RHB Bank records net profit of RM971.7 million for H1 2020, absorbs one off net modification loss from loan moratorium

- Total income for first half of 2020 declined 5.7% to RM3,318.9 million
- Operating expenses declined by 1.2%, cost-to-income ratio at 50.8% from 48.5% a year ago
- Profit before tax contracted by 23.9% Y-o-Y to RM1,266.5 million
- Gross loans up 4.9% Y-o-Y to RM180.8 billion supported primarily by mortgages, SME and Singapore
- Customer deposits increased 7.8% Y-o-Y to RM199.4 billion mainly from CASA and fixed deposits; CASA made up 28.6% of total deposits
- Islamic financing grew 13.8% from a year ago and contributes 39.6% of total domestic loans and financing
- ROE at 7.4%

Kuala Lumpur, 28 August 2020

RHB Bank Berhad ("the Group") announced today its financial results for the half year ended 30 June 2020.

- The Group recorded a net profit of RM971.7 million for the first six months of 2020, a decrease of 22.0% from the same corresponding period last year, attributed mainly to a one-off net modification loss of RM392.4 million in relation to the loan repayment moratorium accorded to our customers and higher allowances for credit losses. Higher net fund based income and non-fund based income, coupled with lower operating expenses helped mitigate the profit reduction.

- In March this year, the Group granted an automatic repayment moratorium for loans and financing to individual and SME customers, and an option to opt-in for the repayment moratorium to other customers in order to cushion the impact of COVID-19 pandemic. As a result, we have recognised a net loss of RM392.4 million arising from the modification of cashflows of these loans and financing in the second quarter of financial year 2020. The impact came primarily from hire purchase and personal financing portfolios.

- Net fund based income increased by 3.5% year-on-year to RM2,499.4 million driven by proactive management of funding costs, which dropped 14.0% year-on-year, supported by an increase in CASA composition from 26.6% to 28.6% and the redemption of Hybrid Tier-1 Capital and certain sub-debt instruments during the period. NIM for the quarter dropped to 2.05% compared with 2.09% for the same period last year.

- Non-fund based income improved by 9.8% to RM1,211.9 million, contributed largely by higher net trading and investment income, brokerage income and insurance underwriting surplus.

- Operating expenses declined by 1.2% to RM1,687.6 million from a year ago driven by disciplined cost management efforts in the current challenging environment. Cost-to-income ratio was at 50.8% from 48.5% recorded a year ago, contributed largely by the one-off net modification loss.

- While the extent of the impact of the COVID-19 pandemic remains uncertain, the Group has taken proactive steps to build up provisions to absorb any potential negative effects to asset quality. As a result, allowances for credit losses on loans, advances and financing increased to RM359.0 million, up from RM168.2 million for the corresponding period last year. Annualised credit charge ratio was at 0.40% compared with 0.20% over the same period last year.

Second Quarter 2020 Earnings Against Second Quarter 2019

- The Group's net profit dropped 34.9% to RM400.8 million for the second quarter of 2020 mainly due to the one-off net modification loss of RM392.4 million and higher allowances for credit losses on loans, advances and financing, offset by higher net fund based income and non-fund based income, coupled with lower operating expenses.

Balance Sheet & Capital Position Remained Robust

- Total assets for the Group increased by 1.7 % from December 2019 to RM262.0 billion as at 30 June 2020, primarily due to an increase in loans, advances and financing and securities portfolios. Net assets per share was at RM6.62, with shareholders' equity at RM26.5 billion as at 30 June 2020.

- Our capital position remains strong; Common Equity Tier-1 (CET-1) and total capital ratio of the Group stood at 16.59% and 18.55% respectively.

- The Group's gross loans and financing grew by 4.9% year-on-year to RM180.8 billion, mainly supported by growth in mortgages, SME and Singapore. Domestic loans and financing grew 3.4% year-on-year. The Group's domestic loan market share stood at 9.0% as at end-June 2020.

- Gross impaired loans was RM3.4 billion as at 30 June 2020, with a gross impaired loans ratio of 1.87% compared with RM3.5 billion and 1.97% as at 31 December 2019. Loan loss coverage ratio for the Group, including regulatory reserves, stood at 107.7% as at end-June 2020.

- Customer deposits increased by 7.8% year-on-year to RM199.4 billion, largely attributed to growth in CASA and fixed deposits. CASA increased by 15.8% year-on-year, with CASA composition at 28.6% as at 30 June 2020. Liquidity coverage ratio (LCR) remained healthy at 141.5%.

