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## RHB Capital Berhad Net Profit Increases 5.7% to RM476.3 million in First Quarter 2015

- ◆ Total income at RM1.5 billion, up 2.9%
- ◆ Pre-tax profit was higher by 1.2% to RM644.8 million
- ◆ Gross loans grew by 0.7% for the quarter and 13.7% year-on-year to RM143.5 billion
- ◆ Customer deposits expanded by 1.0% for the first three months of the year and 10.8% year-on-year to RM158.7 billion
- ◆ Annualised ROE at 10.0%

Kuala Lumpur, 29 May 2015

RHB Capital Berhad (“the Group”) today reported a quarterly net profit of RM476.3 million, up 5.7% from a year ago. Pre-tax profit was at RM644.8 million, 1.2% higher than the corresponding period in 2014. Earnings per share rose to 18.5 sen from 17.7 sen recorded a year ago.

The higher earnings was achieved on the back of 2.9% total income growth and lower loan impairment charges, partially offset by higher operating expenses and lower impairment write back on other assets.

Net fund base income grew 2.1% year-on-year. Gross fund base income increased by 16.7% on the back of 13.7% year-on-year growth in gross loans and financing. Funding and interest expense was however, higher by 29.5% mainly due to higher customer deposits base by 10.8% year-on-year as well as interest expense on new issuance of RM500 million sukuk issued on 15 May 2014, RM1.0 billion sub-debts issued on 8 July 2014 and USD300 million senior unsecured notes issued on 3 October 2014. Net interest margin was at 2.22% for the current quarter compared to 2.26% in the preceding quarter.

Other operating income recorded growth of 2.9% to RM506.5 million, largely attributed to higher investment income, higher insurance underwriting surplus and net gain on revaluation of derivatives, partially offset by lower fee income. The Group’s other operating income to total income ratio stood at 33.6%.

Operating expenses was higher by 4.3% to RM819.9 million, mainly due to a 5.8% increase in personnel costs and increase in information technology expenses. Cost-to-income ratio stood at 54.3%.

Allowance for impairment on loans and financing for the quarter decreased by 7.4% to RM50.2 million from RM54.2 million recorded in the same period last year. This was primarily due to lower collective allowance and lower bad debts written off, partially offset by lower impaired loans and financing recovered.

## **Balance Sheet and Asset Quality**

Total assets rose by 2.6% or RM5.7 billion to RM225.1 billion as at 31 March 2015, whilst shareholders' equity strengthened further by 3.7% to RM19.5 billion. Net assets per share improved to RM7.57 compared to RM7.31 as at 31 December 2014.

The Group's gross loans and financing grew by 0.7% quarter-on-quarter and 13.7% year-on-year to reach RM143.5 billion. Excluding one large corporate repayment during the quarter, gross loans growth would have been at 2.2% quarter-on-quarter. The growth was broad based, predominantly from purchase of residential and non-residential properties, working capital and purchase of securities. Domestic market share stood at 9.5% as at 31 March 2015.

Gross impaired loans ratio stood at 2.0% as at 31 March 2015 which is stable compared to December 2014.

Customer deposits grew by 1.0% quarter-on-quarter and 10.8% year-on-year to RM158.7 billion as at 31 March 2015. Current and savings accounts ('CASA') balances increased by 3.7% and 2.8% respectively for the first quarter 2015. CASA composition improved to 22.3% as at 31 March 2015 from 21.7% in December 2014.

## **Performance Review of Key Business Units**

Retail Banking recorded pre-tax profit of RM308.9 million for the three months ended 31 March 2015, 10.8% higher than previous year corresponding period. This was mainly due to higher fee income, lower overhead expenses, lower impairment allowance for loans, advances and financing and higher net interest income. Gross loans and financing grew by 14.7% year-on-year to RM65.7 billion mainly driven by mortgages and Amanah Saham Bumiputra (ASB) financing. Deposits grew by 4.8% year-on-year to RM40.0 billion mainly driven by fixed deposits.

