

NEWS RELEASE

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29 August 2023

RHB BANK ACHIEVES NET PROFIT OF RM1.57 BILLION IN 1HFY2023

Group Declares Interim Dividend of 15 sen per share

- ◆ Pre-tax profit grew 10.0% year-on-year (“YOY”) to RM2.07 billion
- ◆ Net profit grew 29.5% YOY to RM1.57 billion
- ◆ Total income grew 0.6% YOY to RM3.79 billion
- ◆ Cost-to-income ratio at 47.5%
- ◆ Expected credit loss (“ECL”) declined 144.4% YOY
- ◆ Gross loans grew 0.9% year-to-date (“YTD”) to RM214.2 billion primarily driven by mortgage, auto finance, SME and Singapore
- ◆ Customer deposits increased 0.9% YTD to RM229.3 billion mainly from growth in Retail and SME deposits. CASA made up 27.6% of total deposits
- ◆ Islamic financing grew 0.8% YTD, contributing 44.9% of total domestic loans and financing
- ◆ Return on Equity at 10.6%
- ◆ Declared interim dividend of 15 sen per share with 40.9% payout ratio

RHB Bank Berhad (“the Group”) announced its financial results for the half year ended 30 June 2023 today.

- The Group’s net profit for the six months ended 30 June 2023 rose 29.5% YOY to RM1.57 billion mainly due to higher non-fund based income and lower ECL.
- Total income grew 0.6% YOY to RM3.79 billion from higher non-fund based income.
 - Net fund based income lower by 10.4% to RM2.72 billion on the back of higher funding costs, mainly due to fixed deposits growth of 16.4% YOY. Net interest margin for the quarter was 1.82%.
 - Non-fund based income increased 46.3% to RM1.07 billion, primarily from higher net gain on forex and derivatives, and net trading and investment income.
- Operating expenses increased 6.5% to RM1.80 billion, partly due to higher personnel costs from collective agreement adjustments. Correspondingly, cost-to-income ratio increased to 47.5% compared with 44.9% a year ago.
- ECL reduced 144.4% primarily due to writeback of management overlay. Excluding writebacks, normalised credit cost stood at 0.21% compared with 0.27% for the same period last year.

Second Quarter FY2023 Earnings against Second Quarter FY2022

- The Group's net profit for 2QFY2023 of RM808.7 million was 28.4% higher than the RM630.1 million achieved in the corresponding quarter last year mainly due to higher non-fund based income and lower ECL.

Balance Sheet & Capital Position Remained Robust

- Total assets for the Group increased 1.8% from December 2022 to RM316.2 billion as at 30 June 2023. Net assets per share was RM7.01, with shareholders' equity at RM30.0 billion as at 30 June 2023.
- Our capital position remained strong. The Group's Common Equity Tier-1 ("CET-1") and total capital ratio stood at 16.7% and 19.4% respectively.
- The Group's gross loans and financing grew 0.9% YTD to RM214.2 billion, mainly supported by growth in mortgage, auto finance, SME and Singapore.
- Gross impaired loans was RM3.5 billion as of June 2023 with gross impaired loans ratio of 1.64%, compared with RM3.3 billion and 1.55% respectively as of December 2022. Loan loss coverage ratio for the Group, including regulatory reserve, was 108.5% as at 30 June 2023, compared with 130.3% in December 2022.
- Customer deposits increased 0.9% YTD to RM229.3 billion, mainly due to growth in Retail and SME deposits of 9.8%. CASA composition stood at 27.6% while liquidity coverage ratio ("LCR") remained sound at 136.7% as at 30 June 2023.

Performance Review of Key Business Units

Group Community Banking

- Group Community Banking posted a 7.7% YOY increase in pre-tax profit to RM1.02 billion mainly due to higher net fund based income.
- Gross loans and financing grew 2.2% YTD to RM136.1 billion, primarily driven by growth in mortgages (+3.8%), auto finance (+3.9%) and SME (+2.5%).
- Deposits increased 9.8% YTD to RM112.3 billion, mainly contributed by growth in fixed deposits (+18.6%).

