



Press Releases

RHB Capital Berhad recorded a 10.9% increase in net profit to RM1.2 billion for the first nine months of 2011

- **Pre-tax profit grew 11.4% to RM1.5 billion**
- **Earnings per share increased 9.9% to 53.1 sen**
- **Annualised ROE at 14.6% and annualised ROA at 1.1%**
- **Gross loans grew by 13.0% to RM94.5 billion**
- **Customers deposits grew by 16.2% to RM109.7 billion**
- **Total assets expanded by 15.7% to RM149.6 billion**

Kuala Lumpur, 29 November 2011

Group Performance Review

RHB Capital Berhad ("the Group") today reported a net profit of RM1.2 billion for the first nine months of 2011, representing a 10.9% increase from a year ago. The Group's pre-tax profit rose 11.4% from a year ago to a record of RM1.5 billion and earnings per share increased to 53.1 sen against 48.3 sen previously.

The higher pre-tax profit was attributed by higher total income, lower loan loss provisioning, lower impairment loss on assets and partly offset by higher other operating expenses.

Annualised return on equity was at 14.6% and return on assets at 1.1%.

Net interest income increased by 7.5% to RM2.1 billion on the back of strong loans growth of 13.0%. However, margins remained under pressure given the intensified competition on the pricing of both loans and deposits, as well as the impact of lower yield credit risk free public sector loans and financing on book. Margins were also affected by several increases in Overnight Policy Rate ("OPR") and Statutory Reserve Requirement ("SRR") over the past 12 months.

Other operating income grew by 4.5% from previous year to RM798.3 million, mainly due to higher foreign exchange gains, service charges and fees, and brokerage income, partially offset by higher revaluation loss on derivatives which was undertaken to hedge the fixed rate loans and financing portfolio of the Group.

Income from Islamic Banking business increased by 20.5% to reach RM294.5 million. This was mainly due to higher net financing income on the back of 42.8% increase in gross financing and higher net gain on disposal of financial assets/investments portfolio.

Other operating expenses rose 17.2% from a year ago mainly due to higher personnel costs, establishment costs and marketing expenses. Cost to income ratio increased to 44.0% from 40.5% previously. The rise in other operating expenses was largely due to the increase in business volume and continued investment into people, technology, customers' touch points and network infrastructure to underpin future income momentum.

Asset quality of the Group continued to show improvement, with annualised chargeoff rate at 0.33%, reflecting our disciplined approach in credit risk management and collection processes. Allowance for loan impairment decreased by 33.6% to RM232.4 million mainly due to higher bad debts recovery and lower individual allowances, offset by a higher collective allowances set aside in tandem with the loans and financing assets growth.

On quarter-to-quarter comparison, the Group recorded a pre-tax profit of RM492.1 million, 6.8% lower compared to the preceding quarter. The lower profit was mainly attributable to lower other operating income and higher impairment losses on other assets, offset by lower allowance for loan impairment. The lower other operating income was mainly due to the revaluation loss on derivatives and financial assets held-for-trading, coupled with lower contribution from market related income following the recent financial market downturn.

Gross loans grew by RM10.8 billion or 13.0% to reach RM94.5 billion as at 30 September 2011. The loans growth was broad-based, comprising mainly public sector lending, purchase of securities, purchase of transport vehicles and purchase of residential property.

The Group's domestic loan growth of 12.5% continues to outpace that of the industry of 10.1% for the first nine months in 2011. Domestic loans market share improved to 9.3% from 9.1% as at 31 December 2010.



Press Releases

Absolute gross impaired loans declined by 5.7% to RM3.5 billion, and gross impaired loans ratio improved to 3.66% from 4.39% in December 2010. Annualised new impaired loans formation ratio reduced to 0.78% from 1.71% a year ago.

Customers deposits increased by 16.2% or RM15.3 billion to reach RM109.7 billion as at 30 September 2011. The Group's deposits growth momentum surpassed that of the industry of 9.4%. Overall domestic deposits market share improved to 8.3% from 7.9% as at 31 December 2010. The Group's loans-to-deposits ratio stood at 86.2% as at 30 September 2011.

Total assets of the Group expanded by 15.7% to RM149.6 billion as at 30 September 2011, driven mainly by the increases in loans, investment assets and statutory deposits.

Shareholders' equity expanded further to RM11.2 billion as at 30 September 2011. Net assets per share improved to RM5.09 compared to RM4.63 as at 31 December 2010.

Performance Review of Subsidiaries

For the first nine months of the year, RHB Bank Berhad ("RHB Bank") recorded a pre-tax profit of RM1.4 billion, up 11.2% from a year ago. The improved performance was mainly due to higher net interest income, other operating income and lower allowance for loan impairment, partially offset by higher other operating expenses and higher impairment on other assets.

RHB Bank's balance sheet remained strong with total assets at RM117.5 billion and shareholders' equity of RM9.3 billion as at 30 September 2011. Risk-Weighted Capital Adequacy Ratio and Core Capital Ratio of RHB Bank were at 15.0% and 11.5% respectively as at 30 September 2011.

RHB Islamic Bank Berhad achieved a pre-tax profit of RM91.3 million for the first nine months of 2011, compared with RM69.4 million recorded previously. The significant improvement in profit was mainly due to higher net financing income on the back of strong financing growth of 42.8% and lower financing impairment allowances, partially offset by higher other operating expenses.

RHB Investment Bank Berhad recorded a pre-tax profit of RM76.4 million, 20.5% higher as compared to RM63.4 million recorded a year ago. The higher profit was mainly due to a net write-back of impairment losses on financial investments amounted to RM2.2 million in current period as compared to impairment allowance made of RM30.0 million in the previous year corresponding period.

Significant Corporate Developments

1. RHB Capital Berhad ("RHB Capital") had on 19 October 2009, entered into a conditional sale and purchase agreement ("CSPA") with PT Mestika Benua Mas ("Vendor") to acquire 80% of the issued and paid-up share capital in PT Bank Mestika Dharma for a total cash consideration of Rp3,118 billion ("Proposed Acquisition").

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 has been approved by Bank Negara Malaysia ("BNM") and the Proposed Rights Issue has been approved by Bursa Malaysia Securities Berhad ("Bursa Securities") and the shareholders.

RHB Capital 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 18 April 2011, upon mutual agreement between RHB Bank and the Vendor, the conditional period for the completion of the CSPA was further extended from 19 April 2011 to 31 December 2011.

Bursa Securities had on 21 October 2011, granted RHB Capital a further extension of 6 months to 19 April 2012 to complete the implementation of the Proposed Rights Issue

- RHB Bank has obtained the approval from the Securities Commission of Malaysia for the issuances of up to USD500 million and RM3 billion in nominal value (or its equivalent in other currencies) multi-currency Euro Medium Term Note Programme ("EMTN Programme") and multi-currency Medium Term Note Programme ("MCMTN Programme") on 9 May 2011 and 5 July 2011 respectively.

The proceeds from the EMTN and MCMTN Programme will be utilised by RHB Bank and its subsidiaries' for general working capital, other corporate purposes and repayment of borrowings, if applicable. RHB Bank has, on 31 October 2011, issued RM250 million of the Subordinated Notes under the MCMTN Programme, but has yet to issue any part of the EMTN Programme.

- RHB Capital has obtained approval from BNM on 13 October 2011 to commence negotiations with OSK Investment Bank Berhad, OSK Holdings Berhad ("OSKH") and major shareholders of OSKH for a possible merger of the business. Appropriate announcement will be made in due course upon the conclusion of the negotiation.

Prospects for 2011

"The Malaysian economy is expected to grow at between 5% and 5.5% in spite of a challenging external environment due to continued weakness in the US and on-going debt crisis in the European economies. The outlook for the Malaysian banking sector remains positive, supported by the underlying strengths of the domestic economy and the progressive roll-out of projects under the Economic Transformation Programme.

We have delivered a satisfactory set of financial results amidst a more challenging operating environment, our core business remained resilient with strong loans and deposits growth. We will remain focus on building our core businesses and continue to look for opportunities to expand our market share and increase our leadership position in targeted markets and product segments. We are well positioned to assist our customers and clients in navigating the challenges and opportunities going forward," said Tan Sri Azlan Zainol, Chairman of RHB Bank.

"Strengthening of credit policies and risk management practices and sound assets and liability management will continue to be high on our agenda. The Group expects to continue its business growth momentum into the rest of financial year 2011,"

Financial Highlights

RHB CAPITAL BERHAD (RM'000)

Financial Performance	9 months ended 30 September 2011	9 months ended 30 September 2010
Operating profit before allowances	1,775,577	1,751,234
Profit before taxation	1,531,865	1,375,396
Profit attributable to equity holders of the Company	1,153,147	1,040,113
Earnings per share (sen)	53.1	48.3



Press Releases

Balance sheet	As at 30 September 2011	As at 31 December 2010
Gross loans, advances and financing	94,552,210	83,710,244
Gross impaired loans, advances and financing	3,461,252	3,672,175
Deposits from customers	109,742,799	94,433,828
Total assets	149,580,303	129,325,495
Equity attributable to equity holders of the Company	11,164,412	9,962,157
Net assets per share (RM)	5.09	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 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 400 branches and outlets in Malaysia, Brunei, Thailand, Singapore and Vietnam.

For analyst enquiries, contact:
Teh Soh Geok
Group Investor Relations
Tel: 603-92802154
Email: teh.soh.geok@rhb.com.my
Website: www.rhb.com.my

For media enquiries, contact:
Shima Reza
Corporate Communications
Tel: 603-92802533
Email: shima.reza@rhb.com.my

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 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 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