News Room

RHB Capital Group delivered another year of record performance with 18% increase in net profit to RM1.42 billion

- **Pre-tax profit increased by 23% to RM1.90 billion**
- **Earnings per share increased by 18% to 66.0 sen**
- **ROE at 15.2% and ROA at 1.2%, improved from 14.5% and 1.1% respectively**
- **Gross loans grew by 20% to RM83.7 billion**
- **Customer deposits grew by 11% to RM94.4 billion**
- **Total assets expanded by 12% to RM129.3 billion**
- **Proposed final dividend of 21.38 sen, less 25% tax**

Kuala Lumpur, 22 February 2011

Performance Review of the Group

RHB Capital Group ("the Group") today reported another record year of performance in 2010. Pre-tax profit increased by 23% to RM1.90 billion for the financial year ended 31 December 2010. Net profit was up 18% to RM1.42 billion from RM1.20 billion a year ago. Earnings per share rose to 66.0 sen against 55.8 sen in 2009.

The improved performance underscores the continuous improvement in the Group's core operating franchise, sustaining a diversified revenue stream, efficient cost management and sound asset quality. Net interest income increased by RM260.0 million or 11% to RM2,673.2 million for the financial year, on the back of a RM14.1 billion increase in gross loans, advances and financing from December 2009.

Other operating income was higher at RM1,043.3 million, an increase of 13% as compared to RM925.6 million recorded a year ago. This was largely due to higher fee income and higher net gain arising from the disposal of financial investments. The higher fee income was broad-based with major improvements in fee and commitment income, and income from the investment banking business.

Cost to income ratio reduced to 40.5%, from 42.7% previously, despite the Group's continued investments in people, technology, customers' touch points and network infrastructure. This remains as one of the lowest in the industry.

Post-implementation of FRS 139, Financial Instruments: Recognition and Measurement, the Group's allowance for impairment on loans, advances and financing reduced by 28% to RM415.6 million, as compared to a year ago. However, impairment losses on other assets were higher at RM96.6 million, mainly due to impairment losses on a collateralised loan obligation.

For the period under review, the Group achieved the highest return on equity and assets in 10 years at 15.2% and 1.2% respectively.

For the fourth quarter ended 31 December 2010, the Group achieved a pre-tax profit of RM523.9 million as compared to RM453.2 million recorded in the third quarter of 2010. The higher profit was mainly attributable to higher other operating income and lower allowance for impairment on loans, advances and financing, partially offset by higher impairment losses on other assets.

The Group's gross loans, advances and financing registered a strong growth of 20% to reach RM83.7 billion as at 31 December 2010. Domestic loans and advances expanded by 22% as compared to that of the industry of 13%. The increases are mainly from financing to government and statutory bodies, residential property, mergers and acquisitions, purchase of securities and purchase of transport vehicles.

Loan approvals and disbursements were higher by 31% and 12% respectively in 2010. Market share of domestic loans improved to 9.1% as at December 2010 from 8.5% a year ago.

Gross impaired loans, advances and financing stood at RM3.7 billion as at 31 December 2010, as compared to RM4.6 billion post-implementation of FRS 139 on 1 January 2010. Gross impaired loans ratio improved to 4.39% as compared to 6.66% at the beginning of the year. Asset quality remained sound and intact, with new impaired loans formation ratio improving to 1.30% from 1.96% in December 2009, whilst credit charge ratio improved to 0.50% against 0.83% in the previous financial year.

For the financial year ended December 2010, the Group's customer deposits grew by 11% or RM9.6 billion on the back of a 14% and 5% increase in fixed deposits and demand deposits respectively. Domestic customer deposits increased by 12% during the year compared to that of the industry of 7%. Overall domestic deposit market share improved to 7.8% compared to 7.5% a year ago. Demand and savings deposits contributed 27% of the Group's deposits as compared to the industry average of 25%. The Group's loans-to-deposits ratio stood at 88.6% as at 31 December 2010.

Total assets of the Group expanded by RM14.2 billion or 12% to RM129.3 billion as at 31 December 2010. This was mainly contributed by increases in loans and investment assets. Shareholders' equity strengthened to RM10.0 billion, and net assets per share improved to RM4.63 against RM4.04 in 2009.

"The Group met all its stated KPI matrices set out for 2010, except for the overseas contribution, which was affected by the delay in the proposed acquisition of Bank Mestika in Indonesia", said Dato' Tajuddin Atan, Group Managing Director of RHB Banking Group.

