



RHB Bank records first half 2019 net profit growth of 7.3% to RM1.25 billion

- ◆ Total income grew 3.9% Y-o-Y to RM3,519.0 million
- ◆ Pre-tax profit rose 6.4% Y-o-Y to RM1,664.7 million
- ◆ Operating expenses increased by 2.7%, cost-to-income ratio further improved to 48.5% from 49.1% a year ago
- ◆ Allowances for credit losses lower by 8.1% Y-o-Y
- ◆ Gross loans up 6.9% Y-o-Y to RM172.3 billion while domestic loans grew 6.6% Y-o-Y supported by resilient growth in mortgages and SME
- ◆ Customer deposits increased 10.9% Y-o-Y to RM185.0 billion; CASA stood at 26.6% of total deposits
- ◆ Islamic financing grew 22.2% from a year ago and contributes 36.0% of total domestic loans and financing
- ◆ ROE at 10.4%
- ◆ Declared an interim dividend of 12.5 sen per share, a 40.2% payout ratio

Kuala Lumpur, 26 August 2019

RHB Bank Berhad (the Group) announced today its financial results for the half year ended 30 June 2019.

- The Group reported a net profit of RM1,245.6 million, up 7.3% year-on-year (Y-o-Y) mainly due to higher non-fund based income and lower expected credit losses (ECL) on loans, coupled with effective cost management.
- Gross fund based income increased by 7.4% Y-o-Y on the back of a 6.9% increase in gross loans and financing, marginally negated by the impact of an OPR cut in May 2019. Funding and interest expense rose 16.4% Y-o-Y due to the impact from the OPR hike in January 2018 coupled with higher deposit base. As a result, net fund based income declined by 2.6% Y-o-Y.
- Non-fund based income improved significantly by 21.8% Y-o-Y to RM1,103.5 million, contributed largely by higher net trading and investment income, insurance underwriting surplus and higher capital market related fee income.
- Operating expenses rose by 2.7% to RM1,707.6 million from a year ago from higher personnel cost, IT-related expenses and marketing expenses. Cost-to-income (CIR) ratio improved to 48.5% from 49.1% a year ago.
- Allowances for credit losses was RM146.8 million, 8.1% lower than the previous year, primarily due to lower ECL on loans. Annualised credit charge ratio improved to 0.20% compared with 0.22% over the same period a year ago.



Second Quarter 2019 Earnings Against Second Quarter 2018

- On a quarter Y-o-Y basis, net profit for the current quarter was at RM615.4 million, an increase of 7.9% from RM570.3 million recorded in the same quarter last year. This was attributable mainly to higher non-fund based income and lower ECL on loans.

Balance Sheet & Capital Position Remained Robust

- Total assets of the Group increased by 4.3% from December 2018 to RM253.5 billion as at 30 June 2019. Shareholders' equity stood at RM24.9 billion, with net assets per share at RM6.20.
- Our capital position remains strong; Common equity tier-1 (CET-1) and total capital ratio of the Group after taking into account the FY2019 interim dividend stood at 16.32% and 19.38% respectively.
- The Group's gross loans and financing grew by 6.9% Y-o-Y to RM172.3 billion, supported mainly by resilient growth in mortgages, SME and Singapore. The Group's domestic loan market share stood at 9.0% as at end-June 2019.
- Customer deposits recorded a 10.9% Y-o-Y growth to RM185.0 billion as at 30 June 2019, contributing to a healthy liquidity coverage ratio (LCR) of 149.2%.
- Total current and savings account (CASA) increased by 2.2% over the same period, with CASA making up 26.6% of total deposits.
- Gross impaired loans ratio improved to 2.15% from 2.33% a year ago with gross impaired loans at RM3.7 billion as at 30 June 2019.
- We continued to be prudent in loan loss provision with loan loss coverage standing at 106.1% as at 30 June 2019.



Performance Review of Key Business Units

- **Retail Banking**

- Retail Banking reported a pre-tax profit of RM501.4 million for the first six months ended 30 June 2019, 0.9% higher than the previous year on the back of higher net fund based income.
- Retail loans and financing rose 9.1% Y-o-Y to RM87.8 billion as at 30 June 2019, driven mainly by growth in mortgages and personal financing.
- Retail deposits increased by 14.3% Y-o-Y to RM57.3 billion, largely contributed by higher fixed deposits.

