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RHB Capital Berhad pre-tax profit surpasses RM2 billion

- Net profit grew 5.7% to RM1.5 billion
- Earnings per share increased 4.4% to 68.9 sen
- ROE at 14.0% and ROA at 1.1%
- Loans growth of 16.2% and customers deposits growth of 22.7% to reach RM97.3 billion and RM115.9 billion respectively
- Total assets expanded by 17.8% to RM152.4 billion
- Proposed final dividend of 11.82% less 25% tax and single tier dividend of 5.59% totaling RM318.7 million

Kuala Lumpur, 28 February 2012

Group Performance Review

RHB Capital Berhad ("the Group") today reported a pre-tax profit of RM2.0 billion, up 5.3% from 2010. Net profit grew 5.7% to reach RM1.5 billion. Earnings per share increased to 68.9 sen against 66.0 sen previously. Return on equity and return on assets was at 14.0% and 1.1% respectively.

The improvement in performance was attributable to higher net interest income, higher other operating income, higher income from Islamic Banking business, lower loan loss provisioning and lower impairment losses on other assets, partly offset by higher other operating expenses.

Net interest income grew by 4.3% to RM2.8 billion on the back of a strong loans and financing assets growth of 16.2%, it was however, partly offset by lower margin arising from persistent competition in loans and deposits pricing, and the credit risk free public sector loans and financing on book. The increase in overnight policy rate ("OPR") in May 2011 and the flow through effects of past OPR hikes in 2010, coupled with several increases in Statutory Reserve Requirement during the year have also contributed to the lower net interest margin.

Other operating income grew by 3.7% to RM1,081.5 million, mainly due to higher net foreign exchange gains and higher service charges and fees, partially offset by higher revaluation loss on derivatives which was undertaken to economically hedge a specific portfolio of fixed rate loans and financing and a lower market related income.

Income from Islamic Banking increased significantly to RM438.9 million, up 31.5% from a year ago. This was mainly due to higher net profit income on the back of strong Islamic financing growth by 44.3% and higher net gains on disposal of financial assets/investments portfolio.

Other operating expenses rose 16.1% year-on-year to RM1,903.3 million mainly due to higher personnel costs, establishment costs and marketing expenses. The increase was largely attributable to the continuous investment into human capital, technology and infrastructure to support the Group's expanding business volume and franchise, higher marketing expenses was also incurred so as to promote the "RHB" brand of products and services.

During the year, we expanded our EASY by RHB outlets by 125 to reach 236 as at 31 December 2011, whilst Self Service Terminals network was further expanded by 466 to reach 2,122. The rebranded and fully integrated internet and mobile banking "RHB Now" further provide enhanced customers experience and convenient banking services that is expected to drive transactional banking related income going forward.

The Group's asset quality remained healthy as a result of our disciplined approach in credit risk management and collection processes. Allowances for loan impairment decreased by 21.2% to RM327.5 million, with lower individual allowances and higher bad debts recovery, offset by higher collective allowances set aside in tandem with robust loans and financing assets growth.

For the fourth quarter of 2011, the Group achieved a pre-tax profit of RM468.3 million, 4.8% lower as compared with the preceding quarter. The lower profit was mainly attributed to higher impairment on loans and other assets, offset by higher other operating income and higher income from Islamic Banking business. Impairment on other assets was higher by RM44.0 million as compared to the previous quarter, this was partly negated by a lower revaluation loss on derivatives by RM42.2 million during the quarter under review.



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Gross loans, advances and financing grew by RM13.6 billion or 16.2% to reach RM97.3 billion as at 31 December 2011. The loans growth was broad-based, comprising mainly purchase of securities, purchase of transport vehicles, public sector lending and purchase of residential property.

The Group's domestic loans grew by 15.7%, continue to outpace that of the industry of 13.6%. Domestic loans market share improved to 9.3% from 9.1% as at 31 December 2010.

Absolute gross impaired loans declined by 8.7% to RM3.4 billion, and gross impaired loans ratio improved to 3.44% from 4.39% in December 2010. New impaired loans formation ratio reduced to 0.91% from 1.30% a year ago.

Customers deposits grew 22.7% to reach RM115.9 billion as at 31 December 2011. The Group's deposits growth momentum was higher than that of the industry which grew at 14.3%. Overall domestic deposits market share improved to 8.5% from 7.9% as at 31 December 2010. The Group's liquidity remained healthy with loans to deposits ratio stood at 84.0% as at 31 December 2011.

Total assets of the Group grew by 17.8% to RM152.4 billion as at 31 December 2011, driven mainly by increase in loans and financing assets, cash and short term funds and statutory deposits.

Shareholders' equity expanded by 14.8% to RM11.4 billion as at 31 December 2011. Net assets per share improved to RM5.19 compared to RM4.63 a year ago.

"In line with our commitment to consistently provide value to our shareholders, a final dividend of 11.82% less 25% tax and single tier dividend of 5.59% totaling RM318.7 million has been proposed. Together with the interim dividend of 8.00% less tax, the total gross dividend for 2011 would amount to 25.41% per share. This is in line with the Group's stated dividend policy of 30% payout ratio", said Dato' Mohamed Khadar Merican, Chairman of RHB Capital.

