RHB

RHB Bank records an 18.1% decline in net profit to RM2.03 billion for FY2020

- Total income increased 1.8% to RM7,185.7 million
- Cost-to-income ratio improved to 47.1% from 48.0% a year ago
- Expected credit losses (ECL) increased from RM275.8 million to RM1,145.1 million
- Gross loans rose 5.6% Y-o-Y to RM186.1 billion supported primarily by mortgage, auto finance, SME and Singapore
- Customer deposits increased 6.8% Y-o-Y to RM203.5 billion mainly from CASA growth. CASA composition made up 30.9% of total deposits
- Islamic financing grew 11.0% from a year ago, contributing 40.5% of total domestic loans and financing
- ROE at 7.7%
- Proposed a final dividend of 7.65 sen per share subject to Dividend Reinvestment Plan (DRP). For FY2020, total dividend amounts to 17.65 sen per share, or 34.8% payout

Kuala Lumpur, 26 February 2021

RHB Bank Berhad ("the Group") announced today its financial results for the financial year ended 31 December 2020.

- The Group recorded a net profit of RM2,032.5 million, a decline of 18.1% from the previous financial year, mainly due to net modification loss arising from the loan moratorium accorded to our customers and higher ECL. Higher net fund based and non-fund based income helped mitigate the profit decrease.

- Net fund based income increased by 6.3% year-on-year to RM5,267.6 million driven by proactive funding cost management, which dropped 23.8% year-on-year, supported by a 28.3% CASA growth and the redemption of certain capital instruments over the course of 2019 and 2020. NIM for the year dropped to 2.06% compared with 2.12% recorded last year mainly from the impact of 125 bps OPR cuts.

- Non-fund based income rose by 11.2% to RM2,336.1 million, contributed largely by higher net trading and investment income, brokerage income and insurance underwriting surplus.

- Operating expenses remained constant year-on-year at RM3,386.7 million. Cost-to-income ratio improved to 47.1% compared with 48.0% a year ago.

- The Group remained prudent and continued to set aside pre-emptive provisions to cater for potential adverse impact to asset quality brought about by the COVID-19 pandemic. As a result, ECL increased significantly from RM275.8 million in the previous year to RM1,145.1 million. Full year credit charge ratio rose to 0.58% compared with 0.18% last year.

Fourth Quarter 2020 Earnings Against Fourth Quarter 2019

- The Group's profit before tax decreased by 33.7% year-on-year to RM574.2 million for the fourth quarter of 2020 primarily due to higher ECL.

Balance Sheet & Capital Position Remained Robust

- Total assets for the Group increased by 5.3% from December 2019 to RM271.1 billion as at 31 December 2020, attributed to an increase in loans, advances and financing and securities portfolios. Net assets per share was at RM6.74, with shareholders' equity at RM27.0 billion as at 31 December 2020.

- Our capital position remains strong; Common Equity Tier-1 (CET-1) and total capital ratio of the Group stood at 16.19% (FY2019: 16.27%) and 18.37% (FY2019: 18.59%) respectively.

- The Group's gross loans and financing grew by 5.6% year-on-year to RM186.1 billion, mainly supported by growth in mortgage, auto finance, SME and Singapore. Domestic loans and financing grew 4.5% year-on-year. The Group's domestic loan market share stood at 9.1% as at end-December 2020.

- Gross impaired loans was RM3.2 billion as at 31 December 2020, with a gross impaired loans ratio of 1.71% compared with RM3.5 billion and 1.97% respectively as at 31 December 2019. Loan loss coverage ratio for the Group, excluding regulatory reserves, was well above 100% at 119.7% as at end-December 2020.

- Customer deposits increased by 6.8% year-on-year to RM203.5 billion, predominantly attributed to CASA growth of 28.3%. CASA composition stood at 30.9% as at 31 December 2020. Liquidity coverage ratio (LCR) remained healthy at 146.9%.

Performance Review of Key Business Units

- **Group Retail Banking**
  - Group Retail Banking recorded a 19.5% year-on-year decline in pre-tax profit to RM850.6 million, mainly due to lower non-fund based income and higher ECL.
  - Retail loans and financing rose 5.4% year-on-year to RM95.0 billion, primarily driven by growth in mortgages (7.7%), personal financing (5.0%) and auto financing (7.4%).
  - Retail deposits increased by 15.5% year-on-year to RM66.7 billion, mainly contributed by growth in fixed deposits (12.5%) and CASA (22.9%).

