



FOR IMMEDIATE RELEASE

RHB Capital Berhad's First Half 2014 Net Profit at RM1.0 billion, up 31.2% year-on-year

- **Total income at RM2.9 billion, up 4.1%**
- **Pre-tax profit increased by 31.4% to RM1.4 billion**
- **Gross loans expanded by 8.8% for first half 2014 and 13.0% year-on-year to RM132.5 billion**
- **Customer deposits grew by 8.6% for first half 2014 and 9.7% from a year ago to RM149.6 billion**
- **Earnings per share stood at 39.5 sen**
- **Annualised ROE improved to 11.7%**

Kuala Lumpur, 27 August 2014

RHB Capital Berhad ("the Group") today reported a set of strong financial performance for first half of 2014. The Group registered total income of RM2.9 billion, representing an expansion of 4.1% compared to the corresponding period in the preceding year. This was largely attributable to strong double-digit growth in Islamic Banking income and higher net interest income.

Net interest income rose 4.3% year-on-year during the same period to RM1.6 billion on the back of an 11.8% increase in conventional gross loans. Net interest margin was lower at 2.29% in the second quarter of 2014 compared to 2.33% in the previous quarter.

In line with the business expansion of the Group, manpower cost increased by 14.0% on the back of growth in employee strength and the appointment of key senior personnel, which in turn contributed to the overall 7.9% increase in other operating expenses.

Overall, net profit increased by 31.2% year-on-year to RM1.0 billion underpinned by healthy total income growth, higher write back of impairment on other assets and significant improvement in the loans impairment charges. For the first half of 2014, allowance for impairment on loans and financing decreased significantly to RM71.6 million from RM299.4 million recorded in the same period last year. This was mainly due to individual impairment allowance made on certain corporate accounts in the preceding corresponding period and one time bad debts written off pertaining to the refinement of application of MFRS 139 in last year.

On a sequential basis, profit before tax increased by 16.0% compared to the first quarter of 2014. This was largely attributable to one large write back of impairment on other assets amounting to RM112 million in the second quarter of 2014. This was, however, partially offset by lower other operating income and higher other operating expenses.

The Group continued to reap the synergies arising from the enlarged merged RHB Investment Bank Berhad (“RHB Investment Bank”) which was completed in November 2012. Year 2 merger synergies realized to date amounted to RM80 million, translating into 71% of year two synergies target of RM112 million.

Balance Sheet and Asset Quality

Total assets stood at RM205.5 billion as at 30 June 2014. Shareholders’ equity strengthened further with a 6.1% growth to RM17.8 billion. Net assets per share improved to RM6.97 versus RM6.57 as at 31 December 2013.

For the first six months of 2014, the Group recorded strong loans growth of 8.8% to RM132.5 billion. The growth was broad based, predominantly from purchase of securities, purchase of residential properties and working capital. The Group continued to gain traction in the domestic loans segment. As at 30 June 2014, domestic loans market share increased to 9.7%, from 9.3% as at 31 December 2013.

Asset quality strengthened further with impaired loans ratio improved to 2.45% vis-à-vis 2.81% in December 2013. On an absolute basis, gross impaired loans decreased by 5.3% over the six months period to RM3.2 billion.

The Group’s liquidity and funding position remained healthy with loans-to-deposits ratio stood largely unchanged at 88.6%. For the first six month of the year, customer deposits expanded at a healthy rate of 8.6% to RM149.6 billion boosted by 10.0% growth in Current Account balances. Meanwhile, Savings Accounts balances increased by 4.1% over the same period. CASA composition was at 23.3% as at 30 June 2014.

Performance Review of Key Subsidiaries

For the first half of 2014 for the financial year ending December 2014, RHB Bank Berhad (“RHB Bank”) registered a 26.6% increase in pre-tax profit to RM1.1 billion compared to RM888.8 million for the corresponding period in the preceding year. The strong financial performance was achieved on the back of total income growth, higher write back of impairment on other assets and significant improvement in the loan impairment charges, partially offset by higher operating expenses.

RHB Bank’s balance sheet remained strong with total assets stood at RM160.9 billion as at 30 June 2014. RHB Bank continues to be well-capitalised with common equity Tier-1 and Tier-1 capital ratio of 10.9% and 11.4% respectively, while total capital ratio stood at 13.4% as at 30 June 2014.

RHB Islamic Bank Berhad (“RHB Islamic Bank”) recorded a pre-tax profit increase of 34.8% year-on-year to RM126.5 million. This was attributable to higher net funding income by RM30.1 million on the back of 19.8% increase in gross financing assets to RM21.5 billion, lower impaired loans and recovery of impairment losses on other assets. These were partially offset by higher overhead expenses and lower non funding income.

