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## **RHB Capital Berhad's Nine Months Net Profit rises 17% year-on-year to RM1.6 billion**

- ◆ **Total income at RM4.6 billion, up 5.2%**
- ◆ **Pre-tax profit rose 17.0% to RM2.1 billion**
- ◆ **Gross loans grew by 11.7% to RM136.0 billion**
- ◆ **Customer deposits expanded by 7.5% to RM148.1 billion**
- ◆ **Annualised ROE at 11.8%**

**Kuala Lumpur, 20 November 2014**

RHB Capital Berhad (“the Group”) today reported a net profit of RM1.6 billion for the first nine months of 2014, an increase of 17.0% over the corresponding period of the previous year. The earnings growth was achieved on the back of 5.2% year-on-year total income growth, higher impairment write back of other assets and significant improvement in loan impairment charges, partially offset by higher other operating expenses.

For the first nine months of 2014, net interest income rose 3.2% to RM2.5 billion underpinned by a 9.5% increase in conventional gross loans during the same period. Other operating income increased by 3.2% year-on-year to RM1.5 billion, primarily attributable to higher fee income and insurance underwriting surplus. This was however, partially offset by lower gain on derivatives and lower net gains from trading and investment securities.

Islamic Banking income increased by 23.9% year-on-year to RM531.5 million, mainly due to higher net funding income on the back of 25.6% increase year-on-year in financing asset base to RM23.5 billion as at 30 September 2014.

Other operating expenses increased by 8.6% to RM2.4 billion. This was mainly due to a 13.0% and 9.4% increase in personnel costs and establishment costs respectively. This is in line with the increase in business volume and management bench strength to support the Group’s business growth agenda.

Allowance for impairment on loans and financing decreased significantly by RM163.5 million to RM165.8 million. This was primarily attributable to non-recurrence of impairment made on certain corporate accounts and one-time bad debts written off pertaining to the refinement of application of MFRS 139 “Financial Instruments: Recognition and Measurement” last year, partially offset by higher collective impairment allowance.

On a sequential basis, total income expanded by 14.0% quarter-on-quarter to RM1.6 billion. This was driven by higher other operating income growing by 41.7%. Pre-tax profit fell 3.3% in the third quarter of 2014 compared to the previous quarter due to non-recurrence of one-off impairment losses written back on other assets. Net interest margin was stable at 2.29% in the third quarter of 2014 as compared to the previous quarter.

### **Balance Sheet and Asset Quality**

Total assets of the Group stood at RM209.5 billion as at 30 September 2014. Shareholders’ equity strengthened to RM18.3 billion. Net assets per share improved to RM7.12 against RM6.57 as at 31 December 2013.

The Group recorded strong loans growth of 11.7% for the first nine months of 2014 reaching RM136 billion as at 30 September 2014. The growth was broad base, predominantly from purchase of residential and non-residential properties, working capital and purchase of securities. Domestic loans market share increased to 9.6% from 9.3% as at 31 December 2013.

Asset quality strengthened further with gross impaired loans ratio improved to 2.29% vis-à-vis 2.81% in December 2013. Gross impaired loans decreased by 9.1% over the nine months period to RM3.1 billion.

For the first nine months of the year, customer deposits increased by 7.5% to RM148.1 billion. Fixed deposits increased by 8.6% to RM114.7 billion, and current and savings accounts balances increased by 4.1% to RM33.4 billion. CASA composition was at 22.6% as at 30 September 2014.

### **Performance Review of Key Subsidiaries**

For the first nine months of 2014, RHB Bank Berhad (“RHB Bank”) reported a pre-tax profit of RM1.6 billion, 8.3% higher than the corresponding period of the previous year. The better performance was mainly attributable to lower impairment allowances for loans, advances and financing, higher impairment written back on other assets and higher net interest income. This was however partially offset by higher operating expenses, mainly due to increase in personnel cost and establishment cost in support of business volume and expansion.

RHB Bank's balance sheet continued to strengthen with total assets stood at RM163.8 billion and shareholders' equity was at RM13.4 billion as at 30 September 2014.

RHB Bank remained well-capitalised with common equity Tier-1 and Tier-1 capital ratio of 10.7% and 11.2% respectively, while total capital ratio stood at 14.2% as at 30 September 2014.

RHB Islamic Bank Berhad ("RHB Islamic Bank") recorded a profit before tax of RM219.5 million, 46.2% higher than the previous year. This was mainly due to higher total income and lower allowance for impaired financing and advances, but partially offset against higher overhead expenses.

RHB Investment Bank Berhad ("RHB Investment Bank") Group recorded a pre-tax profit of RM202.5 million, 50.0% higher than the previous year. The increase in profit was mainly due to higher other operating income and higher impairment write back on loans and advances, partially offset by lower impairment losses written back on other assets and higher other operating expenses.

