FOR IMMEDIATE RELEASE

RHB Bank Records RM500.3 Million Net Profit for the First Quarter 2017

- **Higher non-fund based income lifted earnings over the previous quarter**
- **Cost-to-income ratio improved to 48.9%**
- **Compared to first quarter 2016, profitability affected by lower total income and higher allowances from loans impaired last year**
- **Gross loans grew 3.2% year-on-year to RM154.5 billion**
- **Customer deposits higher by 5.3% year-on-year to RM165.8 billion**
- **Current and savings account balances increased by 14.5% over the year, improving CASA composition to 26.2%**
- **Islamic Banking continued its growth momentum, contributing 26.0% of total domestic gross loans and financing from 24.8% as at end of 2016**
- **Mortgages and SME continued growth traction**

Kuala Lumpur, 23 May 2017

RHB Bank Berhad ("the Group") today reported a net profit of RM500.3 million for the first three months ended 31 March 2017. This was 91.5% higher from the preceding quarter of RM261.2 million and 11.4% lower from the RM564.9 million recorded a year ago.

Net fund based income declined 1.2% to RM1,093.3 million from a year ago, as loans growth and lower funding expenses were offset by margin compression. Net interest margin was 2.17% for the current quarter compared to 2.22% in prior year's corresponding quarter.

Non-fund based income was 2.7% lower at RM462.2 million. Fee from loan and loan related exposure and insurance underwriting surplus was lower year-on-year though this was partially offset by an increase in wealth management fee income, which expanded at an encouraging rate of 63.2% year-on-year, and higher treasury income.

Operating expenses for the first three months rose by a marginal 1.9% to RM761.2 million from a year ago driven by a rise in personnel costs and higher IT-related expenses as the Group continued to invest into technology infrastructure and capabilities. The Group's disciplined cost management efforts delivered an improved cost to income ratio at 48.9%, from 50% for financial year 2016.

Allowances for impairment on loans and financing increased to RM132.4 million from a year ago, primarily due to additional individual impairment allowances provided on certain corporate accounts that were classified as impaired last year.

First Quarter 2017 Earnings Against Preceding Quarter

Net profit for the current quarter was RM500.3 million, almost double the amount of RM261.2 million recorded in the preceding quarter ended 31 December 2016. This was primarily due to higher non-fund based income and lower operating expenses in the current quarter, coupled with impairment provided on certain corporate accounts relating to oil and gas, and pre-emptive provisions made for legacy steel related exposure in the last quarter.

Capital and Liquidity

Total assets decreased by 1.3% to RM233.5 billion as at 31 March 2017, whilst shareholders' funds for the Group increased to RM22.3 billion. Net assets per share improved by 2.6% to RM5.56 as at 31 March 2017.

As at 31 March 2017, the common equity tier-1 ("CET-1") and total capital ratio of the Group, taking into consideration the FY2016 proposed final dividend, remained strong at 13.2% and 17.0% respectively. These capital ratios are well above the Basel III minimum transitional arrangement requirements of 5.75% and 9.25% respectively, positioning the Group as one of the best capitalised banking groups in Malaysia.

The Group's gross loans and financing grew by 3.2% year-on-year to RM154.5 billion, but remained stable from December 2016. There were a few large corporate repayments in the first quarter of the year. Mortgages and SME financing continued to grow at an annualised growth rate of 13.1% and 6.3% respectively.

Customer deposits increased by 5.3% to RM165.8 billion year-on-year but remained largely unchanged from December 2016. Total current and savings account ('CASA') registered a strong growth of 14.5% over the year, with CASA composition improving to 26.2% as at 31 March 2017 from 25.6% recorded in December 2016. The Group's loan-to-deposit ratio remained healthy at 93.2%.

Compared to the previous quarter, gross impaired loans declined slightly to RM3.7 billion, with gross impaired loans ratio improving to 2.39% from 2.43% as at 31 December 2016.

Performance Review of Key Business Units

Retail Banking remained the biggest contributor to the Group and it reported a pre-tax profit of RM257.5 million for the first three months ended 31 March 2017, 12.6% lower from the previous year's corresponding quarter. This was mainly attributed to lower net fund based income, partially offset by lower operating expenses.

Retail loans and financing were marginally higher at RM70.5 billion as at March 2017, as growth in mortgages was largely offset by the decrease in auto financing and loans for purchase of securities. Mortgage loans grew at a strong annualised rate of 14.6%, resulting in an improvement in market share to 8.7% from 8.6% as at December 2016.

Retail deposits increased by an annualised 7.9%, mainly contributed by higher fixed deposits and savings account balances which increased by an annualised 6.6% and 21.0% respectively.

Group Business Banking recorded a lower pre-tax profit of RM88.1 million in the first quarter, mainly due to higher allowances for loans and financing and higher operating expenses, partially offset by higher net funding income.

Gross loans and financing expanded by an annualised rate of 7.2%, driven mainly by the SME portfolio growth. Market share for SME continued to improve to 8.9% as at March 2017 from 8.8% in December 2016.

Contraction in the current account and fixed deposits contributed to the overall deposits decline of 2.9% from December 2016.