- **Group Business Banking**
  - Group Business Banking recorded a 51.7% year-on-year decline in pre-tax profit to RM230.8 million due to lower non-fund based income and higher ECL.
  - Gross loans and financing expanded by 11.3% year-on-year to RM28.8 billion, driven by growth in SME and Commercial portfolios of 11.9% and 9.5% respectively.
  - Deposits grew 16.1% year-on-year to RM32.8 billion attributed to growth in current account (20.4%) and fixed deposits (11.7%).

- **Group Wholesale Banking** posted a marginal drop in pre-tax profit to RM1,872.3 million.
  - Group Corporate and Investment Banking registered a pre-tax profit of RM606.1 million, a 2.1% decrease on the back of higher ECL. Gross loans and financing dropped marginally by 1.9% to RM42.6 billion. Deposits grew strongly by 10.8% year-on-year to RM58.0 billion primarily driven by growth in current account (36.9%) and fixed deposits (5.2%).
  - Group Treasury and Global Markets recorded a 0.9% increase in pre-tax profit to RM1,266.3 million over the year primarily due to higher net trading and investment income.

- **RHB Bank Singapore** reported a pre-tax profit of SGD4.6 million, 81.3% lower year-on-year mainly attributed to higher ECL writeback in FY2019. Loans and advances grew by 23.4% year-on-year to SGD5.1 billion, while deposits increased by 8.5% to SGD5.8 billion.

- **RHB Insurance** registered a pre-tax profit of RM150.6 million, an increase of 6.3% year-on-year attributed to higher underwriting surplus.

- **Group International Business** excluding Singapore registered a pre-tax loss of RM4.5 million mainly due to losses in Thailand and Lao, and lower profitability in Cambodia due to an increase in ECL.

- **RHB Islamic Bank** recorded a pre-tax profit of RM450.5 million.
  - Gross financing recorded a robust double digit growth of 11.0% year-on-year to RM67.2 billion.
  - Islamic business contributed 40.5% of the Group's total domestic gross loans and financing, up from 38.1% a year ago.

Conclusion

We expect 2021 to remain challenging given the recent resurgence of COVID-19 cases and the prolonged Movement Control Order ("MCO"), which could restrain the initial pick up in economic activity. Globally, governments and central banks have put in place comprehensive stimulus measures to soften the impact of the pandemic on their economic sectors, while in the area of public health, enhanced containment measures have been introduced in preventing the spread of the virus and vaccination efforts are being rolled out.

Domestically, Malaysia's GDP is expected to rebound in 2021 from a contraction of 5.6% in 2020. However, the imposition of MCO 2.0 since the beginning of the year presents downside risk to growth in the first half of 2021.

"The COVID-19 pandemic has brought unprecedented impact to businesses and individuals. To address the impact, the Group revisited our business plan and reprioritised our FIT22 strategic initiatives, allowing us to quickly adapt to the changing business environment and shifts in customer behaviour brought about by the pandemic. Given the challenging operating environment, we continued to be innovative in our approach, while exercising vigilance by building our provisions and enhancing prudent risk management practices and at the same time maintaining a strong capital and liquidity base. Cognizant of the need to conserve capital in this challenging environment, the Board has proposed a final dividend of 7.65 sen per share, under a Dividend Reinvestment Plan (DRP) which would enable our shareholders to reinvest the dividend received back into the Company. The DRP programme will be tabled for shareholders' approval at the forthcoming Annual General Meeting. Together with our interim dividend of 10.0 sen, total dividend for FY2020 amounts to 17.65 sen per share or 34.8% payout ratio," said Dato Khairussaleh, Group Managing Director of RHB Banking Group.

"Our key priority during this pandemic is to ensure the health and safety of our employees, the well-being and sustainability of our customers' business, while at the same time ensuring there are no disruptions to our business and operations throughout the MCO period. We continue to offer support to our customers, particularly the B40 segment, via targeted payment assistance programme which will run until 30 June 2021. Our team within the respective Business Units continue to engage our customers, discussing and advising them on financial matters and assisting our customers to see through these difficult times. We believe that this is key in fostering resilience, through which we will emerge from this pandemic even stronger than before," added Dato' Khairussaleh.

Key Financial Highlights

Financial Performance (RM'000)	12 Months Ended 31 December 2020	12 Months Ended 31 December 2019
Operating profit before allowances	3,798,989	3,670,191
Profit before taxation	2,644,403	3,394,342
Profit attributable to equity holders of the Company	2,032,530	2,482,432
Earnings per share (sen)	50.7	61.9
Balance Sheet (RM'000)	**As at 31 December 2020**	**As at 31 December 2019**
Gross loans, advances and financing	186,113,512	176,174,848
Gross impaired loans, advances and financing ratio (%)	1.71%	1.97%
Deposits from customers	203,470,783	190,555,225
Total assets	271,149,958	257,592,496
Equity attributable to equity holders of the Company	27,023,835	25,775,394
Net assets per share (RM)	6.74	6.43

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 nine countries including Malaysia, Singapore, Indonesia, Thailand, Brunei, Cambodia, Vietnam, Lao PDR and Myanmar.

