



FOR IMMEDIATE RELEASE

RHB Bank's Net Profit Grows 9.4% to RM1.0 billion for First Half 2017

- ◆ Pre-tax profit of RM1.3 billion, up by 7%
- ◆ Cost-to-income ratio at 49.3%
- ◆ Gross loans of RM156.6 billion, up by 3.2%
- ◆ Customer deposits of RM165.8 billion, up by 1.1%
- ◆ Current and savings account balances up by 13.5%, CASA composition at 27.9%
- ◆ Islamic Banking contributes 27.3% of total domestic loan and financing, up from 24.8%
- ◆ Mortgages and SME continued growth momentum
- ◆ Declared interim single tier dividend of 5 sen per share

Kuala Lumpur, 29 August 2017

RHB Bank Berhad (“the Group”) announced today its financial results for the half year ended 30 June 2017. The Group reported a net profit of RM1,001.2 million as compared to RM915.1 million for the same period in 2016, an increase of 9.4%. The year-on-year earnings improvement was mainly due to lower impairment losses on other assets and higher net funding income, partially offset by lower non-fund based income, higher overheads and higher loan loss impairment.

Net fund based income increased by 3.3% to RM2,239.6 million from a year ago due mainly to loans growth and lower interest expense from prudent funding cost management and redemption of sub-debts and senior notes in the second quarter of the period. This has improved net interest margin for the quarter, rising to 2.19% from 2.17% in the preceding quarter.

Non-fund based income was 7.1% lower at RM895.1 million, contributed largely by lower net foreign exchange gain, lower insurance underwriting surplus and lower commercial/investment banking fee income, partially offset by an increase in net wealth management fee income and higher brokerage income in line with better trading volumes.

Operating expenses rose by 1.9% to RM1,545.5 million from a year ago driven by a rise in personnel costs and higher IT-related expenses as the Group continued to invest into technology infrastructure and capabilities. This was offset by a decline in office rental and related premises maintenance cost. The Group's disciplined cost management efforts delivered an improved cost to income ratio at 49.3%, from 50% for financial year 2016.

Allowances for impairment on loans and financing was higher at RM165.3 million, primarily due to higher collective impairment on the back of loans growth and lower loans and financing recovered. Total credit costs for first half 2017 was at 21 basis points compared to 18 basis points a year ago.

Impairment losses on other assets for both years were primarily provided for corporate bonds in Singapore, reflecting market developments in the oil and gas industry.

Second Quarter 2017 Earnings Against Preceding Quarter and Previous Year's Corresponding Quarter

Net profit for the second quarter of 2017 was RM501.0 million, at a similar level as the RM500.3 million recorded in the preceding quarter ended 31 March 2017. This was primarily due to lower impairment losses on loans and higher net funding income achieved in the second quarter of 2017, offset by higher impairment losses on other assets, lower non-fund based income and higher operating expenses.

Compared to the second quarter of 2016, the Group's net profit recorded a 43.1% increase mainly on the back of lower impairment losses on loans and other assets.

Balance Sheet and Capital Position Strengthened

Total assets decreased by 1.5% to RM233.0 billion as at 30 June 2017 due primarily to lower financial investments in the held-to-maturity portfolio and derivative assets, partially offset by growth in loans and financing. Shareholders' funds for the Group increased to RM22.6 billion, with net assets per share improving by 3.9% to RM5.63 as at 30 June 2017.

As at 30 June 2017, the common equity tier-1 ("CET-1") and total capital ratio of the Group, taking into consideration the FY2017 interim dividend, remained strong at 13.4% and 17.0% respectively. These capital ratios are well above the Basel III minimum transitional arrangement requirements of 5.75% and 9.25% respectively, positioning the Group as one of the best capitalised banking groups in Malaysia.

The Group's gross loans and financing grew by 3.2% year-on-year and 1.4% for the first six months to RM156.6 billion. The increases were mainly from mortgages and SME which recorded resilient annualised growth rate of 12.2% and 7.1% respectively.

Customer deposits increased by 1.1% year-on-year to RM165.8 billion, but remained constant for the first six months of 2017. Total current and savings account ('CASA') registered a strong growth of 13.5% over the year and 8.7% year-to-date, with CASA composition improving to 27.9% as at 30 June 2017 from 25.6% recorded in December 2016. Domestic CASA grew at an annualised 13.3%, outpacing the industry which grew by 8.1%. The Group's loan-to-deposit ratio stood at 94.4%.

Compared to December 2016, gross impaired loans declined slightly to RM3.6 billion, with gross impaired loans ratio improving to 2.29% from 2.43%.