Group Wholesale Banking ("GWB") recorded a pre-tax profit of RM459.0 million, an increase of 13.2% from the previous year corresponding period.

(i) **Group Corporate Banking** registered a 22.1% decline in pre-tax profit to RM129.9 million on the back of lower non-fund based and net fund based income, partially offset by lower loan loss impairment.

    Gross loans and financing decreased by 2.2% during the first three months to RM45.2 billion due to a few large corporate repayments. Deposits decreased by 7.1% over the same period to RM49.0 billion primarily due to a decrease in fixed deposits.

(ii) Pre-tax profit for **Group Investment Banking** was at RM26.3 million, 3.1% higher compared to a year ago on account of lower operating expenses, partially offset by lower net fund based income.

(iii) **Group Treasury and Global Markets** recorded a strong 42.1% growth in pre-tax profit to RM302.8 million in the first three months, mainly due to higher investment and trading gain and lower operating expenses.

Singapore Bank operations recorded a pre-tax loss of SGD5.9 million compared to a pre-tax profit of SGD15.8 million in the previous year's corresponding period, largely attributed to higher impairment losses on loans provided on certain accounts that have been classified as impaired last year, coupled with lower net and non-fund based income. Singapore loans and advances, as well as deposits remained relatively stable at SGD4.1 billion and SGD6.0 billion respectively.

International Business excluding Singapore registered a pre-tax profit of RM15.8 million in the first three months, 4.7% lower compared to a year ago. This was mainly due to losses recorded in Thailand, partially negated by improved profitability in Cambodia and Lao.

RHB Group’s Islamic business recorded a 3.3% growth in pre-tax profit to RM99.4 million for the first quarter 2017 from a year ago. 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 4.8% for the first three months to RM35.7 billion, and now contributes 26.0% to the Group’s total domestic gross loans and financing, up from 24.8% as at 31 December 2016. Asset quality of RHB Islamic continued to improve to 1.06% from 1.15% as at December 2016.

Conclusion

The Malaysian economy grew 5.6% in Q1 2017 and is forecast to grow 4.8% for the year. The improvement in overall economic activity is driven by the recovery in both exports and domestic demand as the higher exports growth is expected to lead to better consumer spending and private investment. Public spending is expected to rise, supported by the implementation of major infrastructure projects under the various economic programmes.

The Malaysian banking sector loans growth is expected to range between 5.5% to 6.0%, with lending to businesses being the key growth driver. Household loans growth is expected to be moderate.

“The Group has moved on from a challenging fourth quarter in 2016 and delivered a much improved profitability in the current period. We expect a better performance this year compared to 2016, as we remain vigilant to any headwinds in the operating environment. Our SME and Islamic banking portfolios have maintained their strong performance for the first quarter of 2017, whilst our CASA composition continues to strengthen.

The Group will continue to pursue selective growth whilst managing asset quality and enhancing productivity. In the first quarter of 2017, we embarked on a digital transformation journey aimed at digitising processes and delivering a simple, fast and seamless experience to our customers. As part of our fintech agenda, we partnered with Funding Societies to expand funding opportunities for the underserved SME segment in the country in line with our strategy to collaborate with fintech players in relevant spaces”, commented Dato’ Khairussaleh Ramli, Group Managing Director of RHB Banking Group.

Key Financial Highlights

Financial Performance (RM'000)	3 Months Ended 31 March 2017	3 Months Ended 31 March 2016
Operating profit before allowances	794,205	835,336
Profit before taxation	658,272	755,472
Profit attributable to equity holders of the Company	500,277	564,885
Earnings per share (sen)	12.5	16.3
Balance Sheet (RM'000)	**As at 31 March 2017**	**As at 31 December 2016**
Gross loans, advances and financing	154,492,045	154,469,396
Gross impaired loans, advances and financing ratio (%)	2.39%	2.43%
Deposits from customers	165,849,803	165,809,367
Total assets	233,519,778	236,678,829
Equity attributable to equity holders of the Company	22,302,124	21,744,778
Net assets per share (RM)	5.56	5.42

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 Banking Group'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

1. 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.

Bursa Securities has, vide its letter dated 15 December 2016, approved the listing of and quotation for the new RHB Bank Shares to be issued pursuant to the Proposed SGS subject to certain conditions. Bursa Securities had also vide its letter dated 5 January 2017, granted the Bank an extension of time until 28 April 2017 to comply with Paragraph 9.33(1)(b) of the Main Market Listing Requirements of Bursa Securities.

On 11 April 2017, the Bank has submitted applications to Bursa Securities for further extension of time. Bursa Securities had on 21 April 2017 granted the Bank the extension of time until 29 December 2017 to implement the Proposed SGS, and further extension of time from 28 April 2017 to 14 December 2017 to comply with Paragraph 9.33(1)(b) of the Main Market Listing Requirements of Bursa Securities.

2. Proposed transfer of certain businesses of RHB Investment Bank Berhad ("RHB Investment Bank") to the Bank

The Bank and its wholly-owned subsidiary, RHB Investment Bank are proposing to undertake an internal reorganisation which includes the following:

(i) Proposed Transfer of Treasury Business;
(ii) Proposed Transfer of Structured Lending Business;
(iii) Proposed Transfer of Private Equity Group; and
(iv) Proposed Capital Repayment.

