

RHB Capital Berhad posts first quarter net profit at RM435.6 million

- **Pre-provisioning profit grew 4.2% to RM630.4 million**
- **Pre-tax profit at RM580.7 million, 5% lower from the same quarter last year**
- **Earnings per share at 19.8 sen**
- **Annualised ROE at 14.7% and annualised ROA at 1.1%**

Kuala Lumpur, 28 May 2012

Group Performance Review

RHB Capital Berhad ("the Group") today reported a pre-tax profit of RM580.7 million and net profit of RM435.6 million, 5% lower as compared with previous year corresponding period. Earnings per share at 19.8 sen and annualised return on equity and return on assets was at 14.7% and 1.1% respectively.

With effect from 1 January 2012, the Group adopted the retrospective application of Malaysia Financial Reporting Standards ('MFRS') 139, Financial Instruments: Recognition and Measurement. Pre-tax profit and net profit for the corresponding quarter ended 31 March 2011 have been restated to RM610.6 million and RM457.8 million respectively, excluding the effect of the restatement, pre-tax profit of the Group for the first quarter 2012 was higher by 13.5%.

Pre-provisioning profit for the first quarter was at RM630.4 million, 4.2% higher as compared to the previous year corresponding quarter. The higher pre-provisioning profit was mainly attributable to higher net operating income by 9.1%, partly offset by higher other operating expenses by 15.8%.

Net interest income increased by RM10.6 million or 1.5% on the back of a 9.2% increase in gross loans year on year. Interest income was higher by 11.5%, partly negated by higher interest expense by 23.0%, net interest margin stabilised to 2.41% for the current quarter.

Other operating income increased by RM63.9 million or 24.0% from a year ago. This was largely due to higher net gains from disposal of trading and investment securities, higher foreign exchange gains and improvement in fair value of hedging derivatives, partially offset by lower fee income.

Income from the Islamic Banking business increased to RM111.1 million, up 24.4% compared to the previous year's corresponding period. This was mainly due to higher net profit income and higher net gains on disposal of trading and investment securities.

Other operating expenses was higher by 15.8%, mainly due to higher personnel costs as we increased investment into talent and also in tandem with the overall increase in business volume.

Loan loss provision for the three months ended March 2012 was at RM45.4 million, against a restated net write-back of RM3.3 million for first quarter last year.

Against the preceding quarter, pre-tax profit was higher by 2.1%. This was mainly due to lower impairment losses on other assets, partially offset by lower net interest income by 2.2% and higher other operating expenses by 2.5%.

Gross loans declined by 2.0% to RM95.5 billion, excluding certain large corporate repayments, gross loans grew by 0.7% for the first three months of the year, mainly from the retail segment. Gross impaired loans ratio stood at 3.59% as at 31 March 2012, absolute gross impaired loans, advances and financing decreased by 1.8% to RM3.4 billion.

Customers deposits grew 1.2% to reach RM117.3 billion as at 31 March 2012. The Group's liquidity position remained healthy with loans to deposits ratio stood at 81.5% as at 31 March 2012.

Total assets of the Group expanded to RM154.8 billion as at 31 March 2012, driven mainly by growth in financial assets/investments, partially offset by lower loans and financing assets.

Shareholders' equity crossed RM12.0 billion mark with net assets per share improved to RM5.46 against RM5.27 as at 31 December 2011.

Performance Review of Subsidiaries

For the first quarter ended 31 March 2012, RHB Bank Berhad ("RHB Bank") recorded a pre-tax profit of RM504.3 million, 11.0% lower from that of RM566.9 million a year ago. The lower profit was mainly due to higher other operating expenses and higher loan loss allowance, partly offset by higher other operating income and net interest income.

Excluding the effects of a higher restated profits due to MFRS 139, pre-tax profit of RHB Bank would have had an increase of 7.0%.

RHB Bank's balance sheet remained strong with total assets at RM121.8 billion, and shareholders' equity at RM10.2 billion as at 31 March 2012. Risk-Weighted Capital Adequacy Ratio and Core Capital Ratio of RHB Bank stood healthily at 14.6% and 11.5% respectively as at 31 March 2012.

RHB Islamic Bank Berhad ("RHB Islamic") achieved a pre-tax profit of RM100.7 million for the first three months of 2012, significantly higher than the restated profits for the previous year corresponding period of RM35.0 million. This was mainly attributable to higher net write-back of loan loss provision and higher net profit income derived from financing assets. Higher fee income and net gain on revaluation of derivatives for hedging coupled by higher net gain on disposal of financial assets/investments also contributed positively to the improved profitability of RHB Islamic.

RHB Investment Bank Berhad recorded a pre-tax profit of RM30.3 million for the first quarter ended 31 March 2012 compared to the restated profit of RM7.8 million in the first quarter of 2011. This was mainly attributed to higher fee income, higher net gain arising from disposal of financial investments available for sale and lower other operating expenses.

Significant Corporate Developments

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, which has since lapsed. The Company, will resubmit an application to Bursa upon obtaining the necessary regulatory approvals for the Proposed Acquisition, of which are still pending at this juncture, given that the Proposed Rights Issue is conditional upon the Proposed Acquisition.

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 ("Proposed Merger").

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.

The Company has on 27 April 2012 received notification from BNM that the Minister of Finance has granted approval for the Proposed Merger.

3. Capital and Liquidity

Management RHB Bank has issued RM750 million subordinated notes under a RM3 billion multi-currency medium term note programme and USD300 million senior notes under a USD500 million Euro medium term note programme on 7 May 2012 and 11 May 2012 respectively.

Prospects For The Year

"Whilst external uncertainty has risen as the euro-debt crisis has flared up again, this is cushioned by the US economic recovery which is gradually building momentum. Malaysia's exports could experience slower growth, but this is mitigated by resilient consumer spending and the progress in the implementation of the Economic Transformation Programme. We envisage the country's economy to grow at 4% to 5% in 2012.

The Group will continue to seek growth opportunities by strengthening our leadership position in targeted markets and product segments, as well as leveraging on the Group's infrastructure and distribution network that has been established over the past three years. The focus will also be on successfully completing the proposed acquisitions of OSK Investment Bank Group and Bank Mestika. The Group expects to maintain a satisfactory performance in 2012," said Kellee Kam, Group Managing Director of RHB Banking Group.

Financial Highlights

RHB CAPITAL (RM'000)

Financial Performance	3 months ended 31 March 2012	Restated 3 months ended 31 March 2011
Operating profit before allowances	630,399	605,202
Profit before taxation	580,723	610,595
Profit attributable to equity holders of the Company	435,551	457,751
Earnings per share (sen)	19.8	21.3

Balance sheet	As at 31 March 2012	Restated As at 31 March 2011
Gross loans, advances and financing	95,528,985	97,437,908
Gross impaired loans, advances and financing	3,429,962	3,493,951
Deposits from customers	117,283,530	115,860,584
Total assets	154,828,973	152,628,040
Equity attributable to equity holders of the Company	12,037,028	11,615,398
Net assets per share (RM)	5.46	5.27

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.

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 a leading multinational financial services group.

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