



FOR IMMEDIATE RELEASE

RHB Bank records 9.1% net profit growth for the first nine months of 2016

- ◆ Total income increased by 5.0% to RM4,829.8 million
- ◆ Cost-to-income ratio improved to 49.9% from 54.6% [excluding Career Transition Scheme (“CTS”)] cost in 2015
- ◆ Operating profit before allowances recorded strong growth of 36.0% year-on-year to RM2,418.8 million
- ◆ Q3 2016 net profit increased by 120.4% year-on-year to RM505.3 million; on normalised basis excluding CTS cost: 9.6%
- ◆ Current and savings account balances increased by an annualised rate of 9.9%, improving CASA composition to 24.5%
- ◆ Islamic Banking continued its growth momentum, contributing 25.1% of total domestic gross loans from 23.0% in December 2015
- ◆ ROE at 10.0%

Kuala Lumpur, 23 November 2016

RHB Bank Berhad (“the Group”) today reported a net profit of RM505.3 million for the third quarter of financial year 2016, a 120.4% increase from the corresponding period. For the nine months ended September 2016, RHB reported a net profit of RM1,420.4 million, an increase of 9.1% over the previous year’s corresponding period. The improved performance was mainly attributed to a strong growth in operating profit before allowances, though this was partly offset by an increase in impairment losses for loans and other assets.

Included in the current period results was a one-off full impairment on a corporate bond in Singapore of RM253.5 million incurred in the second quarter ended June 2016, whereas in 2015, the Group incurred a CTS expenses of RM308.8 million and benefited from a collective allowances written back due to model refinement on mortgage portfolio amounting to RM131.4 million. Excluding the effects of these one-offs, normalised net profit increased by 12.4%.

The Group’s operating profit before allowances increased by 36.0% to RM2,418.8 million in the first nine months of 2016. The strong growth was underpinned by healthy net fund based and non-fund based income growth and effective cost management. Total income increased by 5.0% to RM4,829.8 million, supported by solid net fund-based income growth of 4.4% to RM3,229.8 million, on the back of 2.3% growth in loans and financing, and higher non-fund based income which grew by 6.3%. Net interest margin for the quarter was lower by 4 basis points at 2.15% mainly due to the impact of the 25 basis point reduction in Overnight Policy Rate in July 2016.

Non-fund based income grew by 6.3% to RM1,600.00 million despite challenging market conditions, attributable mainly to higher trading and investment income and higher insurance underwriting surplus, partly offset by lower net foreign exchange gain and lower investment banking related fee income. Wealth management fee income continued to expand at an encouraging rate of 37.5% year-on-year.

The Group's efficient cost transformation programme continued to deliver positive results. Excluding the CTS cost last year, normalised operating expenses were lower by 4.0% from a year ago. The decline in expenses was largely attributed to headcount cost savings, partly offset by higher IT-related expenses as the Group continued to invest in technology capabilities and infrastructure. Cost to income ratio improved to 49.9% compared to 54.6% (normalised excluding CTS expenses) in the previous year's corresponding period.

Allowances for impairment on loans and financing increased to RM286.4 million from a year ago, primarily due to higher individual impairment provided on certain corporate accounts. There was also absence of a one off collective allowances written back due to model refinement on mortgage portfolio in 2015.

Third Quarter 2016 Earnings

For the third quarter 2016, the Group recorded a net profit of RM505.3 million, an increase of 44.3% compared to RM350.2 million in the preceding quarter. Against a normalised preceding quarter which was impacted by impairment incurred on a corporate bond in Singapore, net profit for the quarter was lower by 6.9%, mainly due to higher impairment on loans and financing and higher operating expenses, partly offset by higher non-fund based income.

Balance Sheet and Capital Position Strengthened

Total assets increased to RM229.3 billion as at 30 September 2016, whilst shareholders' funds for the Group increased to RM21.6 billion following the completion of RM2.49 billion rights issue in April 2016 and higher retained earnings. Net assets per share stood at RM5.39 as at 30 September 2016.

As at 30 September 2016, the common equity tier-1 ("CET-1") and total capital ratio of RHB Bank Group remained strong at 13.0% and 17.1% respectively. These capital ratios are well above the Basel III minimum transitional arrangement requirements of 5.125% and 8.625% respectively, positioning us as one of the best capitalised banking groups in Malaysia.

Amidst the uncertainties in the global economy, the Group continues to exercise balance sheet discipline, pacing its assets growth and focusing on risk adjusted returns on capital while actively managing our funding and liquidity position.

