



FOR IMMEDIATE RELEASE

RHB Bank records 18.1% Net Profit growth in Q1 FY2018; best quarterly profit ever

- ◆ Total income grew 13.8% Y-o-Y
- ◆ Pre-tax profit rose 20.3% to RM792 million
- ◆ Cost-to-income ratio improved further to 48.8%
- ◆ Gross loans up by 4.3% Y-o-Y to RM161.2 billion supported by growth in mortgages and SME; Domestic loans grew 6.7% Y-o-Y
- ◆ Customer deposits grew 2.6% Y-o-Y to RM169.8 billion from increase in current account; CASA remained healthy at 29.3%
- ◆ Islamic Banking contributes 31.5% of total domestic loan and financing from 26.0% a year ago

Kuala Lumpur, 31 May 2018

RHB Bank Berhad (“the Group”) today reported a net profit of RM590.8 million for the first quarter ended 31 March 2018, up 18.1% Y-o-Y. The improved performance was largely driven by higher net fund based and non-fund based income as well as lower allowance for expected credit losses.

Net fund based income increased by 13.0% to RM1,234.9 million from a year ago. Gross fund based income increased by 6.1% arising from growth in loans and financing. Funding and interest expense remained relatively flat throughout the year despite growth in total deposits, primarily due to better funding cost management, a healthy 14.3% Y-o-Y current and savings account (“CASA”) growth and redemption of certain sub-debts and senior notes over the year. These factors together with the positive impact from the OPR hike in January 2018 have resulted in improved NIM of 2.28% for the first quarter.

Non-fund based income was 15.7% higher at RM534.5 million, contributed largely by higher net foreign exchange gain and higher trading and investment income, partially offset by lower insurance underwriting surplus and lower brokerage income.

Operating expenses rose by 13.4% Y-o-Y to RM863.0 million driven by a rise in personnel costs and IT-related expenses as the Group continued to invest in technology infrastructure and capabilities. Nevertheless, cost to income ratio continued to show improvement to 48.8% from 48.9% a year ago.

Allowances for credit losses was lower by 15.8% Y-o-Y at RM114.5 million. This was largely due to lower allowances for loan impairment as one-off impairment was provided on certain corporate accounts relating to the oil and gas industry in the corresponding period last year. Annualised loan credit costs improved to 0.26% compared with 0.35% over the same period last year.

First Quarter 2018 Earnings Against Preceding Quarter

On a quarter-on-quarter (“Q-o-Q”) basis, net profit grew 28.4% to RM590.8 million from RM460.1 million recorded in the preceding quarter ended 31 December 2017. This was primarily due to higher net fund based and non-fund based income and lower allowance for expected credit losses, partially offset by higher operating expenses.

Balance Sheet and Capital Position Remained Robust

Total assets of the Group increased by 1.9% from December 2017 to RM234.6 billion as at 31 March 2018. Post implementation of MFRS9 (Financial Instruments), shareholders’ equity stood at RM22.4 billion, with net assets per share at RM5.57 from RM5.77 in Dec 2017.

As at 31 March 2018, common equity tier-1 (“CET-1”) and total capital ratio of the Group after the proposed final dividend remained strong even after the implementation of MFRS 9 at 13.5% and 16.7% respectively. These capital ratios are well above the Basel III minimum transitional arrangement requirements of 6.375% and 9.875% respectively.

The Group’s gross loans and financing grew by 4.3% Y-o-Y and 0.7% in the first three months to RM161.2 billion. Domestic loans and financing grew 6.7% Y-o-Y contributed mainly by growth in mortgages and SME. The Group’s domestic loan market share remained at 9.1% as at end March 2018.

Customer deposits increased by 2.6% Y-o-Y to RM169.8 billion, largely attributed to growth in current account, whereas an increase of 2.2% for the quarter was driven mainly from fixed deposits and money market time deposits. As at 31 March 2018, total CASA composition stood at 29.3% compared with 26.3% a year ago. Liquidity coverage ratio and net stable funding ratio were above the regulatory requirements as at March 2018.

Gross impaired loans was at RM3.7 billion as at 31 March 2018, with gross impaired loans ratio seeing a reduction to 2.29% from 2.39% as at 31 March 2017. Loan loss coverage for the Group, including regulatory reserves improved to 107.4%.

Performance Review of Key Business Units

Retail Banking achieved a 6.1% growth in revenue for the first three months ended 31 March 2018 due to higher net fund based income in line with the OPR increase. However, higher operating expenses and higher expected credit losses for loans and financing, resulted in pre-tax profit declining to RM225.2 million.

Retail loans and financing rose 11.4% Y-o-Y to RM78.5 billion as of March 2018, primarily driven by growth in mortgages and personal financing. Mortgage loans grew at a strong annualised rate of 17.0% from December 2017.

Retail deposits increased by an annualised 7.8%, mainly contributed by higher fixed deposits which increased by an annualised rate of 13.8%.

Group Business Banking recorded a 1.5% increase in pre-tax profit to RM89.4 million in the first quarter, mainly due to higher net funding income and lower expected credit losses for loans and financing, partially offset by higher operating expenses.

Gross loans and financing expanded by an annualised rate of 7.2%, driven mainly by the Retail SME portfolio growth.

Customer deposits remained relatively flat at RM22.3 billion as at 31 March 2018 from December 2017, but increased 5.2% year-on-year, mainly attributed to growth in current account.

Group Wholesale Banking (“GWB”) recorded a 12.4% Y-o-Y increase in pre-tax profit to RM515.8 million.

