

# Analysts Presentation

## First Half 2017 Financial Results

Dato' Khairussaleh Ramli  
Group Managing Director  
RHB Banking Group  
29 August 2017



# AGENDA

**Executive Summary**

**H1 2017 Financial Results**

**Strategy Update**

**Summary and Outlook**



# Highlights of H1 2017 Performance (1/2)

## Profitability

- ◆ First half 2017 net profit at RM1,001.2 million, 9.4% higher y-o-y
- ◆ Earnings improvement mainly due to higher net funding income and lower impairment losses on other assets, partially offset by lower non-fund based income, higher overheads and higher loan loss impairment
  - NIM improved from active balance sheet and prudent funding cost management
- ◆ Operating expenses tightly managed, up 1.9%. Cost-to-income ratio improved to 49.3% from 50% for financial year 2016
- ◆ Annualised ROE at 9.1%

## Assets and Liabilities

- ◆ Gross loans and financing grew by 3.2% y-o-y and 1.3% q-o-q to RM156.6 billion driven by mortgages and SME, partially offset by corporate repayments
- ◆ Customer deposits increased by 1.1% y-o-y to RM165.8 billion, although remained stable from December 2016
  - Total CASA registered a strong growth of 13.5% y-o-y, outpacing industry growth
  - CASA composition improved to 27.9% as at 30 June 2017 from 25.6% recorded in December 2016
- ◆ Gross impaired loans ratio improved to 2.29% from 2.43% in December 2016

# Highlights of H1 2017 Performance (2/2)

## Business Performance

- ◆ Higher profitability in **Group Treasury & Global Market** mainly due to higher net funding income and higher impairment write-back on loans, partially offset by lower net FX gain
- ◆ **Retail Banking** - Mortgage loans and financing grew by 14.1% on annualised basis
  - Margin compression from competition and lower non-fund based income contributed to lower profitability
- ◆ **Business Banking** - SME lending increased by 8.4% annualised, with market share increasing to 8.9% as at June 2017
  - Higher loan impairment arising from LGD refresh affected profitability
- ◆ Higher brokerage and wealth management fee income in **Investment Banking** was negated by higher provision on margin accounts from overseas business
- ◆ **Singapore** affected by impairment on corporate bond in oil and gas industry, and additional impairment on certain corporate accounts that have been classified as impaired in 2016
- ◆ **Islamic Banking business:**
  - Pre-tax profit increased by 28.3% year-on-year
  - Islamic Financing represented 27.3% of the Group's total domestic gross loans and financing, up from 24.8% as at December 2016

## Capital and Liquidity

- ◆ Capital position of RHB Bank Group (after proposed FY2017 interim dividend) remained strong with CET I ratio at 13.4%, Tier I ratio at 13.6% and total capital ratio at 17.0%
- ◆ Strong liquidity and funding position

## Dividend

- ◆ Proposed interim dividend of 5 sen per share for FY2017, representing 20% payout based on H1 FY 2017 results

# Corporate & Strategy Updates

## Board and Management Changes

### Board

- ◆ Ms Ong Ai Lin appointed as Independent Non-Executive Director
  - Member of the Board Audit Committee and Board Nominating & Remuneration Committee
  - Former Partner/Senior Executive Director of PwC
  - Over 30 years of experience in Business Continuity Management, Information Security, Cybersecurity, Technology Risk and Governance, and Data Privacy
  - Awarded Best Certified Business Continuity Professional in Malaysia in year 2012 by Disaster Recovery Institute International

### Senior Management

- ◆ En Abdul Sani bin Abdul Murad appointed as Group Chief Marketing Officer
  - Responsible for both corporate and product branding and marketing across the Group
  - 19 years of marketing experience in Unilever and HSBC
  - Awarded a Marketing Distinction by Marketing Magazine in year 2013

## IB Optimisation

- ◆ 24 July 2017 - Transfer of Treasury Business and Structured Lending Business from RHB Investment Bank to RHB Bank completed
- ◆ Rationale:
  - To optimise the operations of RHB Group and to achieve business and operational synergies, economies of scale in resource utilisation and cost savings
  - To enable the business units to leverage on the established clientele base and resources of RHB Bank
  - To achieve a more efficient capital structure
- ◆ RHB Investment Bank is in the process of implementing the proposed capital repayment, target completion by end September 2017