For the first nine months of 2016, gross loans recorded a 1.4% annualised growth to RM152.9 billion, whereas on a year-on-year comparison, growth was at 2.3%. The increase came mainly from mortgages and SME, negated by a decline in corporate loans. Mortgages and SME loans and financing growth were resilient with an annualised growth rate of 13.4% and 13.3% respectively, more than offset the annualised 5.5% decrease in corporate loan portfolios. The Group's domestic loan market share stood at 9.2% as at 30 September 2016.

Customer deposits increased by an annualised rate of 6.6% to RM166.0 billion, whilst total CASA registered an annualised growth of 9.9%. Current and savings account ('CASA') composition improved to 24.5% as at 30 September 2016 from 24.0% in December 2015.

Gross impaired loans ratio was higher at 2.25% from 1.88% as at 31 December 2015. This was mainly due to the restructuring of a steel related manufacturer loan and classification of certain oil and gas customer accounts in accordance to BNM Guidelines "Classification and Impairment Provisions for Loans/Financing".

Performance Review of Key Business Units

Retail Banking remained the biggest contributor to the Group and it reported a pre-tax profit of RM825.6 million for the first nine months of the year, 8.6% lower from the previous year's corresponding period. Excluding a one-off collective allowance write back on mortgage portfolio in 2015, pre-tax profit increased by 6.9%, underpinned by lower operating expenses, partially offset by higher allowances for loans and financing.

Retail loans and financing grew by 1.1% to RM69.0 billion, as growth in mortgages was largely offset by the contraction in auto financing and loans for purchase of securities. Mortgage loans grew at a strong annualised rate of 13.4%, resulting in an increase in domestic market share to 8.5% from 8.2% as at December 2015.

Retail deposits increased by an annualised 3.0% due mainly to higher fixed deposits and savings account balances by 3.1% and 6.6% respectively.

Group Business Banking's pre-tax profit increased by 48.6% to RM329.5 million. This was mainly due to lower allowances for loans and financing, lower operating expenses and higher net funding income.

Gross loans and financing expanded by a strong annualised rate of 13.3% for the first nine months of 2016 to RM21.7 billion, driven mainly by the SME portfolio growth. Market share for SME continued to improve to 9.0% as at September 2016 from 8.7% in December 2015.

Strong fixed deposits growth contributed to the overall annualised deposits growth of 4.5% from December 2015, reflecting positive outcome of our SME strategy under the IGNITE 2017 programme.

Group Wholesale Banking (“GWB”) recorded a pre-tax profit of RM1,230.9 million, an increase of 8.4% from the previous corresponding year.

- (i) **Corporate Banking** registered a 3.8% growth in pre-tax profit to RM470.9 million on the back of lower loan loss impairment, partially offset by lower net fund based income.

Pre-tax profit for **Investment Banking** was higher by 14.3% to RM57.4 million on account of higher non fund based income and lower operating expenses, partially offset by lower write-back on impairment of securities and lower net fund-based income.

Gross loans and financing decreased by 4.2% in the first nine months to RM46.3 billion due to a few large corporate repayments. Deposits increased by a strong 18.9% over the same period to RM54.9 billion primarily due to increases in fixed and current deposits.

Total Assets under Management (“AUM”) increased by 5.4% to RM54.9 billion, up from RM52.0 billion as at 31 December 2015.

- (ii) **Group Treasury and Global Markets** recorded a 11.1% growth in pre-tax profit to RM702.7 million, mainly due to higher investment and trading gain and higher net fund based income, partially offset by lower net foreign exchange gain.

Group International Business recorded a pre-tax loss of RM166.9 million for the first nine months of 2016. Excluding the one-off impairment on a corporate bond, Singapore Bank operations would have recorded a pre-tax profit of SGD25.4 million, 39.0% lower than the previous year corresponding period, largely attributed to higher impairment losses on loans. Singapore loans and advances increased by 3.7% to SGD4.3 billion, whilst customer deposits increased by 17.6% in the first nine months to SGD5.8 billion.

International business excluding Singapore registered a pre-tax profit of RM29.3 million, 31.9% higher over the same period in 2015. This was mainly due to improved profitability in Cambodia which recorded an increase in pre-tax profit by 35.9% to USD5.9 million, whilst Lao recorded a pre-tax profit of USD0.7 million in its second year of operation.

RHB Group’s Islamic business recorded a strong 17.7% growth in pre-tax profit to RM299.1 million for the first nine months of 2016. This was mainly due to higher net fund based income, partially offset by higher impairment losses on financing and higher operating expenses.

