RHB Bank records net profit of RM2.48 billion, up 7.7% for FY2019; with highest ever dividend payout of 50.1%

- Total income grew 4.3% Y-o-Y
- Pre-tax profit rose 7.4% Y-o-Y to RM3.35 billion
- Cost-to-income ratio improved to 48.9% from 49.3% a year ago
- Allowances for credit losses lower by 9.0% Y-o-Y
- Gross loans up 4.3% Y-o-Y to RM176.2 billion supported primarily by mortgages, SME and Singapore
- Customer deposits increased 6.5% Y-o-Y to RM190.6 billion; CASA stood at 25.7% of total deposits
- Islamic financing grew 15.9% from a year ago and contributes 38.1% of total domestic loans and financing
- ROE at 10.3%
- Proposed final dividend of 18.5 sen per share or 60.0% of second half of FY2019's net profit. For FY2019, dividend amounts to 31 sen per share or 50.1% payout

Kuala Lumpur, 27 February 2020

RHB Bank Berhad ("the Group") announced today its financial results for the financial year ended 31 December 2019.

- The Group posted a net profit of RM2.48 billion, up 7.7% year-on-year (Y-o-Y) mainly due to higher net income, lower expected credit losses (ECL) for loans and higher writeback of impairment losses for financial assets.

- Gross fund based income increased by 5.2% on the back of a 4.3% increase in gross loans and financing, whilst funding and interest expense rose 9.2% year-on-year due to the impact from the OPR hike in January 2018 and higher deposit base. As a result, net fund based income grew marginally by 0.4% to RM4.96 billion from a year ago. NIM for the financial year was 2.12%.

- Non-fund based income rose significantly by 14.7% to RM2.14 billion, contributed largely by higher net trading and investment income, higher insurance underwriting surplus and higher capital market related fee income.

- Operating expenses rose by 3.4% to RM3.47 billion from a year ago driven by a rise in personnel costs, IT-related expenses and marketing costs. Nevertheless, with positive JAWS, cost-to-income (CIR) ratio continued to improve to 48.9% from 49.3% a year ago.

- Allowances for credit losses was RM278.5 million, 9.0% lower than the previous year, primarily due to lower ECL on loans and higher ECL writeback on other financial assets.

- Full year credit cost improved to 0.18% compared with 0.19% over the same period last year.

Fourth Quarter 2019 Earnings Against Fourth Quarter 2018

- On a quarter Y-o-Y basis, net profit for the current quarter was at RM621.0 million, 9.8% higher compared with the same quarter ended 31 December 2018. This was mainly due to higher net fund based and non-fund based income and absence of one-off impairment on other non-financial assets.

Balance Sheet & Capital Position Remained Robust

- Total assets for the Group increased by 5.9% from December 2018 to RM257.6 billion as at 31 December 2019. Shareholders' equity stood at RM25.8 billion, with net assets per share at RM6.43.

- Our capital position remains strong; Common equity tier-1 (CET-1) and total capital ratio of the Group after the FY2019 final dividend stood at 16.27% and 18.59% respectively.

- The Group's gross loans and financing grew by 4.3% year-on-year to RM176.2 billion supported by growth in all businesses, notably in mortgages and SME, while Singapore loans grew by 7.6% Y-o-Y. Domestic loans and financing grew 3.9% year-on-year. The Group's domestic loan market share stood at 9.0% as at end December 2019.

- Customer deposits grew by 6.5% year-on-year to RM190.6 billion as at 31 December 2019 largely attributable to growth in fixed deposits. Liquidity coverage ratio (LCR) remained healthy at 152.7%.

- Total current and savings account (CASA) increased by 5.5%, with CASA composition at 25.7%.

- Gross impaired loans ratio improved to 1.97% from 2.06% a year ago with gross impaired loans at RM3.48 billion as at 31 December 2019

- We continued to be prudent in loan loss provision with loan loss coverage standing at 107.9% as at end December 2019.

Performance Review of Key Business Units

- **Retail Banking**
  - Group Retail Banking recorded a pre-tax profit of RM1,056.6 million, 2.2% higher than the previous year mainly attributed to higher net fund based income.
  - Retail loans and financing rose 6.4% to RM90.1 billion, primarily driven by growth in mortgages.
  - Retail deposits increased by 10.0% to RM57.7 billion, mainly contributed by growth in fixed deposits and current account balances.

- **Group Business Banking**
  - Group Business Banking recorded a 25.8% increase in pre-tax profit to RM477.7 million, mainly due to higher net fund based income and lower allowances for ECL on loans.
  - Gross loans and financing grew by 2.7% to RM25.9 billion, driven mainly by Retail SME portfolio at 4.2%.
  - Customer deposits recorded a robust 13.5% growth to reach RM28.7 billion as at 31 December 2019 due to strong growth in fixed deposits and current account.

- **Group Wholesale Banking** recorded a pre-tax profit of RM1,830.3 million up, 3.4% Y-o-Y. Group Corporate and Investment Banking registered pre-tax profit of RM574.9 million or 4.0% increase mainly from lower ECL on loans, higher impairment writeback on other financial assets and lower operating expenses while Group Treasury and Global Markets recorded 3.2% increase to RM1,255.5 million primarily from higher net trading and investment income and higher writeback on financial assets.

- **RHB Bank Singapore** recorded a pre-tax profit of SGD24.7 million, 40.9% lower Y-o-Y mainly due to lower ECL writeback on loans and higher operating expenses. Loans and advances increased by 7.6% to SGD4.1 billion, while deposits increased by 21.2% to SGD5.4 billion.

