



## **RHB Bank achieves record profit of RM1.74 billion for 9 months 2018, up 16.8% year-on-year**

- ◆ Total income grew 7.5% Y-o-Y
- ◆ Pre-tax profit rose 19.8% Y-o-Y to RM2.34 billion
- ◆ Cost-to-income ratio improved further to 49.0% from 49.5% a year ago
- ◆ Gross loans up 4.0% Y-o-Y to RM164.3 billion supported by resilient growth in mortgages and SME; Domestic loans grew 4.3% Y-o-Y
- ◆ Customer deposits increased 1.1% Y-o-Y to RM171.4 billion; CASA stood at 26.9% of total deposits
- ◆ Islamic Banking contributes 32.6% of total domestic loan and financing from 28.6% a year ago

**Kuala Lumpur, 27 November 2018**

RHB Bank Berhad (“the Group”) announced today its financial results for the first nine months ended 30 September 2018.

- The Group posted a record net profit of RM1.74 billion, up 16.8% year-on-year (Y-o-Y). Key contributors include:
  - Increase in net fund based income by 8.9% to RM3.70 billion from a year ago.
    - Gross fund based income increased by 7.1% on the back of a 4.0% increase in gross loans and financing, while funding and interest expense rose 5.6% year-on-year.
    - With re-pricing of deposits coming into effect, NIM moderated to 2.23% for the quarter from 2.29% last quarter, but improved from 2.19% in the previous year’s corresponding quarter.
  - Higher non-fund based income by 4.0% at RM1.37 billion, contributed largely by higher net foreign exchange gain and trading and investment income.
- Operating expenses rose by 6.4% to RM2.48 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.
  - Cost-to-income (CIR) ratio improved to 49.0% from 49.5% a year ago.



- Allowances for credit losses on loans was RM245.7 million, 18.8% lower Y-o-Y primarily due to certain recoveries recorded in the current period, coupled with substantial impairment provided for oil and gas related companies in the corresponding period.
  - Annualised credit charge ratio stood at 0.20% compared with 0.26% over the same period last year.
- Allowances for credit losses on other assets were significantly lower by RM125.2 million mainly due to improved ratings of investment portfolio and the absence of impairment provided on an oil and gas related bond in Singapore in the corresponding period.

### **Third Quarter 2018 Earnings Against Preceding Quarter**

- On a quarter-on-quarter (“Q-o-Q”) basis, net profit for the current quarter was at RM578.7 million, 1.5% higher than RM570.3 million recorded in the preceding quarter ended 30 June 2018. This was driven by higher non-fund based income, contributed largely by higher marked-to-market (MTM) gain on securities and derivatives and lower allowances for credit losses on loans.

### **Balance Sheet & Capital Position Remained Robust**

- Total assets of the Group increased by 3.2% from December 2017 to RM237.5 billion as at 30 September 2018. Shareholders’ equity stood at RM23.4 billion, with net assets per share at RM5.82.
- Our capital position remains strong; Common equity tier-1 (“CET-1”) and total capital ratio of the Group after the FY2018 interim dividend are robust at 14.8% and 18.0% respectively, among the highest in the industry.
- The Group’s gross loans and financing grew by 4.0% Y-o-Y to RM164.3 billion. Domestic loans and financing grew 4.3% year-on-year contributed by growth in mortgages and SME. The Group’s domestic loan market share stood at 9.0% as at end September 2018.
- Customer deposits increased by 1.1% to RM171.4 billion with a healthy liquidity coverage ratio (“LCR”) of 148.1%.
- Total current and savings account (“CASA”) composition stood at 26.9% of total deposits.
- Gross impaired loans was at RM3.9 billion as at 30 September 2018 with gross impaired loans ratio at 2.37% from 2.38% (based on FY2018 restated opening balance post-MFRS 9).
- We continue to be prudent in loan loss provision with loan loss coverage standing at 104.2% as at September 2018.



## Performance Review of Key Business Units

### • Retail Banking

- Retail Banking reported a pre-tax profit of RM758.0 million for the first nine months, 6.6% higher than the previous year's corresponding period. This was due to higher net fund based income and non-fund based income.
- Retail loans and financing rose to RM82.7 billion as at 30 September 2018, driven by growth in mortgages and personal financing. Mortgage loans grew at a strong annualised rate of 14.5% from December 2017.
- Retail deposits increased by 9.9% year-on-year to RM51.0 billion, contributed by 14.5% increase in fixed deposits.