Performance Review of Key Business Units

Retail Banking remained the biggest contributor to the Group and it reported a pre-tax profit of RM545.5 million for the first six months ended 30 June 2017, 4.3% lower from the previous year's corresponding quarter. This was mainly attributed to lower net fund based income as yield competition intensified, partially offset by lower allowances for loans and financing and lower operating expenses.

Retail loans and financing was at RM71.7 billion, 4.9% and 2.3% higher year-on-year and for the first six months of 2017 respectively, as growth in mortgages was negated by contraction recorded in loans for purchase of securities and auto financing. Mortgage loans grew at a strong annualised rate of 14.1%, resulting in an improvement in domestic market share to 8.8% from 8.6% as at December 2016.

Retail deposits increased by 6.1% over the last one year and 0.9% from the end of 2016 to RM44.6 billion as at June 2017.

Group Business Banking recorded a 17.1% decrease in pre-tax profit to RM189.9 million in the first six months, mainly due to higher allowances for loans and financing and higher operating expenses. Net funding income and non-funding income remained relatively stable over the years.

Gross loans and financing expanded by an annualised rate of 8.4%, driven mainly by the SME portfolio growth. Market share for SME continued to improve to 8.9% as at June 2017 from 8.8% in December 2016.

Deposits remained relatively stable at RM22.0 billion from December 2016 and June 2016 respectively.

Group Wholesale Banking (“GWB”) recorded a pre-tax profit of RM874.7 million, an increase of 7.8% from the previous year corresponding period.

- (i) **Group Corporate and Investment Banking** registered a 26.5% decline in pre-tax profit to RM273.4 million on the back of lower net funding income and non-fund based income and higher loan loss impairment.

Gross loans and financing remained relatively flat in the first half of the year at RM46.2 billion as new drawdowns were offset by few large corporate repayments.

Deposits increased by 7.2% in the first six months, largely contributed by 4.3% growth in fixed deposits and 23.8% in current account. On a year-on-year basis, deposits remained relatively stable at RM56.5 billion as growth in current deposits was negated by contraction in fixed deposits.

- (ii) **Group Treasury and Global Markets** recorded a strong 36.9% growth in pre-tax profit to RM601.3 million in the first six months, mainly due to higher net funding income and higher impairment write-back on loans, partially offset by lower net foreign exchange gain.

Singapore Bank operations recorded a pre-tax loss of SGD30.9 million compared to a pre-tax loss of SGD60.6 million in the previous year’s corresponding period. Losses in both periods were attributed to impairment losses made on corporate bonds and loans relating substantially to the oil and gas industry, lower net and non-fund based income, partially offset by lower operating expenses. Singapore loans and advances remained relatively stable at SGD4.0 billion in the first six months, but deposits decreased by 8.1% to SGD5.5 billion over the same period, largely attributable to decrease in fixed deposits which was a conscious decision in view of surplus liquidity position, partially offset by growth in current account.

International Business excluding Singapore registered a pre-tax profit of RM22.0 million in the first six months, 1.6% higher compared to a year ago. This was mainly due to improved profitability in Cambodia and Lao, partially negated by losses recorded in Thailand.

RHB Group’s Islamic business recorded a robust 28.3% growth in pre-tax profit to RM252.6 million for the first half of 2017. This was mainly due to higher net fund based income and lower impairment losses on financing, partially offset by higher operating expenses.

Gross financing grew by 12.3% over the first six months to RM38.3 billion, outpacing the industry growth rate of 4.5%. Islamic financing now contributes 27.3% to the Group’s total domestic gross loans and financing, up from 24.8% as at 31 December 2016. Asset quality of RHB Islamic continued to improve to 1.01% from 1.15% as at December 2016.

Interim Dividend

In line with our commitment to reward shareholders, the Board of Directors has declared an interim single tier dividend of 5 sen per share totalling RM200.5 million, representing a dividend payout ratio of 20.0%.

Conclusion

Malaysia's real GDP recorded a robust growth of 5.8% year-on-year in the second quarter of 2017, up from 5.6% in the first quarter, on the back of stronger external activities and private consumption. Real GDP for the year is forecast to grow at 5.3%, up from 4.2% recorded in 2016 on the back of continued expansion in exports, albeit at a moderate pace, pick up in domestic demand and increase in public spending and investments.

The Malaysian banking sector is expected to see signs of modest growth, underpinned by moderate increase in lending to household sector and recovery in business loans. A rebound in the capital market activities and the return of investors' interest are expected to contribute to an improved outlook for non-funding income.

"We achieved two consecutive quarters of sustained profitability. Our overall loans growth picked up in the second quarter, compared to the first quarter. Combined with our ability to manage funding cost, our net interest margin has improved. Despite the challenges in asset quality, first-half earnings and performance demonstrated our ability to capture opportunities across our businesses and effectively manage costs. As we move into the second half of the year, we see stronger pipeline in the investment banking front, and our balance sheet remains strong", commented Dato' Khairussaleh Ramli, Group Managing Director of RHB Banking Group.

