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RHB Capital Berhad Delivers another Successive Year of Growth

Kuala Lumpur, 10 April 2012 – RHB Capital Berhad (the Group) today reported another successive year of growth for 2011 despite a highly challenging operating environment. For the financial year ended 31 December 2011, the Group registered a profit before tax (PBT) of RM2.0 billion representing a 5.3% increase over 2010's PBT of RM1.9 billion. This higher PBT was a result of higher total income, lower loan loss provisioning and lower impairment losses on other assets, partly offset by higher other operating expenses. The Group also recorded net profit of RM1.5 billion, an increase of 5.7% over net profit of RM1.4 billion in 2010. Earnings per share increased to 68.9 sen against 66.0 sen in 2010.

At RHB Capital Berhad's 17th Annual General Meeting today, Chairman Dato' Mohamed Khadar Merican said, "In 2011, the RHB Banking Group made strong strides forward in all key focus areas under our 2010-2012 Strategic Growth Programme. We continued to inculcate positive changes throughout our businesses and strengthen our foothold in an intensely competitive marketplace. Through shoring up our people capabilities, leveraging proposed strategic acquisitions as well as tapping innovative service platforms and technologies, we strengthened our operational capabilities, as well as bolstered our technological edge.

Today, the RHB Banking Group is enjoying the synergistic advantages that come from being a focused, cohesive group. We are deriving cost efficiencies across the Group and reaping the benefits of improved customer service efforts even as our business operations and customer segments align with each other. All in all, we are today a much stronger financial services group and are better positioned to capitalise on market opportunities and deliver profitable growth in a sustainable manner as we journey to become a leading multinational financial group."

For the financial year in review, the Group's net interest income rose by 4.3% to RM2.8 billion on the back of strong loans growth of 16.2%. At the same time, other operating income grew by 3.7% to RM1.1 billion in 2011, mainly due to higher net foreign exchange gains, fee based income and card business-related income. The Group's other operating expenses rose by 16.1% in 2011 due to higher personnel costs, establishment costs and marketing expenses. At a cost to income ratio of 44.2%, the RHB Banking Group continues to remain as one of the most efficient financial services group in the industry.

RHB also made continued improvements to its asset quality with the charge-off rate at 0.34% reflecting a disciplined approach to credit risk management and collection processes. The allowance for loan impairment decreased by 21.2% to RM327.5 million as a result of higher bad debts recovery and lower individual allowances. Gross loans grew by RM13.6 billion or 16.2% to RM97.3 billion at 31 December 2011. The Group's domestic loan growth rate of 15.7% continued to outpace the industry growth rate of 13.6% in 2011. The Group's domestic loans market share improved to 9.3% from 9.1% in 2010. As at end 2011, the Group's absolute gross impaired loans declined by 8.7% to RM3.4 billion, while gross impaired loans ratio had improved to 3.44% (2010: 4.39%).

Customer deposits rose by 22.7% or RM21.4 billion to RM115.9 billion as at 31 December 2011, surpassing the industry deposits growth momentum of 14.3%. The Group's overall domestic deposits market share improved to 8.5% from 7.9% the year before, while the Group's loans to deposits ratio stood at 84.0% as compared to 88.6% a year ago.

Commenting on the outcome of the Transformation programme that kicked-off in 2007, Dato' Mohamed Khadar Merican said, "Our transformation efforts are certainly paying dividends. In 2011, the Group's net profit more than tripled to RM1.5 billion from the RM438 million achieved in (pre-transformation) 2006 – representing a compounded annual growth rate of 27.9%. Over the same period, the Group's return on equity (ROE) and return on assets (ROA) rates improved significantly to 14.0% and 1.1% respectively in 2011 against ROE of 9.3% and ROA of 0.5% in 2006. Loans, advances and financing grew by over 10% in 2008 and 2009 to 16.2% in 2011 as compared to a mere 1.2% in 2007. The Group's performance continues to be on the uptrend, with our market capitalisation as at 31 December 2011 increasing dramatically by 164.5% to RM16.5 billion – more than twice the market capitalisation of RM6.2 billion as at end 2006."

In view of the Group's strong performance and its continued commitment to create good shareholder value, the Board of Directors have declared a final dividend of 11.82 sen less tax and a single tier dividend of 5.59 sen amounting to RM318.8 million for the financial year 2011.

Group Prospects

Touching upon the Group's prospects, Dato' Mohamed Khadar Merican said, "Going forward, the Board of Directors is confident that the Group is resilient enough to weather any challenges that may come our way. We will build upon the strong foundations set in place and capitalise on the many marketplace opportunities available to us to increase our market share and strengthen our leadership position in targeted markets and product segments."



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“On the consumer banking side, our enhanced banking network and channels through 245 EASY by RHB and 319 POS Malaysia will provide greater reach to our retail and consumer customers. EASY by RHB generated assets of more than RM3.3 billion in 2011, representing 3.4% of total gross loans and contributing to 3.0% of pre-provisioning profit. Going forward, we expect EASY by RHB to be a major contributor to the Group’s profitability over the next two to three years.”

In keeping with the advances in technology, RHB’s internet and mobile banking platform has been rebranded RHB Now with growth projected to increase by 2.5 times more by end 2012. The Group’s renewed electronic and online banking services platform, Bank@Work, too will further enhance its capability to serve its customers more effectively. In addition, RHB will continue to focus its efforts on sustaining the momentum gained on the Islamic banking front. RHB Islamic Bank Berhad turned in an improved performance in 2011. It registered PBT of RM137.8 million as compared to RM90.6 million recorded previously. The significant improvement in PBT was the result of higher net financing income on the back of strong financing growth of 44.3% and lower losses on other assets. On the corporate and investment banking front, the Group will leverage its strong relationships with the public and private sectors to avail itself of the many opportunities that the Government’s Economic Transformation Programme presents.

“We certainly look forward to the successful completion of our proposed acquisition of the OSK Investment Bank Berhad (OSKIB Group) and the immediate benefits that come in the way of reinforcing our domestic market leader franchise with a complementary business fit, as well as gaining immediate access to important regional markets with long-term growth potential. The RHB Banking Group will also be able to leverage on the OSKIB Group’s human capital to further expand RHB’s talent bandwidth,” concluded Dato’ Mohamed Khadar Merican.

On the international front, the Group is placing a top priority on completing the proposed acquisition of Bank Mestika and is looking forward to greater participation in the growing Indonesian market. At the same time, it will further strengthen existing operations in Singapore and Thailand. The Board remains cautiously optimistic of the Group’s prospects for 2012 and beyond.

Issued on behalf of RHB Banking Group by the Corporate Communications Division, RHB Capital Berhad. For more information, please call Zuraida Mohamad at 03-92802880 or Eza Dzul Karnain at 03-92802552.

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.