



RHB Bank records net profit of RM630.2 million in Q1 2019, up 6.7% Y-o-Y

- ◆ Pre-tax profit rose 3.9% Y-o-Y to RM823.2 million
- ◆ Operating expenses declined by 1.9%, cost-to-income ratio improved to 48.6% from 48.8% a year ago
- ◆ Allowances for credit losses lower by 36.4% Y-o-Y
- ◆ Gross loans up 5.6% Y-o-Y to RM170.1 billion while domestic loans grew 5.1% Y-o-Y supported by resilient growth in mortgages and SME
- ◆ Customer deposits increased 9.5% Y-o-Y to RM186.9 billion; CASA stood at 24.5% of total deposits
- ◆ Islamic financing grew 18.1% from a year ago and contributes 35.3% of total domestic loan and financing
- ◆ ROE at 10.7%

Kuala Lumpur, 27 May 2019

RHB Bank Berhad (“the Group”) announced today its financial results for the first quarter ended 31 March 2019.

- The Group reported a net profit of RM630.2 million, up 6.7% year-on-year (Y-o-Y) mainly due to lower expected credit losses on loans and other financial assets and lower operating expenses.
- Gross fund based income increased by 8.5% Y-o-Y on the back of a 5.6% increase in gross loans and financing. Funding and interest expense was 18.3% higher mainly due to the full impact of the deposit cost when OPR was increased towards the end of January 2018. Competition for deposits has remained keen for the year. This resulted in net fund based income decreasing by 2.2% to RM1,208.4 million with a lower net interest margin (NIM) of 2.16% for the quarter compared with 2.28% a year ago.
- Non-fund based income was stable at RM534.0 million, contributed largely by higher capital market fee income and insurance underwriting surplus.
- Operating expenses declined by 1.9% to RM846.3 million from a year ago driven by lower personnel costs and IT-related expenses. Cost-to-income (CIR) ratio improved to 48.6% from 48.8% a year ago.
- Allowances for credit losses was at RM72.9 million, 36.4% lower than the previous year, primarily due to lower allowances for loan impairment and higher write-back in losses for financial securities. Annualised credit charge ratio improved to 0.22% compared with 0.26% over the same period last year.



Balance Sheet & Capital Position Remained Robust

- Total assets of the Group increased by 2.5% from December 2018 to RM249.3 billion as at 31 March 2019. Shareholders' equity stood at RM24.4 billion, with net assets per share at RM6.08.
- Our capital position remains strong; Common equity tier-1 ("CET-1") and total capital ratio of the Group after final dividend are at 15.67% and 19.02% respectively.
- The Group's gross loans and financing grew by 5.6% year-on-year to RM170.1 billion, supported mainly by resilient growth in mortgages and SME while Singapore grew loans by 8.2% Y-o-Y. The Group's domestic loan market share stood at 9.1% as at end March 2019.
- Customer deposits increased by 9.5% to RM186.9 billion, contributing to a healthy liquidity coverage ratio ("LCR") of 155.3%.
- Total current and savings account ("CASA") composition stood at 24.5% of total deposits.
- Gross impaired loans ratio improved to 2.12% from 2.29% a year ago with gross impaired loans at RM3.60 billion as at 31 March 2019.
- We continue to be prudent in loan loss provision with loan loss coverage standing at 106.3% as at end March 2019.



Performance Review of Key Business Units

- **Retail Banking**

- Retail Banking reported a pre-tax profit of RM250.3 million for the first three months ended 31 March 2019, 6.5% higher than the previous year. This was due to higher net fund based income and lower operating expenses.
- Retail loans and financing rose 10.0% year-on-year to RM86.2 billion as at 31 March 2019, driven mainly by growth in mortgages and personal financing.
- Retail deposits increased by 17.0% year-on-year to RM56.7 billion, mainly contributed by higher fixed deposits.

- **Group Business Banking**

- Group Business Banking recorded a pre-tax profit of RM100.5 million for the first quarter, 17.5% higher Y-o-Y mainly due to lower allowances for loans and financing.
- Gross loans and financing expanded by 3.4% over the year, coming mainly from the Retail SME portfolio.
- Customer deposits recorded a strong 21.6% Y-o-Y growth to reach RM27.1 billion due to strong growth in fixed deposits and current account.

- **Group Wholesale Banking** recorded a pre-tax profit of RM483.6 million, where Group Corporate and Investment Banking registered a pre-tax profit of RM155.3 million and Group Treasury and Global Markets recorded a pre-tax profit of RM328.3 million.