The Group will continue to pursue growth in selective market segments while also effectively managing asset quality and enhancing productivity. The Group expects to deliver a better performance this year and is on track to achieve its long term objectives.

Key Financial Highlights

Financial Performance (RM'000)	6 Months Ended 30 June 2017	6 Months Ended 30 June 2016
Operating profit before allowances	1,589,144	1,616,156
Profit before taxation	1,312,187	1,224,811
Profit attributable to equity holders of the Company	1,001,240	915,054
Earnings per share (sen)	25.0	24.7
Balance Sheet (RM'000)	As at 30 June 2017	As at 31 December 2016
Gross loans, advances and financing	156,573,245	154,469,396
Gross impaired loans, advances and financing ratio (%)	2.29%	2.43%
Deposits from customers	165,788,731	165,636,253
Total assets	233,041,855	236,678,829
Equity attributable to equity holders of the Company	22,565,547	21,744,778
Net assets per share (RM)	5.63	5.42

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 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, Singapore Business Operations, Group Shariah Business, Group International Business and Group Insurance. Group Wholesale Banking comprises Corporate Banking, Investment Banking, Client Coverage, Group Treasury and Global Markets, Asset Management and Private Equity. All the seven business pillars are offered through RHB Bank Berhad and 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, Vietnam, Lao PDR and Myanmar. It is RHB Banking Group's aspiration to continue to deliver superior customer experience and shareholder value; and to be recognised as a Leading Multinational Financial Services Group.

APPENDIX

Significant Events/Corporate Development

1. Proposed Establishment of a Share Grant Scheme for Eligible Employees and Executive Directors of the Bank and its subsidiaries (“Proposed SGS”)

The Bank had on 26 August 2016 announced that it proposed to establish and implement a share grant scheme of up to 5% of the issued and paid-up share capital of the Bank (excluding treasury shares, if any) at any point in time during the duration of the Proposed SGS for employees and Executive Directors of the Bank and its subsidiaries (excluding subsidiaries which are dormant) who fulfil the eligibility criteria (“Eligible Employees”).

The Proposed SGS is to allow the Bank to award the grant of ordinary shares of RM1.00 each in the Bank (“RHB Bank Share(s)”) (“Grant(s)”) to be vested in selected Eligible Employees (“Selected Employees”) for the attainment of identified performance objectives. The Proposed SGS serves to attract, retain, motivate and reward valuable Eligible Employees.

The Proposed SGS shall be in force for a period of eight (8) years commencing from the effective date of implementation of the Proposed SGS, being the date of full compliance with all relevant provisions of the Main Market Listing Requirements of Bursa Securities in relation to the Proposed SGS.

The Proposed SGS is subject to approvals being obtained from the following:

- (i) Bursa Securities, for the listing of the new RHB Bank Shares to be issued pursuant to the Proposed SGS on the Main Market of Bursa Securities;
- (ii) Bursa Malaysia Depository Sdn Bhd for the transfer of existing RHB Bank Shares from the Trustee to the Grantees pursuant to the Proposed SGS at any point in time during the duration of the Proposed SGS, if required;
- (iii) Bank Negara Malaysia (“BNM”) for the increase in the issued and paid-up share capital of the Bank pursuant to the Proposed SGS;
- (iv) shareholders of the Bank at an extraordinary general meeting (“EGM”) to be convened; and
- (v) any other relevant authorities/parties, if required.

The Proposed SGS is not conditional or inter-conditional upon any other corporate exercise/scheme by the Bank.

BNM has, vide its letter dated 4 October 2016, approved the application by the Bank for the increase of up to 5% of its issued and paid-up ordinary share capital arising from the issuance of new RHB Bank Shares under the Proposed SGS.

Bursa Securities has, vide its letter dated 15 December 2016, approved the listing of and quotation for the new RHB Bank Shares to be issued pursuant to the Proposed SGS subject to certain conditions. Bursa Securities had also vide its letter dated 5 January 2017, granted the Bank an extension of time until 28 April 2017 to comply with Paragraph 9.33(1)(b) of the Main Market Listing Requirements of Bursa Securities.

On 11 April 2017, the Bank has submitted applications to Bursa Securities for further extension of time. Bursa Securities had on 21 April 2017 granted the Bank the extension of time until 29 December 2017 to implement the Proposed SGS, and further extension of time from 28 April 2017 to 14 December 2017 to comply with Paragraph 9.33(1)(b) of the Main Market Listing Requirements of Bursa Securities.