Gross financing grew by an annualised rate at 13.2% to RM34.2 billion, outpacing the industry growth rate of 8.4%. Islamic financing now contributes 25.1% to the Group’s total domestic gross loans and financing, up from 23.0% as at 31 December 2015. Asset quality of RHB Islamic improved to 1.12% from 1.17% as at December 2015.

Conclusion

Malaysia's GDP for 2016 is expected to grow between 4% to 5%. The growth is driven mainly by consumer spending, but partly offset by decline in net exports arising from the challenging global environment.

The Malaysian banking sector growth will remain modest. Corporate loans growth is expected to be lower and there will be ongoing consolidation in the household loans segment. The financial and capital market is expected to be softer and rising pressure on liquidity and asset quality will also affect the performance of the banking sector.

“The Group Q3FY2016 results showed significant improvement from the previous year's corresponding quarter. Despite our performance being affected by one large impairment on securities and allowances on certain corporate accounts, against the backdrop of a sluggish global economic environment, our core earnings have remained resilient.

The Group will continue to implement various initiatives under our Reframed Strategy. To-date we have registered significant positive outcomes, and will remain vigilant by focusing on asset quality. In addition, we will continue to improve our operational efficiency and maintain a high level of liquidity and capital. At the same time, focus on digitization of our core businesses and customer experience will be enhanced, as part of our strategy to achieve our long term objectives,” commented Dato' Khairussaleh Ramli, Group Managing Director of RHB Banking Group.

Key Financial Highlights

Financial Performance (RM'000)	9 Months Ended 30 September 2016	Restated 9 Months Ended 30 September 2015
Operating profit before allowances	2,418,796	1,778,686
Profit before taxation	1,887,430	1,732,508
Profit attributable to equity holders of the Company	1,420,381	1,301,598
Earnings per share (sen)		
- Per RM1.00 share	37.3	N/A
- Per RM0.50 share	N/A	19.0
Balance Sheet (RM'000)	As at 30 September 2016	Restated As at 31 December 2015
Gross loans, advances and financing	152,928,071	151,386,384
Gross impaired loans, advances and financing ratio (%)	2.25%	1.88%
Deposits from customers	165,999,001	158,157,840
Total assets	229,292,985	227,938,347
Equity attributable to equity holders of the Company	21,631,172	17,667,869
Net assets per share (RM)		
- Per RM1.00 share	5.39	N/A
- Per RM0.50 share	N/A	2.55

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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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 main business pillars, namely Group Retail Banking, Group Business & Transaction Banking, Group Wholesale Banking, Singapore Business Operations, Group Shariah Business, Group International Business and Group Insurance. Group Wholesale Banking comprises Corporate Banking, Investment Banking, Client Coverage, Group Treasury and Global Markets, Asset Management and Private Equity. All the seven business pillars are offered through RHB Bank Berhad and 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, Vietnam, Lao PDR and Myanmar. It is RHB Banking Group's aspiration to continue to deliver superior customer experience and shareholder value; and to be recognised as a Leading Multinational Financial Services Group.

APPENDIX

Significant Events/Corporate Development During The Financial Period

1. Group Internal Reorganisation, Distribution and Capital Repayment, and Transfer of Listing Status

(a) Group Internal Reorganisation

On 14 April 2016, the Bank has completed the following acquisitions under the Group Internal Reorganisation:

- (i) the entire equity interests in certain subsidiaries (“Identified Assets”) from the former holding company, RHB Capital Berhad (‘RHB Capital’) under a Share Sale Agreement dated 6 April 2016, for a total cash consideration of approximately RM3.32 billion (“Disposal Consideration”). The Disposal Consideration was arrived at based on a ‘willing-buyer, willing-seller’ basis after taking into consideration the audited net assets (“NA”)/net liabilities and/or the audited net book value of the Identified Assets as extracted from the audited financial statements of the respective subsidiaries of RHB Capital as at 31 December 2014; and
- (ii) certain assets and liabilities of RHB Hartanah Sdn Bhd, including its subsidiary, RHB Property Management Sdn Bhd under an Asset Purchase Agreement dated 6 April 2016, for a total cash consideration of approximately RM298.37 million.

Following the completion of the Group Internal Reorganisation, RHB Capital has injected an aggregate of approximately RM2.49 billion into the Bank (“Capital Injection”), being proceeds raised from its rights issue exercise, proceeds from the redemption of its investment in RHB Liquid Fund as well as excess cash available (after setting aside adequate cash to defray any expenses of RHB Capital), in exchange for approximately 447.84 million new shares of the Bank of RM1.00 each, which were issued at an issue price of RM5.56 per share.