For the first nine months of the year, RHB Asset Management Sdn. Bhd. ("RHB Asset Management") recorded a pretax profit of RM15.5 million, 7.7% lower than the corresponding period of the previous year. Total asset under management ("AUM") increased by 20.4% to RM47.3 billion as at 30 September 2014, from RM39.3 billion as at 31 December 2013. Domestic retail fund market share of RHB Asset Management increased to 11.6%, up from 10.0% as at 31 December 2013.

## **Prospects for The Year**

Economic growth for the remainder of 2014 is expected to be at a slower pace compared to the 6.3% recorded in H1 2014. The increase in exports will be lower and domestic demand will be moderated given the effect of the earlier macro prudential measures to rein in household debt as well as the 25 basis point OPR hike in July 2014. GDP for the full year is expected to grow by 5.8%, stronger than 2013. This higher growth is due to increased exports and domestic demand, particularly in private investment and consumer spending.

The Malaysian Banking Sector will continue its growth trend for the rest of the year. This is supported by broadly resilient private investments and the various economic programmes driving SME business growth, although this may be partially offset by some moderation in the household segment.

Kellee Kam, Group Managing Director of RHB Banking Group, commented, "Our IGNITE 2017 transformation programme initiatives have yielded good results and is continuing to show strong momentum. Barring unforeseen circumstances, the Group's 2014 performance will be better than 2013."

## Key Financial Highlights

Financial Performance	9 months ended 30 September 2014	9 months ended 30 September 2013
Operating profit before allowances (RM'000)	2,133,957	2,100,762
Profit before taxation (RM'000)	2,091,467	1,787,712
Profit attributable to equity holders of the Company (RM'000)	1,551,809	1,326,673
Earnings per share (sen)	60.8	53.0
Balance Sheet	As at 30 September 2014	As at 31 December 2013
Gross loans, advances and financing (RM'000)	136,008,648	121,752,896
Gross impaired loans, advances and financing (RM'000)	3,115,191	3,426,629
Deposits from customers (RM'000)	148,107,526	137,741,241
Total assets (RM'000)	209,453,644	191,089,907
Equity attributable to equity holders of the Company (RM'000)	18,318,562	16,739,071
Net assets per share (RM)	7.12	6.57

*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.*

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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 three main business pillars, namely Group Retail and Commercial Banking, Group International Business and Group Corporate and Investment Banking. 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 Asset Management Sdn. Bhd. and RHB Islamic International Asset Management Berhad. The Group's regional presence now spans nine countries including Malaysia, Singapore, Indonesia, Thailand, Brunei, Cambodia, Hong Kong, Vietnam and Lao PDR. It is RHB Banking Group's aspiration to continue to deliver superior customer experience and shareholder value; and to be recognised as a Leading Multinational Financial Services Group.*

## APPENDIX

### Significant Corporate Development

#### (1) **Proposal to Commence Negotiation for a Merger of Business and Undertakings**

As announced by the Company on 10 July 2014, Bank Negara Malaysia (“BNM”) had vide its letter dated on even date stated that it has no objection for the Company to commence negotiations with CIMB Group Holdings Berhad (“CIMB Group”) and Malaysia Building Society Berhad (“MBSB”) for a possible merger of the businesses and undertakings of CIMB Group and RHB Capital, and the merger of Islamic banking businesses with MBSB (“Proposed Merger”). The approval is valid for a period of six months from the date of BNM’s letter.

(RHB Capital, CIMB Group and MBSB collectively defined as the “Parties”).

Pursuant to BNM’s approval, the Parties have on the same day, entered into an exclusivity agreement to negotiate and finalise pricing, structure, and other relevant terms and conditions for the Proposed Merger for a period of ninety (90) days (unless otherwise agreed by the Parties) (“Exclusivity Period”). There will be an automatic extension of the Exclusivity period upon a submission being made to BNM by the Parties on the Proposed Merger, until the date of execution of the relevant definitive agreement(s) to effect the Proposed Merger.

All considerations used to effect the Proposed Merger shall be referenced to the closing price of RHB Capital, CIMB Group and MBSB on the stock exchange on 9 July 2014.

RHB Capital and CIMB Group, as well as their relevant subsidiaries, had made a joint application to BNM on 8 October 2014 to seek the approval of BNM and/or Minister of Finance through BNM for, amongst others, the Proposed Merger.