# RHB Banking Group Scorecard For 2017

Top Level Indicators	Target 2017	Actual H1 2017
ROE	9% - 10%	9.1% <sup>N1</sup>
Loans Growth	5%	3.2% <sup>N2</sup>
CASA Growth	8%	13.5% <sup>N2</sup>
Gross Impaired Loans Ratio	< 2.5%	2.29%
Cost to Income Ratio	< 50%	49.3%
Overseas Profit Contribution	10%	-8%

*N1: Annualised*

*N2: Year-on-year growth*

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# Improved profits and healthy balance sheet; Results affected by increased allowances for loan and asset impairment though magnitude has moderated

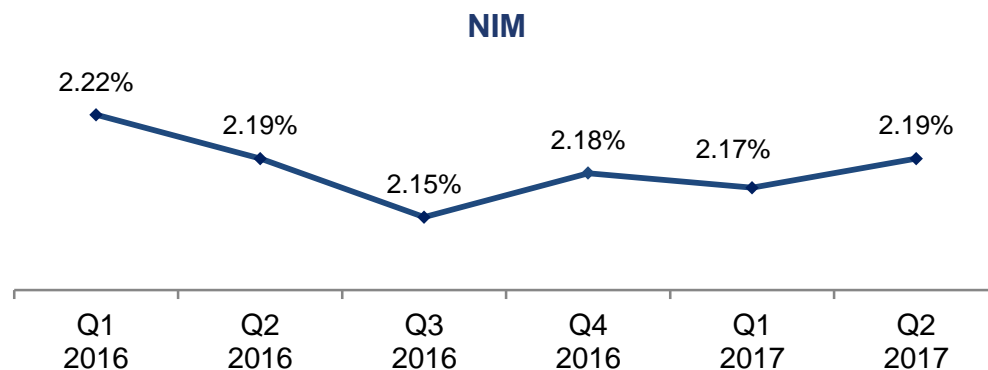
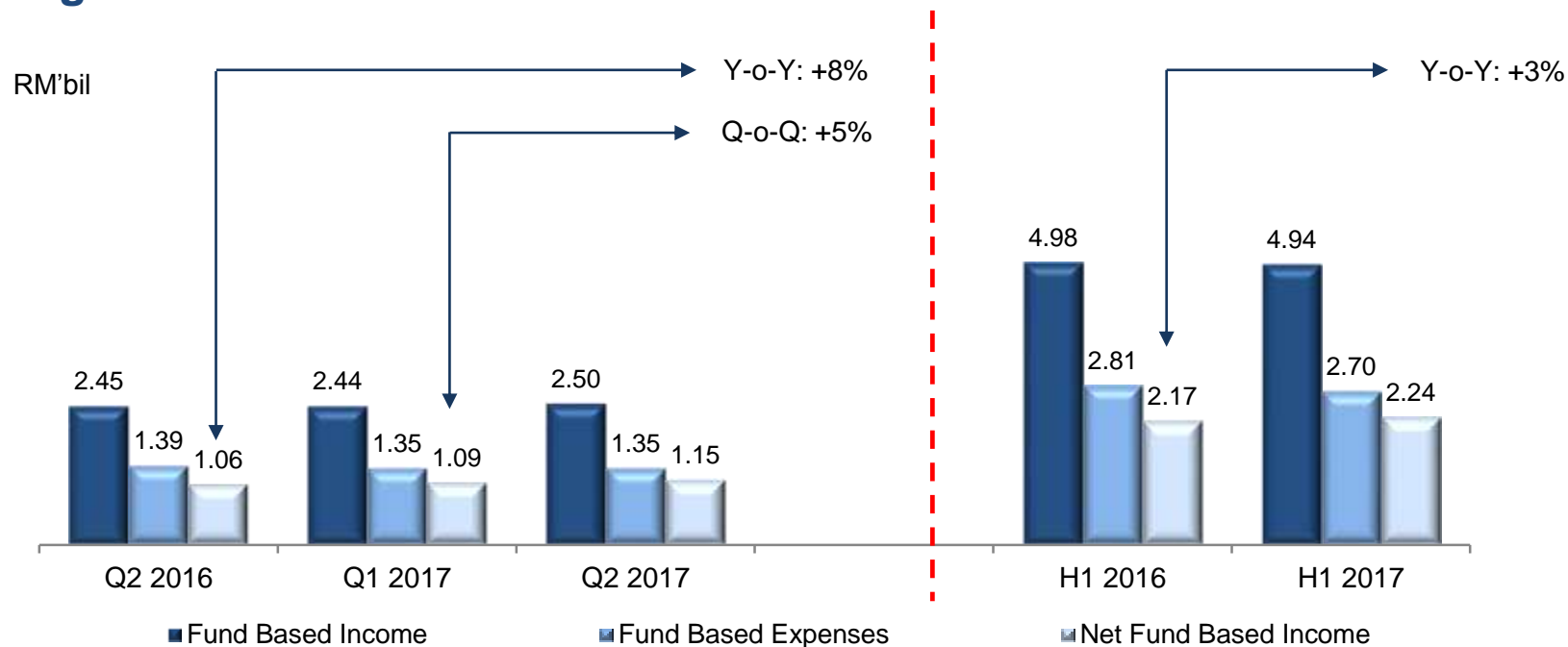
Financial Position		Financial Results		Key Financial Ratios	
<b>Total Assets</b>  -2%  Jun 2017: RM233.0 B Dec 2016: RM236.7 B	<b>Gross Loans</b>  +1%  Jun 2017: RM156.6 B Dec 2016: RM154.5 B	<b>Total Income</b>   H1 2017: RM3.13 B H1 2016: RM3.13 B	<b>Operating Profit Before Allowances</b>  -2%  H1 2017: RM1.59 B H1 2016: RM1.62 B	<b>ROE <sup>N1</sup></b>  -0.4%  H1 2017: 9.1% H1 2016: 9.5%	<b>Non Interest Income / Total Income</b>  -2.2%  H1 2017: 28.6% H1 2016: 30.8%
<b>Customer Deposits</b>   Jun 2017: RM165.8 B Dec 2016: RM165.6 B	<b>CASA</b>  +9%  Jun 2017: RM46.2 bil Dec 2016: RM42.5 bil	<b>Profit Before Tax</b>  +7%  H1 2017: RM1.31 B H1 2016: RM1.22 B	<b>Net Profit to Shareholders</b>  +9%  H1 2017: RM1.00 B H1 2016: RM0.92 B	<b>Cost to Income Ratio</b>  +0.9%  H1 2017: 49.3% H1 2016: 48.4%	<b>Gross Impaired Loans Ratio</b>  -0.14%  Jun 2017: 2.29% Dec 2016: 2.43%
<b>Shareholders' Equity</b>  +4%  Jun 2017: RM22.6 B Dec 2016: RM21.7 B	<b>Net Assets Per Share</b>  +4%  Jun 2017: RM5.63 Dec 2016: RM5.42	<i>N1 Annualised</i> <i>N2 Including Regulatory Reserve</i>		<b>Credit Charge Ratio <sup>N1</sup></b>  +0.03%  H1 2017: 0.21% H1 2016: 0.18%	<b>Loan Loss Coverage Ratio <sup>N2</sup></b>  +6.7%  Jun 2017: 81.4% Dec 2016: 74.7%