### • Group Business Banking

- Group Business Banking recorded a pre-tax profit of RM292.0 million in the first nine months of the year, a 5.3% increase year-on-year due to higher net fund based income and lower allowances for credit losses on loans
- Gross loans and financing expanded by 6.5% year-on-year, and at an annualised rate of 5.8%, driven by Retail SME portfolio.
- Customer deposits recorded a robust 13.7% growth year-on-year to reach RM24.6 billion as at 30 September 2018, due to growth in fixed deposits and current account.

### • Group Wholesale Banking recorded a pre-tax profit of RM1.4 billion, an increase of 7.3% from the previous year's corresponding period.

- **Group Corporate and Investment Banking** registered an 8.3% increase in pre-tax profit to RM446.9 million on the back of higher non-fund based income and net fund based income and lower allowances for credit losses on loans. Gross loans and financing decreased by 8.6% during the first nine months to RM40.7 billion due to several large corporate repayments. Deposits decreased by 10.7% over the same period to RM51.1 billion primarily due to a decrease in fixed deposits.
- **Group Treasury and Global Markets** recorded a 6.8% growth in pre-tax profit to RM923.3 million in the first nine months, due to higher net fund based income and non-fund based income. Total deposits increased by 27.8% to RM27.6 billion in the first nine months in line with the Group's funding needs.



- **RHB Bank Singapore** recorded a pre-tax profit of SGD36.5 million compared with a pre-tax loss of SGD39.0 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 nine months, Singapore loans and advances grew by 2.7% to SGD3.8 billion, whereas customer deposits declined by 11.8% to SGD4.4 billion.
  
- **International Business** excluding Singapore registered a pre-tax profit of RM65.1 million, 58.3% higher than the previous year's corresponding period, due to improved profitability in Thailand operations.
  
- **RHB Group's Islamic business** recorded 15.8% Y-o-Y growth in pre-tax profit to RM416.5 million due to higher net fund based and non-fund based income.
  - Gross financing recorded a robust double digit growth of 18.7% Y-o-Y to RM48.3 billion.
  - Islamic business contributes 32.6% to the Group's total domestic gross loans and financing, up from 28.6% as at 30 September 2017.



## **Conclusion**

“The Group’s performance exhibited resilience despite challenging market conditions and volatility in the global economy. Our robust capital levels, healthy liquidity position and adequate coverage for loan losses set us out for sustainable growth.

Our profit for the first nine months this year is our highest ever. We aim to boost performance and enhance our topline growth, as well as deliver service excellence through our FIT22 five-year strategy, supported by our digital transformation programme focusing on providing value-add interactions and customised services based on differentiated segments. To drive this agenda, we scaled up the Agile way of working across the Group,” said Dato’ Khairussaleh Ramli, Group Managing Director of RHB Banking Group.

Barring unforeseen circumstances, the Group expects to achieve better performance this year.



## Key Financial Highlights

Financial Performance (RM'000)	9 Months Ended 30 September 2018	9 Months Ended 30 September 2017
Operating profit before allowances	2,585,743	2,379,956
Profit before taxation	2,343,959	1,956,253
Profit attributable to equity holders of the Company	1,739,771	1,490,068
Earnings per share (sen)	43.4	37.2
Balance Sheet (RM'000)	As at 30 September 2018	As at 31 December 2017
Gross loans, advances and financing	164,312,438	160,123,910
Gross impaired loans, advances and financing ratio (%)	2.37%	2.23%
Deposits from customers	171,374,496	166,865,031
Total assets	237,465,234	230,209,926
Equity attributable to equity holders of the Company	23,355,726	23,149,714
Net assets per share (RM)	5.82	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.*

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## **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](http://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 amongst others, subject to the approvals of BNM and State Securities Commission of Vietnam ('Vietnam SSC'). The Bank and RHB Investment Bank have submitted applications to BNM for the approval of the Proposed Acquisition and VSEC has also submitted an application to 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').

RHB Investment Bank, Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company had on 7 August 2018, by way of an exchange of letter, mutually agreed to extend the period to satisfy or waive the conditions precedent of the CSPA to 31 December 2018.

Vietnam SSC had on 17 October 2018 granted its approval to VSEC for the Proposed Acquisition.

Upon completion of the Proposed Acquisition and subject to approval from Vietnam SSC for the Conversion and the issuance of an amended license as a single-member limited liability company, VSEC will become a wholly-owned subsidiary of RHB Investment Bank.