



**FOR IMMEDIATE RELEASE**

## **RHB Capital Berhad Net Profit Rises to RM2.04 billion**

- **Total income increased by 4.8% to RM6.2 billion**
- **Pre-tax profit increased by 10.7% to RM2.7 billion**
- **Gross loans grew by 17.0% to RM142.5 billion**
- **Earnings per share at 79.7 sen**
- **ROE at 11.5%**
- **Declared an interim dividend of 6 sen per share**

**Kuala Lumpur, 27 February 2015**

RHB Capital Berhad (“the Group”) today reported a full year 2014 net profit of RM2.04 billion, an increase of 11.3% over the corresponding year. The earnings growth was driven by higher total income growth, higher impairment write back of other assets and lower loan impairment charges.

### **Full Year 2014 Earnings**

For the financial year 2014, the Group recorded a pre-tax profit of RM2.7 billion, 10.7% higher as compared with previous year. Despite a more challenging operating environment in 2014, the Group managed to record top-line growth of 4.8% year-on-year.

Net interest and fund base income increased by 4.2% mainly due to 17.0% increase in the Group’s gross loans and financing. Net interest margin was lower at 2.30% as compared to 2.33% in 2013.

Other operating income recorded growth of 6.0% to RM2.2 billion, largely attributed to higher fee income, insurance underwriting surplus and net foreign exchange gain. Fee income increased by 9.0%, driven mainly by higher capital market related fee income. The Group’s other operating income to total income ratio rose to 35.5% from 35.0% recorded a year ago.

Islamic Banking income grew at a strong pace at 23.9% to RM732.2 million. This was mainly attributable to higher net funding income on the back of a 36.2% increase in financing base to RM25.5 billion from 2013.

Other operating expenses increased by 11.8% year-on-year to RM3.4 billion. This is mainly due to a 16.9% increase in personnel costs and increase in information technology expenses. This is in line with the Group's continuous investment into human capital with enhanced staff bench strength and key senior hires, as well as technology and infrastructure to support the increase in business volume and the Group's growth agenda. Cost to income ratio of the Group stood at 54.7% for 2014.

Allowance for impairment on loans and financing for the year decreased significantly by RM241.7 million to RM206.2 million. This was primarily due to strong bad debt recoveries and non-recurrence of impairments 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) in 2013. During the financial year, higher collective allowance was made in tandem with loans and financing growth and refinement of Retail collective assessment impairment methodology.

### **Fourth Quarter 2014 Earnings**

Pre-tax profit for the fourth quarter of 2014 was at RM643.6 million, 10.0% lower than the previous quarter. This was largely attributable to higher other operating expenses and lower net interest income, partially offset by higher other operating income and lower allowance for impairment on loans and financing due to large recoveries. Total income for the fourth quarter of 2014 rose 1.8% to RM1.7 billion.

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

Total assets of the Group expanded by 14.8% to RM219.4 billion as at 31 December 2014. The increase was mainly due to growth in net loans and financing.

The Group's gross loans and financing grew by 17.0% during the year to RM142.5 billion. Strong growth was recorded across all business segments with Retail segment grew by 16.3%, Business Banking by 15.8%, Corporate and Investment Banking by 11.0% and International by 61.7%. Loans growth by purpose was mainly driven by purchase of residential and non-residential property, working capital loans and purchase of securities. Domestic loans and financing growth was at 14.1% outpacing that of industry which grew by 8.7%. Domestic market share increased to 9.7% from 9.3% as at 31 December 2013.

Gross impaired loans ratio fell to 2.0% from 2.8% in December 2013.

Total customer deposits stood at RM157.1 billion, 14.1% higher than the previous year. CASA (Current and Savings Account) balances grew by 6.8% and 5.2% respectively, higher than the domestic industry growth rate of 4.7% and 2.4% respectively. CASA composition was at 21.7% as at 31 December 2014.

Shareholders' equity strengthened by 12.3% to RM18.8 billion. Net assets per share improved to RM7.31 against RM6.57 as at 31 December 2013.

## **Interim Dividend**

“Despite a challenging operating environment and the proposed merger discussions taking place in the second half of the year, the Group’s performance remains strong, with an 11.3% increase in net profit in 2014 as compared to 2013. This demonstrates our ability to remain focused in executing our stated strategy successfully in a tough operating landscape.

In line with our commitment to consistently provide value to our shareholders, the Company has declared an interim single tier dividend of 6 sen amounting to RM154.3 million”, said Kellee Kam, Group Managing Director of RHB Banking Group.

Subject to the necessary approvals being obtained, the earlier shareholders’ approved Dividend Reinvestment Plan (“DRP”) will be applicable to the interim dividend.

## **Performance Review of Key Subsidiaries**

For the financial year ended 31 December 2014, RHB Bank Berhad (“RHB Bank”) recorded a pre-tax profit of RM2.02 billion, marginally lower than that achieved in previous year of RM2.04 billion. This was mainly due to higher other operating expenses, partially offset by lower allowance for impairment on loans and financing, higher net interest income and higher impairment written back on other assets.

RHB Bank’s balance sheet remained strong with total assets at RM172.1 billion and shareholders’ equity at RM13.7 billion as at 31 December 2014.

The Bank continued to be well-capitalised with common equity Tier-1 and Tier-1 capital ratio of 11.12% and 11.58% respectively, with total capital ratio at 14.54% as at 31 December 2014.

RHB Islamic Bank Berhad (“RHB Islamic Bank”) recorded a strong growth in pre-tax profit by 39.1% to RM303.7 million as compared to 2013. The higher profit was due to higher net financing income on the back of strong financing growth of 36.2% to RM25.5 billion, higher non funding income and lower allowances for impairment on financing and advances.