- **International Business** excluding Singapore registered a pre-tax profit of RM96.1 million, 7.3% higher than the previous year's corresponding period. This was mainly due to improved profitability in Cambodia.

- **RHB Group's Islamic business** recorded 37.4% Y-o-Y growth in pre-tax profit to RM795.5 million due to higher net fund based and non-fund based income.

  - Gross financing recorded a robust double digit growth of 15.9% Y-o-Y to RM60.6 billion.
  - Islamic business contributed 38.1% of the Group's total domestic gross loans and financing, up from 34.2% as at 31 December 2018.

Conclusion

Malaysia is expected to achieve a GDP growth of 4.0% in 2020 with private consumption continuing to be the primary driver for growth. Externally, protracted US-China trade tensions and the Covid-19 outbreak continue to project downside risks to the country's exports. For the Malaysian banking sector, loans and financing growth is expected to moderate slightly to 3.6% year-on-year, supported by a resilient household sector.

"The Group has delivered a strong performance in 2019 despite a challenging economic environment. Amidst market uncertainties, we are confident that our well-structured strategy, robust capital and liquidity levels as well as prudence in managing cost and asset quality will enable us to grow the business sustainably. We are pleased to be able to reward our shareholders with a final dividend of 18.5 sen per share, bringing the total dividend to 31 sen per share and payout ratio for the year to 50.1%, the highest ever dividend payout by the Group.

We expect 2020 business outlook to remain challenging. With the recent OPR cut and potentially further cuts, our net interest income would be adversely impacted. We are strengthening our efforts to mitigate any possible adverse effects to our asset quality.

The implementation of our FIT22 five-year strategic roadmap, which was in its second year in 2019, continues to progress well and has resulted in steady growth across all our business segments. The SME segment remains a key focus for us and we will continue to provide better access and convenience to our customers. Through our Digital Transformation Programme, a core component of our FIT22 strategy towards becoming a digital centric banking Group, numerous first-to-market digital innovations were introduced, which have boosted the experience for our customers. AGILE@Scale, a work culture that was introduced in 2018, has created an operating model that is premised on customer centric innovations and continuous improvement. Agile has also significantly improved our employees' level of productivity, efficiency and engagement," said Dato' Khairussaleh Ramli, Group Managing Director, RHB Banking Group.

"In the area of Sustainable Financing, we have taken a leap by integrating environmental, social and governance (ESG) considerations into our risk management processes as well as lending, advisory and investment activities. We are committed to extend RM5 billion by 2025, up from RM2.8 billion as at 31 December 2019, to support green activities through either lending, advisory and/or investments. We remain committed towards promoting and supporting sectors and activities that will contribute to sustainable development," added Dato' Khairussaleh.

Key Financial Highlights

Financial Performance (RM'000)	12 Months Ended 31 December 2019	12 Months Ended 31 December 2018
Operating profit before allowances	3,629,011	3,447,958
Profit before taxation	3,350,444	3,119,055
Profit attributable to equity holders of the Company	2,482,432	2,305,196
Earnings per share (sen)	61.9	57.5
Balance Sheet (RM'000)	**As at 31 December 2019**	**As at 31 December 2018**
Gross loans, advances and financing	176,174,848	168,878,527
Gross impaired loans, advances and financing ratio (%)	1.97%	2.06%
Deposits from customers	190,555,225	178,856,330
Total assets	257,592,496	243,165,679
Equity attributable to equity holders of the Company	25,775,394	23,357,987
Net assets per share (RM)	6.43	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 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 disposal of equity interest in RHB Insurance Berhad ('RHB Insurance')**

   The Bank had on 31 July 2019, announced that BNM had via its letter dated 29 July 2019, stated that it has no objection for the Bank to commence negotiations with Tokio Marine Asia Pte Ltd ('TMA') for the proposed disposal of up to 94.7% of its equity interest held in RHB Insurance ('Proposed Disposal'). The approval is valid for six months from the date of BNM's letter.

   Pursuant to the Financial Services Act 2013, the relevant parties will be required to obtain prior approval of the Minister of Finance, with the recommendation of BNM, before entering into any definitive agreement to effect the Proposed Disposal.

   The Bank had on 12 December 2019, announced that after much negotiations and deliberations, both the Bank and TMA have not been able to reach an agreement on mutually acceptable terms and conditions for the Proposed Disposal. Accordingly, the Bank and TMA have mutually agreed to cease negotiations, and will not proceed with the Proposed Disposal.

2. **Proposed cessation of business operations of subsidiaries in Hong Kong**

   RHB Hong Kong Limited ('RHB Hong Kong') and its subsidiaries (collectively, 'RHB Hong Kong Group'), had on 4 December 2019 decided that they will commence to cease their business operations ('Proposed Cessation'). RHB Hong Kong is a wholly-owned subsidiary of RHB Investment Bank, which in turn is wholly-owned by the Bank.

   Pursuant to the Proposed Cessation, RHB Hong Kong Group will gradually discontinue offering financial services to its existing and potential clients. RHB Investment Bank, being the shareholder of RHB Hong Kong Group will provide the requisite support to ensure an orderly winding down of their business operations.

   The increasingly challenging operating broking environment in Hong Kong has resulted in losses being recorded for RHB Hong Kong Group. As a result, it is no longer viable for RHB Hong Kong Group to continue its business operations. The Proposed Cessation would allow RHB Investment Bank to refocus efforts and resources in driving long-term growth in other ASEAN markets in line with the larger RHB Banking Group's FIT22 strategy.

   The Proposed Cessation is not subject to the approval of the shareholders of the Bank or any regulatory authorities. Barring any unforeseen circumstances, the Proposed Cessation is expected to be completed by the second quarter of 2020.