The Proposed Merger is intended to encompass the following:

- (i) The proposed acquisition by RHB Capital of all the assets, liabilities, business and undertakings of CIMB Group (“Proposed Acquisition”);
- (ii) The proposed disposal by RHB Islamic Bank of all assets and liabilities to CIMB Islamic Bank Berhad (“Proposed RHB Islamic Disposal”), and
- (iii) The proposed merger of the assets and liabilities of CIMB Islamic Bank Berhad, RHB Islamic Bank and MBSB to create a Mega Islamic Bank (“Proposed Islamic Merger”).
- (iv) The Proposed Acquisition and Proposed RHB Islamic Disposal are not conditional upon the Proposed Islamic Merger and vice versa, or any other transaction or proposal involving the Parties.

(2) **Capital Management Plan**

- (i) RHB Investment Bank and RHB Bank have obtained approval from BNM and the Securities Commission of Malaysia (“SC”) for their respective proposed Basel III Compliant Multi-Currency Medium Term Note Programme (“MCMTN Programme”):

	<b>RHB Investment Bank</b>	<b>RHB Bank</b>
Programme	Issuance of senior notes and/or subordinated notes of up to RM1.0 billion in nominal value (or its equivalent in other currencies)	Issuance of senior notes and/or subordinated notes of up to RM5.0 billion in nominal value (or its equivalent in other currencies)
Utilisation of proceeds	To be utilised for RHB Investment Bank’s working capital and general banking purposes, including but not limited to repayment of borrowings and subordinated debts	To be utilised for RHB Bank’s general working capital and other corporate purposes, including but not limited to provision of advances to any of RHB Bank’s subsidiaries and repayment of borrowings and subordinated debts (if any)

As of to-date, RHB Investment Bank and RHB Bank have yet to issue any paper under the MCMTN Programme.

- (ii) RHB Islamic Bank has obtained approval from BNM and the SC for the proposed issuance of subordinated Sukuk Murabahah Programme (“Sukuk Programme”) of up to RM1.0 billion in nominal value.

RHB Islamic Bank has on 15 May 2014 issued RM500 million subordinated Sukuk Murabahah for a tenure of 10 non-callable 5 years under the Sukuk Programme, with a fixed profit rate of 4.95% per annum, payable semi-annually in arrears throughout the entire tenure.

- (iii) RHB Bank has, on 8 July 2014, issued RM1.0 billion nominal value of Subordinated Notes in aggregate under the RM3.0 billion Medium Term Note Programme (“MTN Programme”). The Subordinated Notes are issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of RM4.99% per annum.

- (iv) RHB Bank had on 22 September 2014 obtained the approval from the SC for the establishment of a USD5.0 billion (or its equivalent in other currencies) Euro Medium Term Note Programme (“EMTN Programme”).

On 3 October 2014, RHB Bank has completed its first issuance of USD300 million 5-year senior unsecured notes (“Senior Notes”) in nominal value under the EMTN Programme. The Senior Notes were priced at 5-year US Treasury +130 bps or a yield of 3.088% and will pay a coupon rate of 3.088% per annum.

(3) **Proposed Acquisition of Remaining 49% Equity Interests in DMG & Partners Securities Pte Ltd (“DMG”)**

On 25 August 2014, RHB Investment Bank has entered into a conditional share purchase agreement with Deutsche Asia Pacific Holdings Pte Ltd (“DAPH”) to acquire 36,750,000 ordinary shares of SGD1.00 each, representing the remaining 49% equity interest in DMG, not already owned by RHB Investment Bank, from DAPH for a total cash consideration of SGD123,502,067 (equivalent to approximately RM315.1 million based on exchange rate of SGD1: RM2.5514, being the prevailing exchange rate on 8 July 2014 as published by BNM) (“Proposed Acquisition”).

The completion of the Proposed Acquisition is conditional upon, among others, the clearance from BNM, SC, Monetary Authority of Singapore and Singapore Exchange Securities Trading Limited.

The Singapore Exchange Securities Trading Limited and BNM had, on 7 July 2014 and 6 November 2014 respectively, noted the Proposed Acquisition.



#### **(4) Group Internal Reorganisation**

On 1 October 2014, RHB Investment Bank has entered into a share sale agreement with RHB Indochina Bank Limited (“RHB Indochina Bank”), a wholly-owned subsidiary of RHB BankBerhad, which in turn is a wholly-owned subsidiary of the Company, for the acquisition of the entire equity interest in RHB OSK Indochina Securities Limited (“RHBISL”) from RHB Indochina Bank for a consideration of USD12,500,000 (“Acquisition”).

RHBISL, formerly known as OSK Indochina Securities Limited, was incorporated in Cambodia and is registered with the Securities and Exchange Commission of Cambodia (“SECC”) as a licensed security firm undertaking securities underwriting business.

The acquisition is subject to the approvals of BNM, SC, National Bank of Cambodia and the SECC. Approvals from BNM and the SC were obtained on 25 June 2014 and 1 July 2014 respectively.

The acquisition is an internal reorganisation exercise within RHB Capital Group and is expected to be completed by the first quarter of 2015.