Group International Business pre-tax profit more than doubled to RM38.4 million, mainly due to higher net interest income and higher net foreign exchange gain, partially offset by higher overhead expenses and higher allowance for loans, advances and financing. Gross Loans grew by 60.2% year-on-year to RM13.0 billion mainly driven by Singapore growing by 61.2%. Deposits grew by 29.3% year-on-year to RM14.3 billion.

Treasury recorded pre-tax profit of RM65.3 million, marginally lower by 1.8% year-on-year mainly due lower net interest income and higher overhead expenses, partially offset by higher fee income, higher investment income and higher net foreign exchange gain.

Business Banking pre-tax profit decreased by 5.0% to RM112.7 million, mainly attributable to higher allowance for loans, advances and financing and higher overhead expenses. This was partially offset by higher other operating income and higher net interest income. Gross loans and financing grew by 13.8% year-on-year to RM18.3 billion driven mainly by programme lending and middle market. Deposits increased by 7.8% year-on-year to RM20.8 billion driven mainly by current accounts.

For the first quarter ended 31 March 2015, Corporate and Investment Banking pre-tax profit decreased by 11.8% to RM201.1 million, mainly attributable to lower trading income, lower capital market related income, higher other operating expenses and lower impairment write back on other assets, partially offset by lower allowance for loans, advances and financing. Gross loans and financing grew by 3.8% year-on-year to RM46.5 billion and deposits grew by 28.0% year-on-year to RM46.9 billion.

Income from Islamic Banking business increased by 33.4% to RM202.5 million mainly due to higher net funding income on the back of 39.5% increase in gross financing to RM26.8 billion. Islamic financing as a percentage of group's total domestic gross loans and financing stood at 20.5% from 19.5% as at 31 December 2014.

### **Comment from Group Managing Director**

Dato' Khairussaleh Ramli, Group Managing Director of RHB Banking Group, commented, "The first quarter of the 2015 financial year saw challenges emanating from the global economic environment and we expect the full year to remain the same. Nevertheless, we are pleased that our business operations have been resilient and continued to show reasonable top line growth."

"Our IGNITE 2017 Transformation Programme has continued to gain good traction in the first quarter and the Group's key priority is on executing prioritized set of initiatives under IGNITE 2017 to support our growth agenda for the rest of the year. In addition, given the current challenging operating condition, the Group will put extra focus on managing overhead and funding costs, return on risk adjusted capital and asset quality. Barring unforeseen circumstances, the Group's 2015 performance is expected to be better than 2014."

## Key Financial Highlights

Financial Performance (RM'000)	3 months ended 31 March 2015	3 months ended 31 March 2014
Operating profit before allowances	688,845	679,692
Profit before taxation	644,821	637,408
Profit attributable to equity holders of the Company	476,277	450,691
Earnings per share (sen)	18.5	17.7
Balance Sheet (RM'000)	As at 31 March 2015	As at 31 December 2014
Gross loans, advances and financing	143,547,411	142,486,190
Gross impaired loans, advances and financing ratio (%)	2.0	2.0
Deposits from customers	158,684,333	157,133,993
Total assets	225,064,291	219,354,436
Equity attributable to equity holders of the Company	19,481,434	18,794,297
Net assets per share (RM)	7.57	7.31

*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 ten countries including Malaysia, Singapore, Indonesia, Thailand, Brunei, Cambodia, Hong Kong, Vietnam, Lao PDR and Myanmar. 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) 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)

RHB Investment Bank had on 6 April 2015 and 25 May 2015 fully redeemed the existing subordinated notes of RM125 million and RM75 million respectively and RHB Bank had on 29 April 2015 fully redeemed the existing subordinated notes of RM700 million. These subordinated notes were due for step-up in coupon rates.

RHB Investment Bank had on 16 April 2015 issued RM200 million subordinated notes under its RM1.0 billion MCMTN Programme. The subordinated notes, rated AA3 by RAM Rating Services Berhad, were issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of 4.95% per annum.