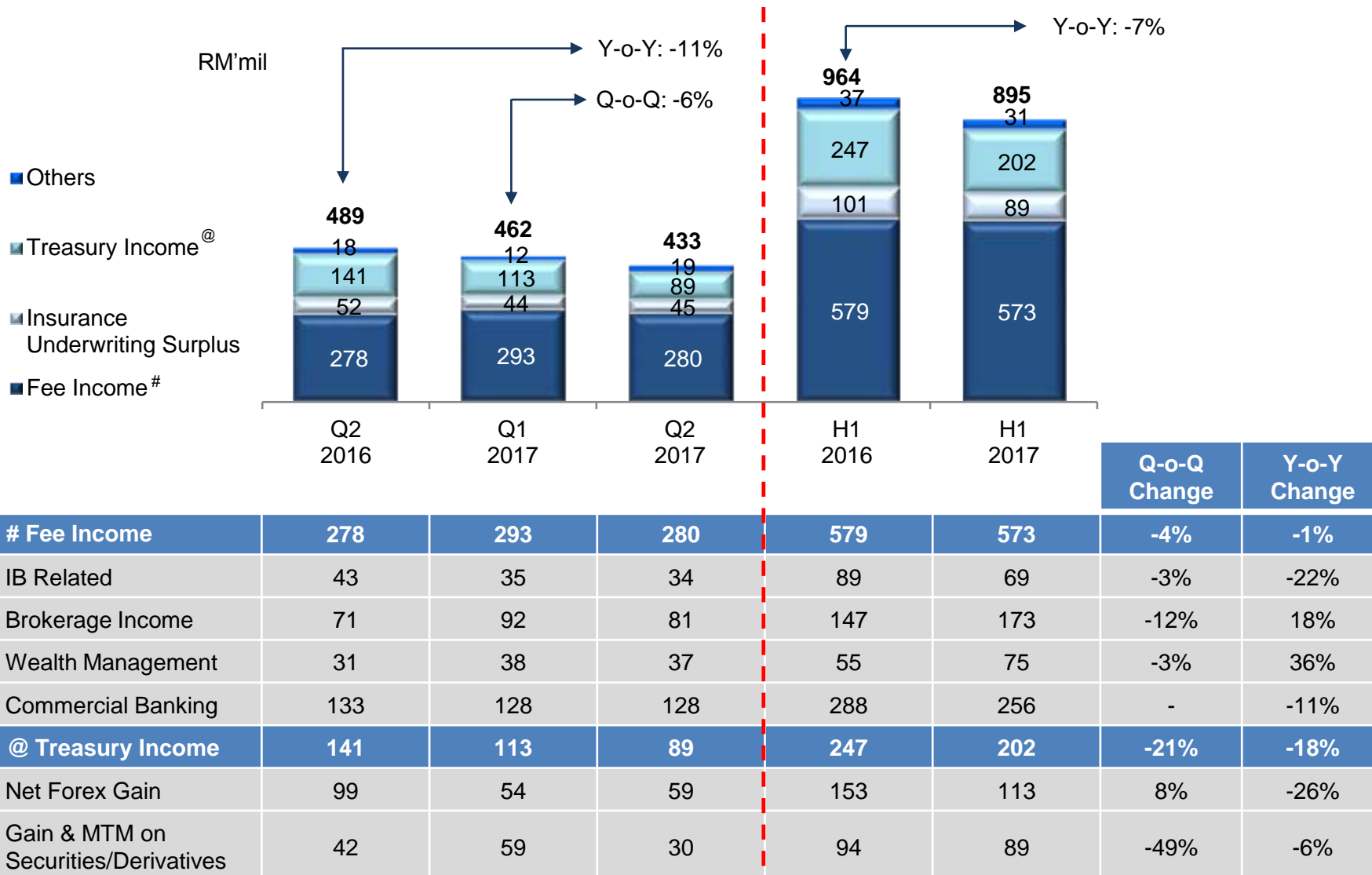
## Y-o-Y profits underpinned by higher fund based income and lower one-off impairment; Profit for Q-o-Q flat, impacted by one-off impairment loss