"In view of the good performance of the Group and our commitment to consistently provide value to our shareholders, a final dividend of 21.38 sen, less tax amounting to RM345.3 million has been proposed. Together with the interim dividend of 5.0 sen, less tax, paid in September 2010, the total gross dividend for 2010 is 26.38 sen per share as compared to 22.45 sen per share in 2009. This is in line with the Group's stated dividend policy", said Dato' Mohamed Khadar Merican, Chairman of RHB Capital

Performance Review of Subsidiaries

RHB Bank Berhad ("RHB Bank") remained as the largest contributor of the Group, accounting for 92% of the Group's profit. For the financial year ended 31 December 2010, RHB Bank recorded a pre-tax profit of RM1.74 billion, up 28% from a year ago. The strong performance by RHB Bank was underpinned by higher net interest income and other operating income, and lower allowance for impairment on loans, advances and financing, partially offset by higher other operating expenses and higher impairment losses on other assets.

The balance sheet of RHB Bank remains strong with total assets at RM105.2 billion, and shareholders' equity stood at RM8.4 billion as at 31 December 2010.

Post-implementation of the Basel II Capital Adequacy Framework, in July 2010, the Risk-Weighted Capital Adequacy Ratio and Core Capital Ratio of RHB Bank remained strong at 13.79% and 10.46% respectively as at 31 December 2010.

RHB Investment Bank Berhad ("RHB Investment Bank") recorded a pre-tax profit of RM80.4 million in 2010, 47% lower from the previous financial year. The lower profit was mainly due to higher impairment losses on other assets, lower net interest income and higher other operating expenses, partially offset by higher fee income and higher net gain on disposal of financial investments available for sale. RHB Investment Bank continued to retain its leading market position in the Malaysian capital markets, ending 2010 with first position in Mergers & Acquisitions ("M&A") (for deals with target Malaysian companies) and ranking third in both the equities and debt capital markets. It was also ranked first in M&A in Malaysia and Asia Pacific by undertaking the largest M&A deal for the proposed acquisition of PLUS Expressways Berhad.

Significant Corporate Developments

1. On 19 October 2009, RHB Capital Berhad ("RHB Capital") 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 PT Bank Mestika Dharma ("Bank Mestika") for a total cash consideration of Rp3,118 billion (equivalent to RM1,163 million) ("Proposed Acquisition"); and
    ii. a put and call option agreement to acquire a further 9% interest in Bank Mestika after its proposed initial public offering for a total cash consideration of Rp350.8 billion (equivalent to RM131 million) plus additional performance-related returns of up to 15% per annum compounded annually (adjusted for dividends paid) ("Proposed Options").

The acquisition of the first 80% equity in Bank Mestika will be financed via new borrowings which in turn will be refinanced through the proceeds to be raised from the proposed renounceable rights issue of new ordinary shares of RM1.00 each in RHB Capital, totaling RM1.3 billion (“Proposed Rights Issue”).

Subject to certain conditions being fulfilled, the Proposed Acquisition and Proposed Rights Issue have been approved by Bank Negara Malaysia (“BNM”) and Bursa Malaysia Securities Berhad (“Bursa Securities”) on 4 January 2010 and 20 April 2010 respectively. The shareholders of the Company had approved the Proposed Rights Issue on 19 May 2010.

To facilitate more time for the completion of the Proposed Acquisition, RHB Venture Capital Sdn Bhd (“RHBVC”) (a wholly-owned subsidiary of RHB Capital to which the Company has assigned all of its rights, titles, interests, benefits and entitlements as well as novated all of its obligations and liabilities as contained in, inter-alia, the CSPA to RHBVC) has mutually agreed with the Vendor to extend the Long Stop Date to 19 April 2011 from 16 July 2010.

Subsequent thereto, in consultation with the relevant authorities and the Vendor, it has been proposed that RHB Bank will be the new entity to hold the investment in Bank Mestika pursuant to the Proposed Acquisition and the Proposed Options, in place of RHBVC. In this respect, RHBVC has on 17 December 2010 assigned all of its rights, titles, interests, benefits and entitlements, and novated all of its obligations and liabilities as contained in the CSPA, Option Agreement and Escrow Agreement in relation to the deposit payment for the Proposed Acquisition to RHB Bank. Accordingly, RHB Bank had on 20 December 2010, submitted the relevant applications to Bank Indonesia and BNM as the acquirer for the Proposed Acquisition and the Proposed Options. BNM had on 31 January 2011 approved the proposed change in the acquisition structure.

2. On 8 October 2010, the Company completed the acquisition of an additional 15.2% stake in RHB Insurance Berhad (“RHB Insurance”) from Nissay Dowa General Insurance Co. Ltd at a cash consideration of RM45.1 million. Following thereafter, RHB Insurance became a 94.7% owned subsidiary of RHB Capital.