- **Group Business Banking**

- Group Business Banking recorded a pre-tax profit of RM257.0 million for the six months of 2019, 64.7% higher Y-o-Y from higher net fund based income and higher write back of ECL on loans.
- Gross loans and financing expanded by 4.5% Y-o-Y to RM25.7 billion, coming mainly from the Retail SME portfolio.
- Customer deposits recorded a strong Y-o-Y growth of 16.7% to RM27.4 billion primarily from higher fixed deposits.

- **Group Wholesale Banking** recorded a pre-tax profit of RM972.8 million, where Group Corporate and Investment Banking registered a pre-tax profit of RM315.7 million and Group Treasury and Global Markets registered a pre-tax profit of RM657.1 million.

- **RHB Bank Singapore** recorded a pre-tax profit of SGD6.3 million for the period, while loans and advances increased 7.6% Y-o-Y to SGD4.0 billion and deposits grew by 11.7% Y-o-Y to SGD4.9 billion.

- **Group International Business** excluding Singapore registered a pre-tax profit of RM44.9 million.

- **RHB Group's Islamic Business** recorded 30.7% Y-o-Y growth in pre-tax profit to RM359.2 million mainly due to lower ECL on financing and higher net fund based income.

- Gross financing continued to record robust growth at 22.2% Y-o-Y to RM56.1 billion.
- Islamic financing constitutes 36.0% of the Group's total domestic gross loans and financing, up from 31.4% as at 30 June 2018.



Conclusion

Malaysia recorded a respectable GDP growth of 4.9% in Q2 2019. For the year 2019, the economic growth is expected to moderate to 4.5%, against 4.7% recorded in 2018 as the US-China trade tensions continue to weigh on Malaysia's external trade, further affecting the growth outlook. Banking industry loans are projected to grow at mid-single digit for the year supported by a resilient household sector. OPR is expected to remain at 3.00% for the remainder of the year, although there is a risk of further reduction.

"The encouraging sustained set of results is a testament to our ability to maintain positive growth momentum even during challenging times. With the continued global economic volatility, we remain cautious, placing emphasis on growing assets responsibly, exercising prudence in business and strengthening our fundamentals. We are pleased to be able to reward our shareholders with an interim dividend of 12.5 sen per share, a 40.2% dividend payout ratio being the highest ever dividend payout based on H1 2019 results.

We are on track with our 5-year strategy, FIT22, aimed at improving business performance and enterprise wide capabilities through digital technology and the implementation of the AGILE way of working. Our SME segment in particular has seen encouraging growth with almost RM4 billion loans approved in H1 2019, benefitting around 2,000 SME businesses. SME loans and financing grew 3.3% year-to-date since December 2018, ahead of industry which declined by 0.4%. Moving forward we will continue to provide SMEs with a holistic ecosystem that are able to offer targeted and innovative products and value added services that will allow them to focus on growing their business," said Dato' Khairussaleh Ramli, Group Managing Director of RHB Banking Group.



Key Financial Highlights

Financial Performance (RM'000)	6 Months Ended 30 June 2019	6 Months Ended 30 June 2018
Operating profit before allowances	1,811,486	1,724,534
Profit before taxation	1,664,684	1,564,917
Profit attributable to equity holders of the Company	1,245,596	1,161,081
Earnings per share (sen)	31.1	29.0

Balance Sheet (RM'000)	As at 30 June 2019	As at 31 December 2018
Gross loans, advances and financing	172,346,024	168,878,527
Gross impaired loans, advances and financing ratio	2.15%	2.06%
Deposits from customers	185,029,434	178,856,330
Total assets	253,531,241	243,165,679
Equity attributable to equity holders of the Company	24,851,714	23,357,987
Net assets per share (RM)	6.20	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 disposal of equity interest in RHB Insurance Berhad ('RHB Insurance')

The Bank has on 31 July 2019 announced that BNM has 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 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. Accordingly, a detailed announcement on the Proposed Disposal will be made upon execution of the definitive agreement(s) for the Proposed Disposal.