RHB Bank Posts 16% Growth in Net Profit at RM1.16 billion for First Half of 2018

- Total income grew 8.1% Y-o-Y
- Pre-tax profit rose 19.3% to RM1.56 billion
- Cost-to-income ratio improved further to 49.1% from a year ago
- Gross loans up by 3.1% Y-o-Y to RM161.4 billion supported by growth in mortgages and SME; Domestic loans grew 4.5% Y-o-Y
- Customer deposits remains strong at 166.0 billion; CASA composition healthy at 29.0% of total deposits
- Islamic Banking contributes 31.4% of total domestic loan and financing from 27.3% a year ago
- Declared interim dividend of 7.5 sen per share or 25.9% payout ratio

Kuala Lumpur, 30 August 2018

RHB Bank Berhad ("the Group") announced today its financial results for the half year ended 30 June 2018.

- The Group posted a record net profit of RM1.16 billion, up 16.0% year-on-year, mainly due to higher net fund based and non-fund based income and lower allowances for credit losses on other assets.
- Key contributors to the strong net profit performance:
  - Increase in net fund based income by 10.8% to RM2.48 billion from a year ago.
    - Gross fund based income increased by 6.6% on the back of a 3.1% increase in gross loans and financing, whilst funding and interest expense rose 3.2% year-on-year.
    - More efficient management of funding cost; and redemption of certain sub-debts and senior notes over the year led to improved NIM of 2.29% for the quarter from 2.19% in the previous corresponding quarter.
  - Higher non-fund based income by 1.3% at RM904.2 million, contributed largely by higher net foreign exchange gain and trading and investment income. However, there was a decline in insurance underwriting surplus and brokerage income.

- Operating expenses rose by 7.6% to RM1.66 billion from a year ago driven by a rise in personnel costs and IT-related expenses as the Group continued to invest in technology infrastructure and Digital capabilities.

- Marginal positive JAW resulted in improved cost-to-income (CIR) ratio to 49.1%.

- As expected, implementation of MFRS9 resulted in higher allowances for credit losses on loans by 16.3% to RM180.9 million.
  - Annualised credit charge ratio stood at 0.22% compared with 0.20% over the same period last year.

- Allowances for credit losses on other assets was lower by RM142.8 million mainly due to improved ratings of our investment portfolio and the absence of impairment provided on an oil and gas related bond in Singapore in the previous corresponding period.

Second Quarter 2018 Earnings Against Preceding Quarter

- On a quarter-on-quarter ("Q-o-Q") basis, net profit for the current quarter was at RM570.3 million, a decrease of 3.5% from RM590.8 million recorded in the preceding quarter ended 31 March 2018. This was due to lower non-fund based income, in particular from the absence of one-off gain recorded in the preceding quarter and lower mark-to-market gain on securities and derivatives.

Balance Sheet & Capital Position Remained Robust

- Total assets of the Group increased by 1.8% from December 2017 to RM234.5 billion as at 30 June 2018. Shareholders' equity stood at RM22.5 billion, with net assets per share at RM5.61.
- Our capital position remains strong; Common equity tier-1 ("CET-1") and total capital ratio of the Group after the FY2018 interim dividend remained robust at 14.5% and 17.7% respectively, well above the Basel III minimum requirements.
- The Group's gross loans and financing grew by 3.1% year-on-year to RM161.4 billion. Domestic loans and financing grew 4.5% year-on-year contributed mainly by resilient growth in mortgages and SME. The Group's domestic loan market share stood at 9.0% as at end June 2018.
- Customer deposits remains strong at RM166.0 billion with a robust liquidity coverage ratio ("LCR") of 130.0%.
- Total current and savings account ("CASA") composition is at a healthy level of 29.0% of total deposits compared with 27.9% a year ago.

- Gross impaired loans was at RM3.8 billion as at 30 June 2018. Gross impaired loans ratio improved to 2.33% from 2.38% (based on FY2018 restated opening balance post-MFRS 9).
- We continued our prudence in providing for loan loss with loan loss coverage standing at 104.1%.

Performance Review of Key Business Units

- **Retail Banking**
  - Retail Banking reported a pre-tax profit of RM496.9 million for the first half of the year ended 30 June 2018, 2.1% higher than the previous year's corresponding period. This was mainly due to higher net fund based income and non-fund based income.
  - Retail loans and financing rose 12.3% Y-o-Y to RM80.5 billion as at June 2018, primarily driven by growth in mortgages and personal financing. Mortgage loans also grew at a strong annualised rate of 15.3% from December 2017.
  - Retail deposits increased by 12.4% Y-o-Y to RM50.1 billion, mainly contributed by growth in fixed deposits and current account which increased by 16.3% and 8.1% respectively. Fixed deposits grew at an annualised rate of 17.6% from December 2017.