3. On 26 May 2010, RHB Hartanah Sdn Bhd (“RHB Hartanah”), a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with Bedford Land Sdn Bhd to acquire 11,596,000 ordinary shares of RM1.00 each in Positive Properties Sdn Bhd (“PPSB”), representing the remaining 50% equity interest in PPSB for a total cash consideration of RM35.1 million. PPSB held a plot of land at Lot No. 29 Seksyen 90, Tower and District of Kuala Lumpur (“Lot 29”). The purchase consideration was arrived at based on a willing-buyer-willing-seller basis after taking into consideration the unaudited net assets of PPSB for the financial period ended 31 March 2010 and an independent market valuation of Lot 29 held by PPSB. PPSB became a wholly-owned subsidiary of RHB Hartanah effective 26 May 2010.

   The acquisition of PPSB is to enable RHB Capital to fully control PPSB and thus facilitate future development of Lot 29. The acquisition of PPSB represents a long-term strategic plan of RHB Capital to consolidate all of the RHB Banking Group's Kuala Lumpur City Centre operations into a single location for better operational efficiency.

4. On 8 July 2010, RHB Hartanah entered into a Share Sale Agreement with Rashid Hussain Berhad (in members' voluntary liquidation) ("RHB") to acquire the entire issued and paid-up share capital of RHB Property Management Sdn Bhd (“RHBPM”), comprising 500,000 ordinary shares of RM1.00 each in RHBPM, from RHB for a cash consideration of RM5.4 million. The acquisition was completed on 16 July 2010.

   RHBPM is in the business of providing property management services to the RHB Capital Group of Companies.

Prospects for 2011

“The recovery in the domestic economy is expected to remain robust, with the potential for relatively strong growth to be sustained. The domestic economy has demonstrated resilience, showing a steady growth path to recovery. Amid the favourable growth prospects, the Banking sector is expected to face new business trends due to further normalisation in the monetary policy, shift to debt markets and rising consumer debt level. The retail and capital market activities will continue to be active in the coming year and with the infrastructure being put in place, we are well poised to reap the benefits of the continued economic growth in the country.

We will continue to focus on building market shares in our core businesses with Islamic Banking and Global Financial Banking to grow in size and form an even larger part of the Group’s financial performance,” said Dato’ Tajuddin Atan, the

Group Managing Director of the RHB Banking Group.

“In Retail Banking, the introduction of “EASY by RHB” (RHB's simple, fast and paperless community banking initiative) has progressed well, and with over 130 outlets opened to date. This has enabled the Group to successfully further penetrate the retail market and gain traction in our domestic market position. “EASY by RHB” has proven to be an award-winning innovation. In 2010, it won the SGAM Best Process Innovation Award, the Effie Silver Award for “Unbanking” - banking the unconventional way, the Asian Banker Award for Best Business Model and the Financial Insights Innovation Award for Operational Efficiency.

In addition, we recently launched the RHB-Pos Malaysia Shared Banking Services which will provide banking services for our customers at selected Pos Malaysia outlets nationwide. This partnership is expected to increase our market share in the domestic market.

We are also expecting to expand the Corporate and Investment Banking arm as the Government has launched investments under the Economic Transformation Programme (“ETP”) with the award of large-scale infrastructure projects. Bonds and equity issues are expected to increase to finance Entry Point Projects (“EPP”) identified by the Government and more mergers and acquisition in certain selected sectors are expected.

We will continue to compete successfully in an increasingly competitive and liberalised environment and achieve a better performance in 2011,” concluded Dato’ Mohamed Khadar Merican.

Financial Highlights

RHB CAPITAL (RM’000)

Financial Performance	12 months ended 31 December 2010	12 months ended 31 December 2009
Operating profit before allowances	2,410,645	2,099,207
Profit before taxation	1,899,289	1,538,420
Profit attributable to equity holders of the Company	1,420,258	1,201,363
Earnings per share (sen)	66.0	55.8

Balance sheet	As at 31 December 2010	As at 31 December 2009
Gross loans, advances and financing	83,710,244	69,635,005
Gross impaired loans, advances and financing	(N1)3,672,175	3,253,499
Deposits from customers	94,433,828	84,841,065
Total assets	129,325,495	115,085,058
Equity attributable to equity holders of the Company	9,962,157	8,707,741
Net assets per share (RM)	4.63	4.04

N1: Post implementation of FRS 139

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. Actual performance may be materially different from that anticipated or described herein, and RHB Capital's financial and business plans may be subject to change.

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 300 branches and outlets in Malaysia, Brunei, Thailand, Singapore and Vietnam.

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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 held under RHB Investment Management Berhad. RHB's Global Financial Banking Division includes commercial banking operations in Singapore, Thailand and Brunei. The Group also has a non-ringgit based offshore funding operations in Labuan as well as a representative office in Vietnam. It is the RHB Banking Group's aspiration to deliver superior customer experience and shareholder value; and be recognised as one of the top financial services groups in ASEAN.

It's time we simplify banking