With the completion of the Group Internal Reorganisation, the Bank is effectively the new group holding company which will spearhead the Group’s future growth and is expected to achieve greater synergy and efficiency.

(b) Distribution and Capital Repayment

On 13 June 2016, RHB Capital ceased to be the shareholder of the Bank upon the completion of its Distribution and Capital Repayment, which entails the distribution of its entire shareholding in the Bank after the capital injection in (a) above to entitled shareholders of RHB Capital whose names appear in the Record of Depositors of RHB Capital.

(c) Transfer of Listing Status

The Bank has assumed the listing status of RHB Capital, and has been admitted to the Official List of Bursa Malaysia Securities Berhad (“Bursa Securities”) in place of RHB Capital, with the listing of and quotation for the entire issued and paid-up share capital of the Bank on the Main Market of Bursa Securities on 28 June 2016.

The Transfer of Listing Status will enable the shareholders to have a direct participation in the equity and envisaged growth of the Group as well as enable the Group to gain direct access to the capital markets to raise funds for its continued growth, to gain recognition and corporate stature through its listing status and further enhance its corporate reputation and assist the Group in expanding its customer base.

2. Proposed Establishment of a Share Grant Scheme for Eligible Employees and Executive Directors of the Bank and its subsidiaries (“Proposed SGS”)

The Bank had on 26 August 2016 announced that it proposed to establish and implement a share grant scheme of up to 5% of the issued and paid-up share capital of the Bank (excluding treasury shares, if any) at any point in time during the duration of the Proposed SGS for employees and Executive Directors of the Bank and its subsidiaries (excluding subsidiaries which are dormant) who fulfil the eligibility criteria (“Eligible Employees”).

The Proposed SGS is to allow the Bank to award the grant of ordinary shares of RM1.00 each in the Bank (“RHB Bank Share(s)”) (“Grant(s)”) to be vested in selected Eligible Employees (“Selected Employees”) for the attainment of identified performance objectives. The Proposed SGS serves to attract, retain, motivate and reward valuable Eligible Employees.

The Proposed SGS shall be in force for a period of eight (8) years commencing from the effective date of implementation of the Proposed SGS, being the date of full compliance with all relevant provisions of the Main Market Listing Requirements of Bursa Securities in relation to the Proposed SGS.

The Proposed SGS is subject to approvals being obtained from the following:

- (i) Bursa Securities, for the listing of the new RHB Bank Shares to be issued pursuant to the Proposed SGS on the Main Market of Bursa Securities;
- (ii) Bursa Malaysia Depository Sdn Bhd for the transfer of existing RHB Bank Shares from the Trustee to the Grantees pursuant to the Proposed SGS at any point in time during the duration of the Proposed SGS, if required;
- (iii) Bank Negara Malaysia (“BNM”) for the increase in the issued and paid-up share capital of the Bank pursuant to the Proposed SGS;

- (iv) shareholders of the Bank at an extraordinary general meeting (“EGM”) to be convened; and
- (v) any other relevant authorities/parties, if required.

The Proposed SGS is not conditional or inter-conditional upon any other corporate exercise/scheme by the Bank.

BNM has, vide its letter dated 4 October 2016, approved the application by the Bank for the increase of up to 5% of its issued and paid-up ordinary share capital arising from the issuance of new RHB Bank Shares under the Proposed SGS.

3. Capital Management Plan

- (i) On 6 October 2016, the Bank has completed its second issuance of USD500 million senior unsecured notes in nominal value ('Senior Notes') under the USD5 billion EMTN Programme which was established on 23 September 2014.

The Senior Notes rated A3 by Moody's Investors Service Inc. and BBB+ by Standard & Poor's Rating Services, were priced at 5-year US Treasury +137.5 bps or a yield of 2.503% and will pay a coupon of 2.503% per annum. The Senior Notes has a tenure of 5 years from the issue date and will be mature on 6 October 2021.

The net proceeds from the issuance of the Senior Notes will be utilised by the Bank for general working capital purposes.

- (ii) On 31 October 2016, the Bank fully redeemed its existing subordinated notes of RM250 million in nominal value issued on 31 October 2011.
- (iii) On 18 November 2016, the Bank injected additional capital of RM100 million to its wholly owned subsidiary, RHB Islamic Bank Berhad.