RHB Bank had on 8 May 2015 completed its first issuance of RM500 million subordinated notes under its RM5.0 billion MCMTN Programme.

The subordinated notes, rated AA3 by RAM Rating Services Berhad, were issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of 4.75% per annum.

## **(2) Group Internal Reorganisation**

As announced by the Company on 2 October 2014, RHB Investment Bank, a wholly-owned subsidiary of the Company, has on 1 October 2014 entered into a share sale agreement with RHB Indochina Bank, a wholly-owned subsidiary of RHB Bank, 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, 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.

Approvals from Bank Negara Malaysia, Securities Commission of Malaysia, SECC and National Bank of Cambodia were obtained on 25 June 2014, 1 July 2014, 2 March 2015 and 8 May 2015, respectively.

Upon completion of the Acquisition, RHBISL will become a wholly-owned subsidiary of RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital.

## **(3) Proposed Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, and Proposed Transfer of Listing Status (collectively referred to as the “Proposals”)**

RHB Capital has on 13 April 2015 announced that it proposes to undertake the following proposals:

### **(i) Proposed Rights Issue**

RHB Capital is proposing to undertake a renounceable rights issue of new RHB Capital Shares (“Rights Shares”) to entitled shareholders and is intended to raise gross proceeds of up to RM2.5 billion (“Intended Gross Proceeds”). In the event that the Proposed Internal Reorganisation is not implemented, the Intended Gross Proceeds shall be utilised to repay the bank borrowings of the Company and/or injected as equity into RHB Bank to further capitalise RHB Bank, if required.

### **(ii) Proposed Internal Reorganisation**

The Proposed Internal Reorganisation will entail the transfer by RHB Capital of its Identified Assets to RHB Bank, after the Proposed Rights Issue, for a total disposal consideration to be determined later.

The Identified Assets shall comprise, amongst others, the entire equity interest in RHB Investment Bank and its subsidiaries, the entire equity interest in RHB Insurance Berhad (“RHB Insurance”) and the entire equity interests in, and/or the entire assets and liabilities of the other operating subsidiaries of the Company, which will be determined later.

The total disposal consideration, which will be satisfied via cash and/or new RHB Bank Shares, has not been determined at this juncture, pending the determination of the Identified Assets.

The Proposed Internal Reorganisation will be undertaken to streamline the businesses of RHB Capital Group under RHB Bank with the aim to achieve greater tax efficiency as well as to position RHB Bank to spearhead the Group’s future growth.

(iii) Proposed Distribution and Capital Repayment

The Proposed Distribution and Capital Repayment will entail the distribution of the entire shareholdings of the Company in RHB Bank after the Proposed Rights Issue, Proposed Internal Reorganisation and Capital Injection to entitled shareholders of the Company upon completion of the Proposed Rights Issue and Proposed Internal Reorganisation and the receipt of all relevant approvals for the Proposed Distribution and Capital Repayment.

(iv) Proposed Transfer of Listing Status

Upon completion of the Proposed Distribution and Capital Repayment, RHB Bank will assume the listing status of RHB Capital. Accordingly, it is proposed that RHB Bank be admitted to the Official List of Bursa Securities in place of RHB Capital.

The Proposals are subject to the approvals being obtained from Securities Commission of Malaysia (‘SC’), Bursa Securities, Ministry of Finance (‘MoF’) (via BNM), Bank Negara Malaysia (‘BNM’), Ministry of Home Affairs, sanction of the High Court of Malaya, shareholders of RHB at an extraordinary general meeting to be convened, shareholder of RHB Bank, lenders of the Group and Identified Assets (if required), foreign regulators (if required) and waivers and/or consents of any other relevant authorities and/or parties (if required).

RHB Capital had on 30 April 2015 submitted an application to BNM to seek the approval of BNM and/or its recommendations to MoF for approval. On 28 May 2015, RHB Capital had submitted an application to Bursa Securities for the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue. An application to SC to seek approval for the Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status was made on the even date.