For more information, please visit www.rhbgroup.com

APPENDIX

Significant Events/Corporate Development

1. **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. RHB Investment Bank had on 14 February 2020 injected additional capital into RHB Hong Kong.

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.

As part of RHB Hong Kong Group, RHB (China) Investment Advisory Co. Ltd had been deregistered with the China authority on 17 June 2020. RHB Finance Hong Kong Limited, RHB Asset Management Limited, RHB Capital Hong Kong Limited and RHB Wealth Management Hong Kong Limited have commenced the application for member's voluntary winding up.

2. **Disposal of RHB Securities Singapore Pte Ltd ('RHB Securities Singapore')**

RHB Investment Bank, a wholly owned subsidiary of the Bank has on 29 June 2020, entered into a conditional share purchase agreement with Phillip Securities Pte Ltd ('Purchaser') in respect of the disposal of its entire equity interest in its wholly owned subsidiary, RHB Securities Singapore ('Disposal').

Prior to the completion of the Disposal, RHB Securities Singapore undertook a corporate exercise to transfer the following businesses and assets to the Bank ('Business Transfer'):

i. the client coverage team, research and advisory services in relation to corporate finance, mergers and acquisitions, equity capital markets and institutional equities sales;
ii. the entire equity interests of RHB Securities Singapore's wholly-owned subsidiaries in RHB Nominees Singapore Pte Ltd, Summit Nominees Singapore Pte Ltd and RHB Research Institute Singapore Pte Ltd; and;

iii. other assets and liabilities in respect of item (i) above.

The Disposal is conditional upon the completion of the Business Transfer but not vice versa.

With the Disposal, the Bank will be in a position to better serve its wholesale clients in Singapore with the transfer of the capital markets business to RHB Bank Singapore. The increasingly competitive broking environment has made it no longer viable for RHB Securities Singapore to continue its stock broking business.

The Business Transfer and the Disposal were completed on 31 August 2020 and 11 September 2020 respectively, following approvals from the relevant regulatory authorities in Malaysia and Singapore.

3. Proposed disposal of RHB International Trust (L) Ltd ('RHBIT')

RHB Bank (L) Ltd ('RHBBL') has on 14 December 2020 entered into a conditional share sale and purchase agreement with Pacific Trustees Berhad ('Pacific Trustee') in respect of the proposed disposal of its entire equity interest in RHBIT for a cash consideration of approximately USD173,490 ('Proposed Disposal').

Upon completion of the Proposed Disposal, RHBIT will cease to be a wholly-owned subsidiary of RHBBL. Barring any unforeseen circumstances and subject to regulatory approval being obtained from the Labuan Financial Services Authority ('Labuan FSA') for the Proposed Disposal, the Proposed Disposal is expected to be completed in the first quarter of 2021.

4. Proposed establishment of a Dividend Reinvestment Plan ('DRP')

On 17 December 2020, the Bank announced that it proposes to undertake the establishment of a DRP that provides the shareholders of the Bank ('Shareholders') with an option to elect to reinvest, in whole or in part, their cash dividend declared by the Bank in new RHB Bank Shares ('DRP Shares') ('Proposed DRP').

The rationale of the Proposed DRP is as follows:

i. It provides the Bank with flexibility in managing and strengthening its capital position as part of the Bank's capital management strategy. The reinvestment of dividend by the Shareholders for DRP Shares will also enlarge the share capital base of RHB Bank.

ii. It allows Shareholders to have the option of reinvesting further into RHB Bank and provides the Shareholders with the following:

    a. an opportunity to enhance and maximise the value of their shareholdings in the Bank by investing in DRP Shares at a discount; and

b. flexibility to the Shareholders in meeting their investment objectives as the Shareholders would have the option of receiving dividend in cash and/or reinvesting in DRP Shares.

iii. The implementation of the Proposed DRP will provide an avenue to the Shareholders to exercise the electable portion under the reinvestment option into DRP Shares in lieu of receiving cash.

iv. The Proposed DRP may potentially improve the trading liquidity of RHB Bank shares as well as strengthen the financial position and capital base of the Bank through the issuance of DRP Shares.

The Proposed DRP is conditional upon the approvals obtained from the shareholders at the forthcoming Annual General Meeting and the relevant regulatory authorities.