Performance Review of Key Business Units

- **Retail Banking**
  - Group Retail Banking reported a 10.0% decline in pre-tax profit year-on-year to RM477.5 million for the first half of the year ended 30 June 2020. This was mainly due to higher allowances for credit losses on loans and lower non-fund based income.
  - Retail loans and financing rose 3.2% year-on-year to RM90.6 billion, primarily driven by growth in mortgages.
  - Retail deposits increased by 7.3% year-on-year to RM61.4 billion, mainly contributed by growth in fixed deposits and CASA.

- **Group Business Banking**
  - Group Business Banking recorded a 33.6% decline in pre-tax profit year-on-year to RM170.7 million in the first half of the year ended 30 June 2020 due to higher allowances for credit losses on loans and lower non-fund based income.
  - Gross loans and financing expanded by 6.3% year-on-year to RM27.3 billion, driven by growth in SME and Commercial portfolios of 6.6% and 5.3% respectively.
  - Strong current account growth contributed to the overall deposits growth of 8.6% over the same period to RM29.7 billion.

- **Group Wholesale Banking** posted a pre-tax profit of RM1,012.1 million, an increase of 7.3% from the previous year.
  - Group Corporate and Investment Banking registered pre-tax profit of RM336.3 million, a 17.4% improvement on the back of higher net fund based income, higher non-fund based income, lower operating expenses and lower expected credit losses on loans and financing.
  - Group Treasury and Global Markets recorded a 2.9% growth in pre-tax profit to RM675.9 million over the year, mainly due to higher net trading and investment income.

- **RHB Bank Singapore** reported a pre-tax profit of SGD8.8 million, 39.0% higher year-on-year mainly attributed to higher non-fund based income and lower operating expenses. Loans and advances increased by 21.4% year-on-year to SGD4.8 billion, while deposits increased by 21.5% to SGD5.9 billion.

- **Group International Business** excluding Singapore registered a pre-tax profit of RM16.5 million compared with RM44.9 million recorded in the corresponding period last year mainly due to lower profitability in Cambodia and Thailand.

- **RHB Group's Islamic business** recorded a pre-tax profit of RM132.7 million.
  - Gross financing recorded a robust double digit growth of 13.8% year-on-year to RM63.9 billion.
  - Islamic business contributed 39.6% of the Group's total domestic gross loans and financing, up from 36.0% a year ago.

Conclusion

The economic impact of COVID-19 pandemic continues to be felt by businesses and individuals alike, globally and domestically. The gradual and phased re-opening of the various sectors of the economy in a controlled and orderly manner will enable Malaysia to recover at a faster pace. Businesses are now forced to recalibrate and realign their strategies to that of the new normal in order to remain relevant post COVID-19.

"The Group is not spared from the effects of the pandemic but we remain committed to assist our customers, absorbing the net modification loss arising from the implementation of the loan repayment moratorium in the first half of 2020. Against the backdrop of a sharp economic contraction, we also continue to exercise prudence by building up provisions in anticipation of a potential weakening of asset quality. Nevertheless, the Group's healthy liquidity position and strong capital base will help us cushion the adverse impact caused by the pandemic. The Group has taken a prudent stance of not declaring any interim dividend but will revisit this at year end when there is better visibility on the impact and outlook.

We will remain watchful in the second half of 2020 while we focus on ensuring business continuity for our customers by offering them assistance and support during these trying times. With the blanket moratorium ending in September, we are ramping up our efforts in reaching out to our customers who require financial or repayment assistance. A range of loan/financing repayment assistance programmes are being made available to customers and we strongly urge our customers to come forward and get in touch with us through our various channels namely branches, call centre, and via email or phone. We are ready to help with little information required.

The Group also continues to provide financial support to SMEs through various types of financial assistance. As at 31 July 2020, we have approved a total of approximately RM1.8 billion in financing benefitting about 2,600 SMEs under various programmes including the Special Relief Facility, RHB BizPower Relief Fund, Automation and Digitalisation Facility, and the Agrofood Facility.

The outlook remains challenging but in the medium term, we remain steadfast in driving our FIT22 five-year strategy, making the necessary adjustments to our key initiatives to meet the changing customer behaviour and respond to the demands brought about by COVID-19. We are confident that we will be able to navigate the Group through these unprecedented economic challenges," said Dato' Khairussaleh Ramli, Group Managing Director, RHB Banking Group.