RHB Investment Bank Berhad (“RHB Investment Bank”) Group recorded a pre-tax profit of RM86.5 million in first half of 2014, 14.6% lower compared to the corresponding period in the preceding year. The decrease was attributable to lower other operating income mainly from brokerage and fee income. This was however offset by higher net interest income and lower other operating expenses.

Total assets under management of RHB Asset Management Sdn. Bhd. expanded by 18.1% from RM39.3 billion as at 31 December 2013 to RM46.4 billion as at 30 June 2014. Domestic retail fund market share increased to 11.0% as at 30 June 2014, from 10.0% as at 31 December 2013.

Prospects for The Year

After a soft patch in Q1 2014, the global economy has returned to its recovery path resulting in enhanced economic activities and global trade. This should support growth for an open economy like Malaysia. The Malaysian economy expanded by 6.3% in first half of 2014 underpinned by higher external trades and continued strength in private domestic demand. Private investment activities in Malaysia are expected to stay robust, driven by the implementation of large infrastructure related projects under the Economic Transformation Programme.

Monetary policy also remains accommodative despite Bank Negara Malaysia raising the Overnight Policy Rates recently. Malaysia's economy is expected to be on a firm and steady growth path and the official Gross Domestic Product is forecasted to expand by 4.5%-5.5% in 2014.

Kellee Kam, Group Managing Director of RHB Banking Group, commented, "The RHB Banking Group has successfully launched several initiatives under the IGNITE 2017 transformation programme during 2014. This provides a strong foundation for the positive momentum of the transformation programme which aims to grow the RHB Banking Group into a leading multinational financial services group by 2020."

He added, "Barring unforeseen circumstance, the Group expects 2014 performance to be better than 2013."

Key Financial Highlights

Financial Performance	6 months ended 30 June 2014	6 months ended 30 June 2013
Operating profit before allowances	1,327,739	1,329,144
Profit before taxation	1,376,535	1,047,952
Profit attributable to equity holders of the Company	1,007,199	767,527
Earnings per share (sen)	39.5	30.8

Balance Sheet	As at 30 June 2014	As at 31 December 2013
Gross loans, advances and financing	132,479,136	121,752,896
Gross impaired loans, advances and financing	3,245,047	3,426,629
Deposits from customers	149,571,231	137,741,241
Total assets	205,523,283	191,089,907
Equity attributable to equity holders of the Company	17,754,317	16,739,071
Net assets per share (RM)	6.97	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) 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 billion (approximately RM651 million as at 23 January 2013) (“Revised Purchase Consideration”).

Simultaneously, RHB Bank had on even date entered into an option termination agreement with the Vendor to terminate the original Proposed Option.

In view that the approval from Otoritas Jasa Keuangan (Financial Services Authority of Indonesia) for the Proposed Acquisition has not been obtained on 30 June 2014 and therefore the conditions precedent of the CSPA have not been satisfied, the parties to the CSPA have decided not to extend the Conditional Period. Accordingly, the CSPA was lapsed on even date and terminated in accordance with the terms of the CSPA, and the Deposit has been refunded to RHB Bank in accordance with the terms of the CSPA.

The termination of the Proposed Acquisition is not expected to have a material impact on the consolidated earnings per share and net assets per share of RHB Capital for the financial year ending 31 December 2014.

(2) Capital Management Plan

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

	RHB Investment Bank	RHB Bank
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)
Approval from SC	25 July 2013	4 February 2014
Approval from Bank Negara Malaysia (“BNM”)	12 June 2013	20 December 2013
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 todate, RHB Investment Bank and RHB Bank have yet to issue any paper under the MCMTN Programme.

- (ii) 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, rated AA3 by RAM Rating Services Berhad, are issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of RM4.99% per annum. The Subordinated Notes will qualify as Tier 2 capital of RHB Bank in accordance with the Capital Adequacy Framework issued by BNM on 28 November 2012.

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

Approval from BNM for the establishment of the Sukuk Programme has been obtained in December 2013. The proceeds raised from the Sukuk Programme will be utilised for RHB Islamic Bank’s working capital and general banking purposes, including but not limited to repayment of its financing facilities and any subordinated Sukuk provided always that any such utilisation shall be for Shariah-compliant purposes.

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.

(3) Proposal to Commence Negotiation for a Merger of Business and Undertakings

On 10 July 2014, BNM had, via its letter 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”).

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.