Group Wholesale Banking

- Group Wholesale Banking posted a pre-tax profit of RM1.03 billion, a 37.5% increase YOY mainly due to higher non-fund based income and lower ECL.
- Gross loans and financing and deposits stood at RM48 billion and RM85 billion respectively.

Group International Business

- Group International Business posted a pre-tax profit of RM24.2 million, mainly contributed by RHB Bank Singapore, which recorded a pre-tax profit of SGD23.1 million.
- Gross loans and advances grew 6.3% YTD to RM30.1 billion, while deposits increased 14.4% to RM32.0 billion.

RHB Insurance

- RHB Insurance registered a pre-tax profit of RM42.5 million, a 62.5% YOY increase attributed to higher net investment income.

RHB Islamic Bank

- RHB Islamic Bank recorded a 6.1% YOY increase in pre-tax profit to RM548.4 million mainly due to higher non-fund based income and lower ECL.
- Gross financing grew 0.8% YTD to RM82.4 billion.
- Islamic business contributed 44.9% of the Group's total domestic gross loans and financing, an improvement from 44.6% in December 2022.

Conclusion

Malaysia is expected to sustain its economic growth momentum throughout the remainder of the year, anchored by resilient domestic demand. This is supported by robust household spending on the back of healthy labour market conditions, the revival of tourism-related activities, and the continued progress of multi-year infrastructure projects. However, the growth outlook is still subject to downside risks, mainly from the escalation of geopolitical tensions, inflationary pressures, and slower economic expansion in major economies.

“The Group continues to deliver sustained financial performance for the first six months ending June 2023, albeit the challenging economic and business environment. Our fundamentals remain strong, and we will continue to remain focused on the Group's Together We Progress 2024 (“TWP24”) corporate strategy, which is now in its second year of execution.

The Group will continue to exercise prudent financial management and cost discipline, as well as accelerate its efforts in managing asset quality to maintain resilience and improve operational excellence. We will remain steadfast in progressing our strategies, demonstrating our commitment to

upholding our strong fundamentals, strengthening our business performance and delivering sustainable value. In appreciation of the support and loyalty that our shareholders have given us, we are pleased to declare an interim dividend of 15 sen per share, representing a payout ratio of 40.9%.

We are on track to achieving our 2026 aspirations under our Sustainability Strategy and Roadmap. As at 30 June 2023, we have achieved more than RM5 billion in Sustainable Financial Services against our 2023 target of RM9 billion, and a cumulative achievement of over RM16 billion, equivalent to almost 85% of our RM20 billion target by 2026.

I am pleased to share that our efforts in driving service excellence and providing customers with a differentiated banking experience have won us several regional recognitions in the first half of FY2023. Among the notable awards is the renowned Retail Banker International Asia Trailblazer Awards 2023, where we brought home the ‘Excellence in SME Banking’, ‘Excellence in Loan Origination Process’, ‘Best Debit Card Initiative’ and ‘Best Mortgage Offering’ awards, and was highly commended for our ‘Use of AI or Machine Learning in Financial Services’. In addition, we clinched the ‘Domestic Retail Bank of the Year – Malaysia’ and ‘Millennial Product Initiative of the Year – Malaysia’ awards at the Asian Banking & Finance Retail Banking Awards 2023, as well as the ‘Best CX Business Model’ award at The Digital Banker’s Digital CX Awards 2023. We were recently awarded the ‘Best Digital Bank in Malaysia’ at the 17th Annual Alpha Southeast Asia Best Financial Institution Awards 2023,” said Mohd Rashid Mohamad, Group Managing Director/Group Chief Executive Officer of RHB Banking Group.