- **Group Business Banking**
  - Group Business Banking recorded a pre-tax profit of RM165.1 million in the first half of the year.
  - Gross loans and financing expanded by 7.4% year-on-year, and at an annualised rate of 5.8%, driven mainly by the Retail SME portfolio at 10.2%.
  - Customer deposits recorded an encouraging 11.6% annualised growth rate to RM23.5 billion for the first six months, mainly contributed by growth in fixed deposits.

- **Group Wholesale Banking** recorded a pre-tax profit of RM971.3 million, an increase of 11.0% from the previous year's corresponding period.
  - **Group Corporate and Investment Banking** registered a 29.0% improvement in pre-tax profit to RM352.7 million on the back of higher non-fund based and net fund based income and lower allowances for credit losses on loans. Gross loans and financing decreased by 7.5% during the first six months to RM41.9 billion due to a few large corporate repayments. Deposits decreased by 13.3% over the same period to RM49.6 billion primarily due to a decrease in fixed deposits.

- **Group Treasury and Global Markets** recorded a 2.9% growth in pre-tax profit to RM618.7 million in the first six months, mainly due to higher net fund based income. Total deposits increased by 25.7% to RM26.3 billion in the first six months in line with the Group's funding needs.

- **RHB Bank Singapore** recorded a pre-tax profit of SGD24.1 million compared with a pre-tax loss of SGD30.9 million in the previous year's corresponding period.
  - This was mainly attributed to lower expected credit losses as substantial losses were provided for corporate bonds and loans in the oil and gas industry last year.
  - For the first six months, Singapore loans and advances remained largely unchanged at SGD3.7 billion.

- **International Business** excluding Singapore registered a pre-tax profit of RM49.6 million, 113.0% higher than the previous year's corresponding period.
  - This was mainly due to improved profitability in Cambodia and Lao.

- **RHB Group's Islamic business** recorded 8.8% Y-o-Y growth in pre-tax profit to RM274.8 million.
  - This was mainly due to higher net fund based income on the back of a robust double digit growth momentum in gross financing, with 20.1% growth Y-o-Y to RM46.0 billion.
  - Islamic business contributes 31.4% to the Group's total domestic gross loans and financing, up from 27.3% as at 30 June 2017.

Conclusion

Malaysia is expected to register a moderate GDP expansion of 5.0% in 2018, against 5.9% growth registered in 2017. Economic growth is expected to be led by an acceleration in private sector consumption while exports, private investment and public spending are anticipated to grow at a slower pace.

On the external front, potential risks may come in the form of trade protectionism and rising interest rates in the US.

“The Group’s earnings momentum was sustained in the second quarter resulting in improved H1 2018 year-on-year performance. Our results also reflect strong fundamentals as can be seen in our robust capital levels, healthy liquidity position and adequate coverage for loan losses.

Through FIT22, our 5-year strategic plan, we have articulated our objectives to build on our core strengths to grow topline especially in key growth areas, boost performance, and deliver service excellence. This is underpinned by our digital transformation programme with a clear focus on providing value-add interactions and customized services based on differentiated segments. Adopting Agile as a way of working across the Group is a key driving force in growing our business and in the implementation of FIT22,” said Dato’ Khairussaleh Ramli, Group Managing Director of RHB Banking Group.

Barring unforeseen circumstances, the Group expects to achieve better performance in 2018.

Issued on behalf of RHB Bank Berhad by Group Corporate Communications Division. For more information, please contact Norazzah Sulaiman at 603-9280 2125/ norazzah@rhbgroup.com or Cynthia Blemin at 012-249 4071/ cynthia.blemin@rhbgroup.com. For enquiries in regards to banking, products and services please contact our Customer Care Centre at 603-9206 8118.

About the RHB Banking Group

The RHB Banking Group, with RHB Bank Berhad as the holding company, is the fourth largest fully integrated financial services group in Malaysia. The Group's core businesses are structured into seven main business pillars, namely Group Retail Banking, Group Business & Transaction Banking, Group Wholesale Banking, RHB Singapore, Group Shariah Business, Group International Business and Group Insurance. Group Wholesale Banking comprises Corporate Banking, Investment Banking, Group Treasury & Global Markets, Asset Management and Private Equity. All the seven business pillars are offered through the Group's main subsidiaries – RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance 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/China, Vietnam, Lao PDR and Myanmar.

For more information, please visit www.rhbgroup.com