- **RHB Bank Singapore** recorded a pre-tax profit of SGD8.6 million, 6.2% increase compared with the previous year. This was mainly attributed to higher write-back of impairment losses on loans.

- Singapore loans and advances grew by 8.2% to SGD4.0 billion year-on-year, while deposits increased by a marginal 0.3% to SGD4.5 billion over the same period.

- **Group International Business** excluding Singapore registered a pre-tax profit of RM28.1 million, 60.3% higher over a year ago. This was mainly due to improved profitability in Cambodia and Lao.

- **RHB Group's Islamic business** recorded 4.3% Y-o-Y growth in pre-tax profit to RM155.2 million due to higher net fund based and non-fund based income.

- Gross financing continued to record robust growth at 18.1% year-on-year to RM54.4 billion.
- Islamic financing constitutes 35.3% of the Group's total domestic gross loans and financing, up from 31.5% as at 31 March 2018.



Conclusion

Malaysia's GDP growth is expected to moderate to 4.6% in 2019 against 4.7% registered last year. Further adverse developments on the global trade tensions, however, may pose a downside risk to the growth forecast. Banking sector loans is expected to grow by mid-single digit supported by the consumer and business segments.

"The Group started 2019 with a good set of results as demonstrated by the 6.7% growth in net profit. However, we remain cautious for the rest of the year given the continued challenging operating environment against the backdrop of slowing global economy and ongoing trade tensions. We will maintain our focus to uphold our strong fundamentals and prudence in managing the business.

We will continue to invest in digital capabilities and transform the Group's operating model through the AGILE way of working, aimed at fostering innovation, improve customer experience and achieve operational efficiency and productivity," said Dato' Khairussaleh Ramli, Group Managing Director of RHB Banking Group.



Key Financial Highlights

Financial Performance (RM'000)	3 Months Ended 31 March 2019	3 Months Ended 31 March 2018
Operating profit before allowances	896,069	906,418
Profit before taxation	823,171	791,909
Profit attributable to equity holders of the Company	630,186	590,820
Earnings per share (sen)	15.7	14.7

Balance Sheet (RM'000)	As at 31 March 2019	As at 31 December 2018
Gross loans, advances and financing	170,056,382	168,878,527
Gross impaired loans, advances and financing ratio (%)	2.12%	2.06%
Deposits from customers	186,889,700	178,856,330
Total assets	249,276,614	243,165,679
Equity attributable to equity holders of the Company	24,378,042	23,357,987
Net assets per share (RM)	6.08	5.82

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



APPENDIX

Significant Events/Corporate Development

1. Proposed reorganisation of the equity, economic and fixed income and currencies research operations of RHB Research Institute Sdn Bhd ('RHBRI') into RHB Investment Bank and the Bank

RHB Investment Bank is proposing to undertake a reorganisation of its equity and economic research operations, currently housed under RHBRI, into a division within RHB Investment Bank, while their fixed income and currencies research function is to be absorbed by the Bank, subject to all applicable approvals ('Reorganisation'). RHBRI is currently a wholly-owned subsidiary of RHB Investment Bank.

The Reorganisation is intended to streamline the research operations under RHB Investment Bank and the Bank, and to rationalise the costs of maintaining a separate licensed entity for research.

The Reorganisation is subject to the approval of Securities Commission Malaysia ('SC') and conditional upon the successful application for a variation in RHB Investment Bank's Capital Market Services Licence ('CMSL') to include the regulated activity of Investment Advice.

The Reorganisation will be effected via an Asset Purchase Agreement ('APA') to be entered into between RHB Investment Bank and RHBRI and will include a novation of contracts entered into by RHBRI and a transfer of employees. Similarly, the Bank and RHBRI propose to enter into an APA in relation to the transfer of assets.

Upon completion of the Reorganisation, the equity and economic research operations under RHBRI will become a division of RHB Investment Bank, whereas the fixed income and currencies research function will be absorbed by the Bank. RHBRI will thereafter surrender its CMSL and be wound up.

The SC has on 15 April 2019, granted approval for the Reorganisation, including the variation of RHB Investment Bank's CMSL to include the regulated activity of Investment Advice.

Following SC's approval, the Asset Purchase Agreements entered between RHB Investment Bank and RHBRI, as well as between the Bank and RHBRI in relation to the transfer of research operations have been completed on 2 May 2019.

The Reorganisation will not have any effect on the issued capital and substantial shareholders' shareholdings of the Bank, and it is not expected to have any material effect on the earnings and net assets of the Bank and its subsidiaries for the financial year ending 31 December 2019.