Key Financial Highlights

Financial Performance (RM'000)	6 Months Ended 30 June 2020	6 Months Ended 30 June 2019
Operating profit before allowances	1,631,375	1,811,486
Profit before taxation	1,266,505	1,664,684
Profit attributable to equity holders of the Company	971,650	1,245,596
Earnings per share (sen)	24.2	31.1
Balance Sheet (RM'000)	**As at 30 June 2020**	**As at 31 December 2019**
Gross loans, advances and financing	180,750,158	176,174,848
Gross impaired loans, advances and financing ratio (%)	1.87%	1.97%
Deposits from customers	199,381,680	190,555,225
Total assets	262,031,640	257,592,496
Equity attributable to equity holders of the Company	26,528,495	25,775,394
Net assets per share (RM)	6.62	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 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 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 commenced the application for dissolution and RHBFINHK has commenced the application for member’s voluntary winding up.

2. **Proposed 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 proposed disposal of its entire equity interest in its wholly owned subsidiary, RHB Securities Singapore ('Proposed Disposal').

The disposal consideration will be based on the net tangible assets of RHB Securities Singapore preceding the completion date and adjustments mutually agreed between RHB Investment Bank and the Purchaser.

Prior to the completion of the Proposed Disposal, RHB Securities Singapore will undertake a corporate exercise to transfer the following businesses and assets to the Bank (Singapore Branch) ('Proposed Transfer'), subject to approvals from relevant regulatory authorities:

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. certain share margin accounts;

iii. 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;
iv. other assets and liabilities in respect of items (i) and (ii) above.

With the Proposed Disposal, the Bank will be in a position to better serve its wholesale clients in Singapore with the proposed 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 Proposed Disposal is subject to approvals from the relevant regulatory authorities in Singapore and/or parties, where required. The Proposed Disposal is not subject to the approval of the shareholders of the Bank or any relevant regulatory authorities in Malaysia.

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

3. Bankatakaful service agreements between RHB Islamic Bank and Syarikat Takaful Malaysia Keluarga Berhad ('STMKB') and Syarikat Takaful Malaysia Am Berhad ('STMAB')

RHB Islamic Bank had on 28 July 2020, entered into the following agreements:

i. Bancatakaful service agreement in respect of family Takaful products ('Family Bancatakaful Agreement') with STMKB; and

ii. Bancatakaful service agreement in respect of general Takaful products ('General Bancatakaful Agreement') with STMAB, a wholly-owned subsidiary of STMKB.

The salient terms of the Bancatakaful Agreements are as follows:

Family Bancatakaful Agreement	General Bancatakaful Agreement
(a) Tenure shall be for a period of 5 years commencing on 1 August 2020 and subject to RHB Islamic Bank meeting the pre-agreed budgets for the family credit Takaful products, and shall end on 31 July 2025. In event that RHB Islamic Bank fails to meet the pre-agreed budgets for the family credit Takaful products at the end of the 5th year of the contract period, the tenure of the Family Bancatakaful Agreement may be extended for a period of up to 1 year;	(a) Tenure shall be for a period of 5 years commencing on 1 August 2020 and subject to RHB Islamic Bank meeting the pre-agreed budgets for the general Takaful products, and shall end on 31 July 2025. In event that RHB Islamic Bank fails to meet the pre-agreed budgets for the general Takaful products at the end of the 5th year of the contract period, the tenure of the General Bancatakaful Agreement may be extended for a period of up to 1 year; and

(b) RHB Islamic Bank shall sell, distribute, market and promote family credit Takaful products developed by STMKB for distribution by RHB Islamic Bank on an exclusive basis to the extent permitted by the applicable laws and regulatory requirements. In consideration thereof, STMKB will pay a facilitation fee of RM145 million to RHB Islamic Bank; and (c) STMKB shall have the right of first refusal to develop and offer for sale by RHB Islamic Bank non-credit related/advisory family Takaful products proposed by RHB Islamic Bank, in accordance with the terms of the Family Bancatakaful Agreement.	(b) RHB Islamic Bank shall sell, distribute, market and promote general Takaful products developed by STMAB for distribution by RHB Islamic Bank on an exclusive basis to the extent permitted by the applicable laws and regulatory requirements. In consideration thereof, STMAB will pay a facilitation fee of RM6 million to RHB Islamic Bank.

4. Voluntary winding-up of subsidiaries

On 3 August 2020, RHB Equities Sdn Bhd and RHBF Sdn Bhd, direct wholly-owned subsidiaries of the Bank, have commenced member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016.

5. Application for member's voluntary winding up of RHB Finance Hong Kong Limited ('RHBFINHK')

RHBFINHK, an indirect wholly-owned subsidiary of the Bank had on 21 August 2020, commenced the application for member's voluntary winding up pursuant to The Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong.