

## RHB Capital Berhad Reports Third Quarter Net Profit of RM559.1 million

- **Third quarter pre-tax profit rose 33.6% to RM739.8 million**
- **Nine months revenue increased 25.0% to RM4.3 billion**
- **Operating profit before allowances up 11.3% year-on-year to RM2.1 billion, underpinned by broad based growth in all business segments**
- **Gross loans increased 13.9% year-on-year to RM121.4 billion**
- **Earnings per share at 53.0 sen**
- **Annualised ROE at 11.2%**

**Kuala Lumpur, 29 November 2013** - RHB Capital Berhad ("the Group") today reported a net profit of RM559.1 million for the third quarter of 2013, and this marks a significant performance milestone for the Group as it is the highest ever net profit reported in a quarter.

For the first nine months of 2013, net profit was at RM1,326.7 million, 3.6% lower compared with last year.

### Third Quarter 2013 Earnings

The Group delivered a successful turnaround in profit trajectory after two consecutive quarters that were impacted by high impairment allowances on loans.

Pre-tax profit increased to RM739.8 million in the third quarter of 2013, up 33.6% from RM553.7 million recorded in the second quarter, largely contributed by strong income growth, well managed operating expenses and lower impairment allowances for loans.

Net interest income recorded a new quarterly high at RM828.3 million, driven by strong loans growth of 3.6% from the preceding quarter and stable net interest margin. Other operating income also achieved a new quarterly record at RM554.3 million, with higher trading and investment income as well as higher foreign exchange gain.

Other operating expenses were generally well-contained during the quarter, with cost-to-income ratio improving to 49.7% compared to 52.2% recorded in the preceding quarter.

### Nine Months' 2013 Earnings

For the first nine months of 2013, the Group recorded a pre-tax profit of RM1,787.7 million, 2% lower as compared with previous year corresponding period. Core operating businesses continued to deliver steady results, with 11.3% increase year on- year in operating profit before allowances. This improvement was partially offset by increase in impairment allowances for loans.

Total income registered a strong 25.0% growth to RM4.3 billion for the first nine months of 2013. Net interest income increased to RM2.4 billion, up 10.2% from the same period last year due to strong loans growth of 13.9% year-on-year and a stable net interest margin. Effective balance sheet management efforts have helped to minimise the impact of a competitive interest rate environment, enabling margins to stabilise at the range of 2.33% to 2.35% since the last quarter of 2012.

Other operating income recorded a strong growth of 60.7% year-on-year, increasing to RM1.5 billion, largely due to the higher fee income and foreign exchange gain. Keeping up the strong fee momentum since the previous two quarters, fee income for the first nine months increased 91.3% to RM911.4 million. This was driven mainly from the five-fold increase in brokerage income, seven-fold increase in wealth management fee income and higher investment banking fee income.

The Group's other operating income to total income ratio rose to 34.4% from 26.8% recorded in the previous year. Excluding some one-off gain and recovery, non-interest income ratio stood at 33.0% as the Group realised the synergies from the merged RHB-OSK Investment Bank.

Merger synergies realised since the completion of the OSK Investment Bank Berhad acquisition on 9 November 2012 amounted to RM95 million, surpassing the first full year target of RM63 million. The merger synergies are derived mainly from fee income of investment banking, wealth and asset management businesses and institutional equities.

Islamic Banking income was higher by 22.4% at RM429.1 million, due mainly to higher net funding income on the back of a 17.1% increase in financing base to RM18.7 billion from a year ago.



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Other operating expenses rose 41.3% year-on-year mainly due to the full-period impact of the enlarged investment bank cost base, increase in sales-related staff, higher commission and incentive compensation linked to stronger business volume and merger integration related cost. Cost to income ratio of the Group stood at 51.5% as at 30 September 2013.

The Group has completed the full integration of RHB-OSK Investment Bank with System Platform Day One completed on 25 November 2013. Total integration costs in the first nine months of 2013 amounted to RM20.8 million, bringing total integration costs since last November to RM31.3 million.

Allowance for impairment on loans and financing for the first nine months of 2013 increased to RM329.3 million from RM51.2 million on the same period last year. This was primarily due to one-time bad debts written off pertaining to the refinement in application of MFRS139 (Financial Instruments: Recognition and Measurement), higher collective allowance for loans and financing growth during the period under review and lower bad debts recovered.