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Key Financial Highlights

Financial Performance (RM'000)	6 Months Ended 30 June 2023	Restated 6 Months Ended 30 June 2022
Net income	3,787,185	3,763,529
Operating profit before allowances	1,987,235	2,072,885
Profit before taxation	2,068,272	1,880,474
Profit attributable to equity holders of the Company	1,570,368	1,212,395
Earnings per share (sen)	36.9	29.2
Balance Sheet (RM'000)	As at 30 June 2023	Restated as at 31 December 2022
Gross loans, advances and financing	214,191,959	212,200,142
Gross impaired loans, advances and financing ratio (%)	1.64%	1.55%
Deposits from customers	229,289,403	227,159,762
Total assets	316,219,148	310,771,262
Equity attributable to equity holders of the Company	30,039,600	28,736,072
Net assets per share (RM)	7.01	6.77

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.

*Issued on behalf of RHB Bank Berhad by the Corporate Communications & Media Relations division.
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About the RHB Banking Group

The RHB Banking Group, with RHB Bank Berhad as the holding company, is one of the largest fully integrated financial services group in Malaysia. The Group's core businesses are structured into five main business pillars, namely Group Community Banking, Group Wholesale Banking, Group Shariah Business, Group International Business, and Group Insurance.

Group Community Banking comprises Retail Banking and SME Banking, while Group Wholesale Banking comprises Group Investment Banking, Group Corporate Banking, Group Treasury & Global Markets, Group Asset Management, Commercial Banking, Transaction Banking, and Economics.

All five Strategic Business Groups offer their financial solutions through RHB Bank Berhad and its 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 eight countries including Malaysia, Singapore, Indonesia, Thailand, Brunei, Cambodia, Vietnam and Lao PDR.

For more information, please visit www.rhbgroup.com.

APPENDIX

Significant Events/Corporate Development

Memorandum of Understanding with Axiata Group Berhad

On 2 June 2021, the Bank entered into a Memorandum of Understanding (“MOU”) with Axiata Group Berhad (“Axiata Group”) to jointly explore potential strategic collaboration opportunities. Following the signing of the MOU, the Bank had, on the same day, entered into a heads of agreement with Boost Holdings Sdn Bhd (“Boost Holdings”), a 75.36% subsidiary of Axiata Group, to regulate the terms for joint application to Bank Negara Malaysia (“BNM”) for a digital banking license. The joint application for the digital bank license was submitted to BNM on 30 June 2021.

On 29 April 2022, the Bank received conditional approval from BNM for the joint application for a digital bank license by Boost Holdings and the Bank, subject to the condition that the proposed digital bank shall commence its banking operations within 24 months from 8 April 2022.

The Bank and Boost Holdings had, on 1 March 2023, jointly incorporated a company called Boost Berhad with a share capital of RM100 consisting of 100 ordinary shares, of which 60 ordinary shares are held by Boost Holdings, with the balance 40 ordinary shares being held by the Bank. Subject to approval from BNM, Boost Berhad will be the legal entity to carry out the digital banking business (“Proposed Digital Bank”).

On 31 March 2023, the Bank, Boost Holdings and Boost Berhad entered into a share subscription agreement (“SSA”) for the Bank and Boost Holdings to subscribe for 100 million new ordinary shares in Boost Berhad for a cash consideration of RM100 million for Boost Berhad to meet the minimum capital funds requirements for a digital bank.

Concurrently, on 31 March 2023, the Bank, Boost Holdings and Boost Berhad entered into a shareholders’ agreement (“SHA”) to regulate the affairs of Boost Berhad as the Proposed Digital Bank, and the Bank and Boost Holdings’ relationship between themselves as shareholders of Boost Berhad. Further details on the SHA are further disclosed in Note B6(a) of the Interim Financial Statements.

Subject to satisfying the operational readiness requirements by BNM and barring any unforeseen circumstances, the Proposed Digital Bank will begin its operations in the second half of 2023. It shall focus on serving Malaysia’s underserved, unserved and unbanked segments to build a more inclusive financial sector.

The expiry of the MOU on 1 June 2023 will have no impact on the joint application for the digital bank license. The Bank and Boost Holdings Sdn Bhd will continue working together on the digital bank license partnership.