- (i) **Group Corporate and Investment Banking** registered a 11.3% Y-o-Y improvement in pre-tax profit to RM173.8 million on the back of higher non-fund based and net fund based income, partially offset by higher expected credit losses for loans and financing and higher operating expenses.

Gross loans and financing decreased by 2.3% during the first three months to RM44.3 billion due to a few large corporate repayments. Deposits increased by 2.8% over the same period to RM58.8 billion primarily due to an increase in fixed deposits and current deposits.

- (ii) **Group Treasury and Global Markets** recorded a strong 12.9% Y-o-Y growth in pre-tax profit to RM342.0 million in the first three months, mainly due to higher foreign exchange gain and higher investment and trading gain. Total deposits increased by 13.0% to RM23.6 billion in the first three months in line with the Group’s funding needs.

RHB Bank Singapore recorded a pre-tax profit of SGD11.4 million in the first three months compared with a pre-tax loss of SGD9.1 million a year ago. This was mainly attributed to significantly lower impairment losses and higher non-fund based income. Singapore loans and advances remained flat at SGD3.7 billion during the first three months.

International Business excluding Singapore registered a pre-tax profit of RM17.5 million, 12.5% higher compared with the previous corresponding period. This was mainly due to improved profitability in Cambodia and Thailand.

RHB Group’s Islamic business recorded a commendable 49.8% growth in pre-tax profit to RM148.9 million. This was mainly due to higher net fund based income and lower impairment losses on financing, partially offset by higher operating expenses.

Islamic gross financing continued its robust double digit growth momentum, with 29.0% growth Y-o-Y to RM46.1 billion. It now contributes 31.5% to the Group’s total domestic gross loans and financing, up from 26.0% as at 31 March 2017. Asset quality of RHB Islamic continued to improve to 0.94% from 1.06% as at March 2017.

Conclusion

Malaysia is expected to register a moderate GDP expansion of 5.2% in 2018, against 5.9% growth registered in 2017. Growth is expected to be supported by resilient domestic demand, even as exports continue to expand and create positive spillover effects into consumer spending and private investments.

Market and industry players will be keenly awaiting the economic policies of the new government, which are expected to boost consumer spending. It is anticipated that the private sector would play an increasing role in the economic growth. This in turn is expected to have a positive effect on the banking sector which is further supported by healthy asset quality, strong capital position and ample liquidity.

“The Group continued its earnings growth momentum which is reflected in our improved performance even under challenging operating environment. The RM590.8 million profit recorded in the first quarter of 2018 is our best quarterly profit ever.

We have established a clear vision of our place in the financial services industry, as articulated through our 5-year strategic plan FIT22, aimed at boosting performance, building scale and delivering service excellence.

We target to grow our topline, especially from the key growth areas. This is on the back of improvements in fundamentals with our loan loss coverage exceeding 100%, robust capital levels, healthy liquidity position and normalization of credit cost. One of our key priorities is to deliver value-add interactions and customized services based on differentiated segment through our digital transformation programme. We have adopted the AGILE way of working which will be 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.

Key Financial Highlights

Financial Performance (RM'000)	3 Months Ended 31 March 2018	3 Months Ended 31 March 2017
Operating profit before allowances	906,418	794,205
Profit before taxation	791,909	658,272
Profit attributable to equity holders of the Company	590,820	500,277
Earnings per share (sen)	14.7	12.5
Balance Sheet (RM'000)	As at 31 March 2018	As at 31 December 2017
Gross loans, advances and financing	161,206,322	160,123,910
Gross impaired loans, advances and financing ratio (%)	2.29%	2.23%
Deposits from customers	169,816,200	166,157,751
Total assets	234,640,968	230,209,926
Equity attributable to equity holders of the Company	22,355,063	23,149,714
Net assets per share (RM)	5.57	5.77

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.

For analyst enquiries, contact:
Syed Ahmad Taufik Albar
Group Chief Financial Officer
Tel: 603 9280 7090
Email: taufik.albar@rhbgroup.com

Website: www.rhbgroup.com

For media enquiries, contact:
Norazzah Sulaiman
Group Chief Communications Officer
Tel: 603 9280 2125
Email: norazzah@rhbgroup.com

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 streamlined 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 and 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

APPENDIX

Significant Events/Corporate Development

1. Proposed acquisition by RHB Investment Bank of the remaining 51% equity interest in Vietnam Securities Corporation ('VSEC') ('Proposed Acquisition')

RHB Investment Bank, a wholly-owned subsidiary of the Bank, has on 9 February 2018 entered into a conditional share purchase agreement ('CSPA') with Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company for the acquisition of the remaining 51% equity interest in VSEC, comprising 6,885,000 existing common shares of VND10,000 each in VSEC for a purchase consideration of VND121,629,915,000 (equivalent to approximately USD5.365 million or RM21.285 million) to be satisfied wholly in cash.

The Proposed Acquisition is subject to the approvals of BNM and State Securities Commission of Vietnam ('Vietnam SSC'). With the signing of the CSPA, the Bank will submit an application to BNM for the approval of the Proposed Acquisition and Vietnam SSC for the approval of the Proposed Acquisition and the conversion of the status of VSEC from a joint stock company into a single-member limited liability company ('Conversion').

Upon completion of the Proposed Acquisition and subject to approval from Vietnam SSC for the Conversion, VSEC will become a wholly-owned subsidiary of RHB Investment Bank.