### Balance Sheet and Asset Quality

Total assets for the Group stood at RM187.7 billion as at 30 September 2013. Shareholders' equity strengthened to RM16.4 billion with net assets per share improved to RM6.47 against RM6.06 as at 31 December 2012.

The Group's gross loans base grew by 8.9% during the first nine months of the year and 13.9% over the last 12 months to reach RM121.4 billion. Loans growth was largely due to increase in working capital loans, purchase of residential properties, purchase of securities and other purposes. Domestic market share improved to 9.6% as at 30 September 2013.

Customer deposits declined marginally by 1.1% to RM136.7 billion for the first nine months to 30 September 2013. However, over the same period, CASA balances increased by 4.0%, resulting from a 3.2% and 6.6% growth in current account and savings account respectively. CASA composition improved to 22.4% from 21.3% in December 2012.

The Group's loans to deposits ratio remained healthy at 88.9% from 80.6% in December 2012.

Gross impaired loans ratio improved to 2.92% from 2.99% in December 2012.

### Performance Review of Key Subsidiaries

For the first nine months of 2013, RHB Bank Berhad ("RHB Bank") recorded a pre-tax profit of RM1,496.3 million, 12.8% lower from previous year. This was mainly attributable to higher allowance for loan impairment and increase in other operating expenses, partially offset by higher total income.

RHB Bank's balance sheet remained strong with total assets at RM143.8 billion and shareholders' equity at RM11.9 billion as at 30 September 2013.

RHB Bank continues to be well-capitalised with common equity Tier-1 and Tier-1 capital ratio of 10.8% and 11.3% respectively, while its total capital ratio stood at 13.8% as at 30 September 2013.

RHB Islamic Bank Berhad achieved a pre-tax profit of RM150.2 million for the first nine months of 2013, marginally lower from RM156.4 million recorded a year ago.

For the same period, pre-tax profit of the merged RHB Investment Bank Group doubled to RM132.3 million. This was largely due to higher net interest income and other operating income, and higher write-back on impairments on loans and other assets, partially offset by higher other operating expenses.

Combined assets under management of RHB Investment Management Sdn Bhd and OSK-UOB Investment Management Berhad stood at RM36.9 billion, accounting for 10.4% of the domestic retail fund market share as at 30 September 2013.

### Prospects for The Year

The global backdrop is turning more positive, with the US and Japan on a recovery path while Europe is stabilising, and China's slowdown is bottoming out. This will likely improve the country's exports for the rest of the year 2013.

The Malaysian banking sector outlook is expected to continue its moderate growth in line with a stable domestic operating environment, with system wide sound asset quality, strong capitalisation and funding profiles.

"Following the above, the Group's business performance is expected to improve further given our enhanced geographical footprint. Our continued effort in strengthening our human capital bench strength has begun to yield good results.



## Press Releases

We are determined to build on this momentum and barring unforeseen circumstances, the Group expects performance for the remaining part of the financial year to be satisfactory," said Kellee Kam, Group Managing Director of RHB Banking Group.

Financial Performance	9 months ended 30 September 2013	9 months ended 30 September 2012
Operating profit before allowances	2,100,762	1,886,908
Profit before taxation	1,787,712	1,824,303
Profit attributable to equity holders of the Company	1,326,673	1,376,878
Earnings per share (sen)	53.0	62.1

Balance Sheet	As at 30 September 2013	As at 31 December 2012
Gross loans, advances and financing	121,435,322	111,474,069
Gross impaired loans, advances and financing	3,544,188	3,337,637
Deposits from customers	136,667,482	138,224,225
Total assets	187,667,585	189,077,565
Equity attributable to equity holders of the Company	16,369,433	15,117,215
Net assets per share (RM)	6.47	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.

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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 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 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 31 December 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:



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- 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 RHB Islamic International Asset Management Berhad (formerly known as OSK-UOB Islamic Fund Management Berhad) (“RIIAM”), a subsidiary of OUIM, representing 30% of the issued share capital of RIIAM, 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 above transactions were satisfied in cash and completed on 22 October 2013 upon receiving the necessary approvals from the Malaysia and Singapore regulators. OUIM and RIIAM are now wholly-owned subsidiaries of RHB Investment Bank.*

### 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.*