Islamic banking financing asset as a percentage to the Group’s gross loans and financing assets increased to 17.9%, from 15.4% as at 31 December 2013.

RHB Investment Bank Berhad (“RHB Investment Bank”) Group recorded a pre-tax profit of RM345.9 million, 86.4% 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 higher impairment losses on other assets and higher operating expenses. Operating profit before allowances for the year was 43.6% higher at RM307.6 million, driven mainly by increases in Corporate Advisory and other capital market related fee income, partially offset by higher personnel costs.

Total Asset under Management (“AUM”) for RHB Asset Management Sdn. Bhd. increased by 23.7% to RM48.5 billion, from RM39.3 billion as at 31 December 2013. Domestic retail fund market share of RHB Asset Management increased to 12.1% as at 31 December 2014, up from 10.0% as at 31 December 2013.

## Prospects for the Year

The Malaysian economy is expected to moderate in 2015, on the back of a higher base effect, low oil prices and weakening domestic demand. Nevertheless, GDP is still expected to grow by about 5.0%, compared to 6.0% for 2014.

The Malaysian banking sector is also expected to moderate in 2015, in line with the economy. Consumer loans growth will continue to be affected by the flow-through effect of the macro prudential measures to rein the growth in household debt. The situation will also be impacted by an abatement in the growth in private sector investment. Nevertheless, we expect the capital market to pick up in the second half of the year with recovery and stabilisation in oil prices and the currency market.

“The Group is fully prepared to take on the challenges and will continue to navigate our IGNITE 2017 Transformation Strategy whilst focusing on quality assets and earnings growth. The positive momentum of the IGNITE 2017 initiatives since 2014 will continue into 2015 at an accelerated pace.

Barring unforeseen circumstances, the Group is confident that its performance for the financial year 2015 will be better than 2014,” commented Kellee Kam, Group Managing Director.

## Key Financial Highlights

Financial Performance	FY 2014	FY 2013
Operating profit before allowances (RM'000)	2,823,711	2,898,602
Profit before taxation (RM'000)	2,735,053	2,470,767
Profit attributable to equity holders of the Company (RM'000)	2,038,000	1,831,190
Earnings per share (sen)	79.7	72.9
Balance Sheet	As At 31 December 2014	As At 31 December 2013
Gross loans, advances and financing (RM'000)	142,486,190	121,752,896
Gross impaired loans, advances and financing (RM'000)	2,892,367	3,426,629
Deposits from customers (RM'000)	157,133,993	137,741,241
Total assets (RM'000)	219,354,436	191,089,907
Equity attributable to equity holders of the Company (RM'000)	18,794,297	16,739,071
Net assets per share (RM)	7.31	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 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) 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.

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”).

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.

On 14 January 2015, the Company has been notified by CIMB Group vide its letter of even date that its board of directors have, after further deliberation, arrived at a decision to abort the Proposed Merger in light of current economic conditions. CIMB Group and RHB Capital, as well as their relevant subsidiaries have withdrawn their joint application to BNM to seek approval from BNM and/or MOF through BNM. With that, the Exclusivity Period pursuant to the exclusivity agreement between the Parties dated 10 July 2014 has expired.



## (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 had on 15 May 2014 issued RM500 million under the RM1 billion Subordinated Sukuk Murabahah Programme (“Subordinated Sukuk Murabahah”). The Subordinated Sukuk Murabahah is issued for a tenure of 10 non-callable 5 years with a fixed profit rate of 4.95% per annum, payable semi-annually in arrears throughout the entire tenure.
- (iii) RHB Bank had, 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 & Partners”)**

On 15 December 2014, RHB Investment Bank completed the acquisition of the remaining 36,750,000 ordinary shares of SGD1.00 each or 49% in DMG & Partners from Deutsche Asia Pacific Holdings Pte Ltd (“DAPH”) for a total consideration of SGD123.5 million (equivalent to RM329.2 million). Subsequently, DMG became a wholly-owned subsidiary of RHB Investment Bank, which in turn is a wholly-owned subsidiary of the Company.

**(4) Bancassurance arrangement between RHB Bank and Tokio Marine Life Insurance Berhad (“TM”)**

RHB Bank had on 29 December 2014 entered into a new bancassurance agreement (“New Bancassurance Agreement”) with TM. The New Bancassurance Agreement will take effect from 1 January 2015 (“Effective Date”) and shall supersede the existing bancassurance agreement entered with TM on 1 July 2010.

The New Bancassurance Agreement shall be for a period of 10 years commencing from the Effective Date and ending on 31 December 2024, where RHB Bank shall only sell, distribute, market and promote conventional life insurance products developed by TM for sale by RHB Bank to any party or persons including but not limited to RHB Bank’s customers via the distribution network within RHB Bank subject to the terms and conditions stipulated in the New Bancassurance Agreement.

TM shall pay RHB Bank a total facilitation fee of RM210 million based on the terms of the New Bancassurance Agreement and in consideration thereof, RHB Bank shall commit to a 10-year bancassurance relationship with TM and provide TM access to RHB Bank’s customer database.

In furtherance of bancassurance business developments, marketing, sales and various promotional activities incidental to the New Bancassurance Agreement and pursuant to TM’s responsibilities under the New Bancassurance Agreement, TM shall pay RHB Bank commissions on the premiums collected on policies sold by RHB Bank, marketing incentives and special incentives, as well as production bonus and persistency bonus (subject to the limits stipulated by BNM).