(collectively, to be referred to as the "Proposals")

The Proposed Transfer of Treasury Business and Proposed Transfer of Structured Lending Business entail the transfer of certain portion of the treasury business and all assets and liabilities under the structured lending business of RHB Investment Bank to the Bank by way of a business transfer scheme pursuant to Section 100 of the Financial Services Act, 2013 ('FSA') and the the Order of the High Court of Malaya pursuant to Sections 102 and 104 of the FSA.

The Proposed Transfer of Private Equity Group entails the transfer of the entire issued and paid-up share capital of RHB Private Equity Holdings Sdn Bhd ('RHBPE'), a wholly-owned subsidiary of RHB Investment Bank to the Bank via a share sale agreement.

Subject to the completion of the Proposed Transfer of Treasury Business, Proposed Transfer of Structured Lending Business, Proposed Transfer of Private Equity Group and RHB Investment Bank having obtained all requisite approvals, RHB Investment Bank shall undertake a capital repayment exercise via a reduction of the consolidated share capital of RHB Investment Bank (which includes the issued and paid-up share capital and the share premium of RHB Investment Bank).

The rationale for the Proposals are as follows:

(i) The Proposed Transfer of Treasury Business, Proposed Transfer of Structured Lending Business and Proposed Transfer of Private Equity Group will enable the optimisation of operations of RHB Group and are expected to achieve business and operational synergies, economies of scale in resource utilisation and cost savings;

(ii) The Proposed Transfer of Structured Lending Business enables the business unit to leverage on the established clientele base and resources in the Bank to market its services;

(iii) With a larger capital base, the Bank is able to support relatively more capital intensive businesses (i.e. Private Equity). This would provide a greater platform for RHBPE to undertake more investment opportunities in the future; and

(iv) The Proposed Capital Repayment reflects the continuous effort of the Bank to achieve an efficient capital structure.

The Proposed Transfer of Treasury Business, Proposed Transfer of Structured Lending Business and Proposed Transfer of Private Equity Group are not inter-conditional upon each other and are not conditional upon the Proposed Capital Repayment. However, the Proposed Capital Repayment will only be implemented if at least one of the Proposed Transfer of Treasury Business, Proposed Transfer of Structured Lending Business and Proposed Transfer of Private Equity Group is implemented.

Approval from BNM for the Proposals has been obtained on 6 January 2017. The Proposals are now subject to the following approvals being obtained:

(i) sanction of the High Court of Malaya pursuant to Sections 102 and 104 of the FSA for the Proposed Transfer of Treasury Business and Proposed Transfer of Structured Lending Business;

(ii) sanction of the High Court of Malaya pursuant to Section 116(4) of the Companies Act 2016 for the reduction of RHB Investment Bank’s consolidated share capital pursuant to the Proposed Capital Repayment;

(iii) approvals of the lenders of RHB Investment Bank and RHBPE Group, if required; and

(iv) approvals, waivers and/or consents of any other relevant authorities and/or parties, if required.

3. Proposed Subscription in Digital Financial Lab Limited (“DFLL”), by RHB Finexasia.com Sdn Bhd (“RHB Finex”) and Silverlake International Capital Market Solution Limited (“Silverlake Capital”)

RHB Finex, a company in which the Bank holds a 100% effective equity interest in through its 59.95% direct shareholding and 40.05% indirect shareholding through RHB Investment Bank, which in turn is a wholly owned subsidiary of the Bank, had on 6 August 2015 entered into a subscription agreement (“Agreement”) with Silverlake Capital, to each subscribe for 50% redeemable convertible preference shares of USD1.00 each at par in DFLL for RM10 million each. The Agreement is conditional on the fulfilment of certain terms and conditions, including regulatory approval.

RHB Finex, Silverlake Capital and DFLL have mutually agreed to terminate the Agreement through a Notice of Termination dated 5 May 2017 (“Mutual Termination”). The Mutual Termination is due to the non-fulfilment and non-satisfaction of the conditions precedent as stated in the Agreement.

Upon the Mutual Termination, neither RHB Finex nor Silverlake Capital shall have any claims whatsoever, directly or indirectly, against the other in respect of the Agreement.

4. Capital Management Plan

(i) RHB Islamic Bank Berhad, a wholly owned subsidiary had on 27 April 2017, issued Subordinated Sukuk Murabahah of RM250 million in nominal value under a RM1 billion programme. The Subordinated Sukuk Murabahah is issued for a tenure of 10 non-callable 5 years with a fixed profit rate of 4.88% per annum, payable semi-annually in arrears throughout the entire tenure.

(ii) The Bank had on 5 May 2017 fully redeemed its existing subordinated notes of RM750 million in nominal value under a RM3 billion multi-currency medium term note programme which was issued on 7 May 2012.

(iii) The Bank had on 12 May 2017 fully redeemed its existing USD500 million senior unsecured debt securities issued in 2012.