Subject to the necessary relevant regulatory approvals being obtained and shareholders' approval on the renewal of the Dividend Reinvestment Plan ("DRP") at the forthcoming Annual General Meeting, the Board of Directors, in its absolute discretion, recommends that the shareholders' of the Company be given an option to elect to reinvest the entire proposed final dividend into new ordinary shares of RM1.00 ("Shares") each in the Company in accordance with the DRP. The issue price of the new Shares arising from the application of the DRP to the final dividend shall be fixed by the Board of Directors based on the adjusted five (5) market days volume weighted average market price of the Shares immediately prior to the price fixing date (to be announced at a later date) after applying a discount of not more than 10%.

Performance Review of Subsidiaries

For the financial year ended 31 December 2011, RHB Bank Berhad ("RHB Bank") recorded a pre-tax profit of RM1.9 billion, up 8.4% from a year ago. The improved performance was mainly due to higher net interest income, higher other operating income and lower allowance for loan impairment, partially offset by higher other operating expenses.

RHB Bank's balance sheet remained strong with total assets at RM120.5 billion and shareholders' equity at RM9.6 billion as at 31 December 2011. Risk-Weighted Capital Adequacy Ratio and Core Capital Ratio stood healthily at 15.8% and 12.3% respectively as at 31 December 2011.

RHB Islamic Bank Berhad ("RHB Islamic Bank") achieved a 52% improvement in pre-tax profit to RM137.8 million for the financial year 2011, compared with RM90.6 million recorded previously. The significant improvement was mainly attributable to higher net profit income on the back of strong financing growth of 44.3% and lower impairment losses on other assets, partially offset by higher other operating expenses. In support of the strong business growth momentum, RHB Bank, its parent company has injected RM250 million capital into RHB Islamic Bank. During the year, RHB Islamic Bank's total asset expanded by 72.7% to RM22.6 billion as at 31 December 2011.

RHB Investment Bank Berhad ("RHB Investment Bank") recorded a pre-tax profit of RM44.9 million, 44.2% lower compared to a year ago. The lower profit was mainly due to lower net interest income and other operating income in view of a weaker market condition. Nevertheless, the investment bank end the financial year with strong position at the League tables by being Top 2 in Syndicated Loans and Equities Broking and Top 3 in Merger & Acquisitions.

Significant Corporate Developments



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1. RHB Capital Berhad ("the Company") had on 19 October 2009, entered into a conditional sale and purchase agreement ("CSPA") with PT Mestika Benua Mas ("Vendor") to acquire 80% of the issued and paid-up share capital in PT Bank Mestika Dharma for a total cash consideration of Rp3,118 billion ("Proposed Acquisition").

The Proposed Acquisition 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").

The Proposed Acquisition has been approved by Bank Negara Malaysia ("BNM") and the Proposed Rights Issue has been approved by Bursa Malaysia Securities Berhad ("Bursa Securities") and the shareholders.

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.

Bursa Securities had on 21 October 2011, granted RHB Capital a further extension of 6 months to 19 April 2012 to complete the implementation of the Proposed Rights Issue.

On 24 February 2012, upon mutual agreement between RHB Bank and the Vendor, the conditional period for the completion of the CSPA was further extended from 29 February 2012 to 30 June 2012.

2. The Company has obtained approval from BNM on 13 October 2011 to commence negotiations with OSK Investment Bank Berhad ("OSKIB"), OSK Holdings Berhad ("OSKH") and major shareholders of OSKH for a possible merger of the businesses.

On 11 January 2012, the Company has submitted an application to BNM for approval of BNM and the Minister of Finance for the proposed merger of the businesses of the RHB Banking Group and the OSKIB Group.

Prospects For The Year

"The global economic environment remains fragile driven by the Eurozone's sovereign debt crisis, the Malaysian economy is expected to register lower growth in 2012, estimated at 3.7% GDP growth as compared with 5.1% in 2011.

We expect the Malaysian banking sector to remain resilient given the strong fundamentals. We are committed in our drive to continuously build our core businesses and develop leadership positions in targeted markets and product segments.

We are focused on concluding our proposed acquisitions of PT Bank Mestika in Indonesia and OSK Investment Bank, which when completed, will provide us access to all the key South East Asian markets and move us closer to realising our regionalisation aspirations.

Barring unforeseen circumstances, we expect to record a satisfactory performance for the financial year 2012," said Dato' Mohamed Khadar Merican, Chairman of RHB Capital Berhad.



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Financial Highlights

RHB CAPITAL (RM'000)

Financial Performance	12 months ended 31 December 2011	12 months ended 31 December 2010
Operating profit before allowances	2,404,464	2,410,645
Profit before taxation	2,000,128	1,899,289
Profit attributable to equity holders of the Company	1,501,539	1,420,258
Earnings per share (sen)	68.9	66.0

Balance sheet	As at 31 December 2011	As at 31 December 2010
Gross loans, advances and financing	97,295,063	83,710,244
Gross impaired loans, advances and financing	3,351,106	3,672,175
Deposits from customers	115,860,584	94,433,828
Total assets	152,393,694	129,325,495
Equity attributable to equity holders of the Company	11,438,385	9,962,157
Net assets per share (RM)	5.19	4.63

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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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 400 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 fifth 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 RHB Banking Group's aspiration to deliver superior customer experience and shareholder value; and be recognised as one of the top financial services group in the ASEAN Region.

It's time we simplify banking