanded by RM12.2 billion or 10.6% to RM127.1 billion as at 30 September 2010, this was mainly contributed by loans and investment asset growth. Shareholders' equity strengthened to RM9.7 billion, and net assets per share improved to RM4.48 from RM4.04 as at 31 December 2009.

### Performance Review of Subsidiaries

RHB Bank Berhad ("RHB Bank") continued to be the largest contributor of the Group, accounting for 93% of the Group's profit. For the first nine months to 30 September 2010, RHB Bank recorded a pre-tax profit of RM1.27 billion, up 22% from a year ago.

The balance sheet of RHB Bank remained strong with total assets at RM104.1 billion. Shareholders' equity stood at RM8.1 billion as at 30 September 2010.

RHB Investment Bank Berhad ("RHB Investment Bank") recorded a pre-tax profit of RM63.4 million for the first nine months of 2010, 33% lower from the previous year's corresponding period. The lower profit was mainly due to higher impairment losses on other assets, lower net interest income and higher other operating expenses, partially offset by higher fee income and higher net gain on disposal of financial investments available-for-sale.

RHB Investment Bank continued to maintain its industry leadership position in the country by maintaining the first (1st) position in mergers and acquisitions (for deals with target Malaysian companies) and ranked third (3rd) in both the equities and debt capital markets as at 30 September 2010.

RHB Islamic Bank Berhad achieved a pre-tax profit of RM69.4 million for the first nine months in 2010, 40% higher as compared to the previous year's corresponding period. This was mainly attributed to higher net interest income on the back of 18% growth in gross financing base, coupled with lower allowance for impairment on financing and advances.

### Significant Corporate Developments

1. On 19 October 2009, RHB Capital Berhad ("RHB Capital") 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) plus additional performance-related returns of up to 15% per annum compounded annually (adjusted for dividends paid) ("Proposed Options").

The acquisition of the first 80% equity in Bank Mestika 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").

Bank Negara Malaysia ("BNM") had on 4 January 2010 granted its approval to the Company to acquire up to 89% of the issued and paid-up share capital of Bank Mestika and Bursa Malaysia Securities Berhad ("Bursa Securities") had on 20 April 2010 approved the listing and quotation of up to 1,300,000,000 new ordinary shares of RM1.00 each in RHB Capital. The approval of both BNM and Bursa Securities are subject to certain conditions being fulfilled.

The shareholders of the Company had approved the Proposed Rights Issue at an Extraordinary General Meeting convened on 19 May 2010.

RHB Venture Capital Sdn Bhd ("RHBVC") (a wholly-owned subsidiary of RHB Capital to which the Company has assigned all of its rights, titles, interests, benefits and entitlements as well as novated all of its obligations and liabilities as contained in, inter-alia, the CSPA to RHBVC) and the Vendor, are still taking the necessary steps to fulfill the conditions precedent of the CSPA, for which the period to satisfy or waive the conditions precedent of the CSPA ('Long Stop Date') had expired on 16 July 2010. In this respect, RHBVC and the Vendor have mutually agreed to extend the Long Stop Date to 19 April 2011.

2. On 1 July 2010, RHB Bank entered into a 10-year exclusive Bancassurance Agreement with Tokio Marine Life Insurance Malaysia Berhad (formerly known as TM Asia Life Malaysia Berhad) ("Tokio Marine Life"), under which RHB Bank will receive an exclusivity fee of RM100 million over a 10-year exclusive bancassurance relationship with Tokio Marine Life.

Under the Exclusive Bancassurance Agreement, RHB Bank will sell, market and promote conventional life insurance products developed by Tokio Marine Life via its distribution channels and any other alternative distribution channels jointly developed by RHB Bank and Tokio Marine Life.

3. On 8 October 2010, RHB Capital completed the acquisition of an additional 15.2% stake in RHB Insurance Berhad ("RHB Insurance") from Nissay Dowa General Insurance Co. Ltd at a cash consideration of RM44.5 million, which was financed via internal funds. Following this, RHB Capital now holds 94.7% of the issued and paid-up share capital of RHB Insurance.
4. On 26 May 2010, RHB Hartanah Sdn Bhd ("RHB Hartanah"), a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with Bedford Land Sdn Bhd to acquire 11,596,000 ordinary shares of RM1.00 each in Positive Properties Sdn Bhd ("PPSB"), representing the remaining 50% equity interest in PPSB for a total cash consideration of RM35,003,874. PPSB held a plot of land at Lot No. 29 Seksyen 90, Tower and District of Kuala Lumpur ("Lot 29"). The purchase consideration was arrived at based on a willing-buyer-willing-seller basis after taking into consideration the unaudited net assets of PPSB for the financial period ended 31 March 2010 and an independent market valuation of Lot 29 held by PPSB. The purchase consideration was fully settled on the even date and PPSB became a wholly-owned subsidiary of RHB Hartanah effective 26 May 2010.

The acquisition of PPSB is to enable RHB Capital to fully control PPSB and thus facilitate future development on Lot 29. The acquisition of PPSB represents a long-term strategic plan of RHB Capital to consolidate all of the RHB Banking Group's Kuala Lumpur City Centre operations into a single location for better operational efficiency.

5. 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 RM5.36 million. The acquisition was completed on 16 July 2010, whereby on the even date

RHBPM became a wholly-owned subsidiary of RHB Hartanah. 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 by 7% for the full year of 2010, having recorded a strong growth of 8.0% for the first nine months of the year. In line with this forecast, the Malaysian banking sector will remain robust, underpinned by high capitalisation, stable asset quality and strong liquidity position.

"Market demand for banking products and services is expected to remain strong and active and the Group will continue to focus on building its respective market shares in its core businesses. The introduction of "EASY by RHB" (RHB's simple, fast and paperless community banking initiative) has progressed well, with over 100 outlets opened to date, it has enabled the Group to successfully further penetrate the retail market and gaining traction in its domestic market position," said Dato' Tajuddin Atan, the Group Managing Director of the RHB Banking Group.



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"The retail and capital market activities will continue to be active for the rest of the year, and with the infrastructure being put in place over the past 18 months, the RHB Banking Group is well poised to reap the benefits of the continued economic growth in the country," concluded Dato' Mohamed Khadar Merican, Chairman of RHB Capital.

### Financial Highlights

#### RHB CAPITAL (RM'000)

Financial Performance	9 months ended 30 September 2010	9 months ended 30 September 2009
Operating profit before allowances	1,751,234	1,601,750
Profit before taxation	1,375,396	1,161,304
Profit attributable to equity holders of the Company	1,040,113	864,979
Earnings per share (sen)	48.3	40.2

Balance sheet	As at 30 September 2010	As at 31 December 2009
Gross loans, advances and financing	80,039,679	69,635,005
Gross impaired loans, advances and financing	4,510,294	3,253,499 N1
Deposits from customers	91,440,905	84,841,065
Total assets	127,115,697	114,951,382
Equity attributable to equity holders of the Company	9,653,975	8,707,741
Net assets per share (RM)	4.48	4.04

N1: Old BNM GP3

*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. Actual performance may be materially different from that anticipated or described herein, and RHB Capital's financial and business plans may be subject to change.*



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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 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 held under RHB Investment Management Berhad. RHB's International Banking Division include the 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 the RHB Banking Group's aspiration to deliver superior customer experience and shareholder value; and be recognised as one of the top financial services groups in ASEAN.*

*It's time we simplify banking*