	Q2 2017	Q1 2017	Q2 2016	Q-o-Q Change %	Y-o-Y Change %	H1 2017	H1 2016	Y-o-Y Change %
RM'mil								
Net Interest Income	886	851	853	4	4	1,737	1,744	-
Net Islamic Fund Base Income	260	242	210	7	24	502	425	18
<b>Total Net Fund Based Income (A)</b>	<b>1,146</b>	<b>1,093</b>	<b>1,063</b>	<b>5</b>	<b>8</b>	<b>2,239</b>	<b>2,169</b>	<b>3</b>
Other Operating Income	397	448	460	-11	-14	845	918	-8
Islamic Non-Fund Based Income	36	14	29	>100	24	50	46	9
<b>Total Non Fund Based Income (B)</b>	<b>433</b>	<b>462</b>	<b>489</b>	<b>-6</b>	<b>-11</b>	<b>895</b>	<b>964</b>	<b>-7</b>
<b>Total Income (A+B)</b>	<b>1,579</b>	<b>1,555</b>	<b>1,552</b>	<b>2</b>	<b>2</b>	<b>3,134</b>	<b>3,133</b>	<b>-</b>
Operating Expenses	-784	-761	-770	3	2	-1,545	-1,517	2
<b>Operating Profit Before Allowances</b>	<b>795</b>	<b>794</b>	<b>782</b>	<b>-</b>	<b>2</b>	<b>1,589</b>	<b>1,616</b>	<b>-2</b>
Allowances for Loan Impairment	-33	-132	-60	-75	-45	-165	-140	18
Impairment Losses Made on Other Assets	-108	-4	-252	>100	-57	-112	-252	-56
<b>Pre-tax Profit</b>	<b>654</b>	<b>658</b>	<b>470</b>	<b>-1</b>	<b>39</b>	<b>1,312</b>	<b>1,225</b>	<b>7</b>
<b>Net Profit</b>	<b>501</b>	<b>500</b>	<b>350</b>	<b>-</b>	<b>43</b>	<b>1,001</b>	<b>915</b>	<b>9</b>

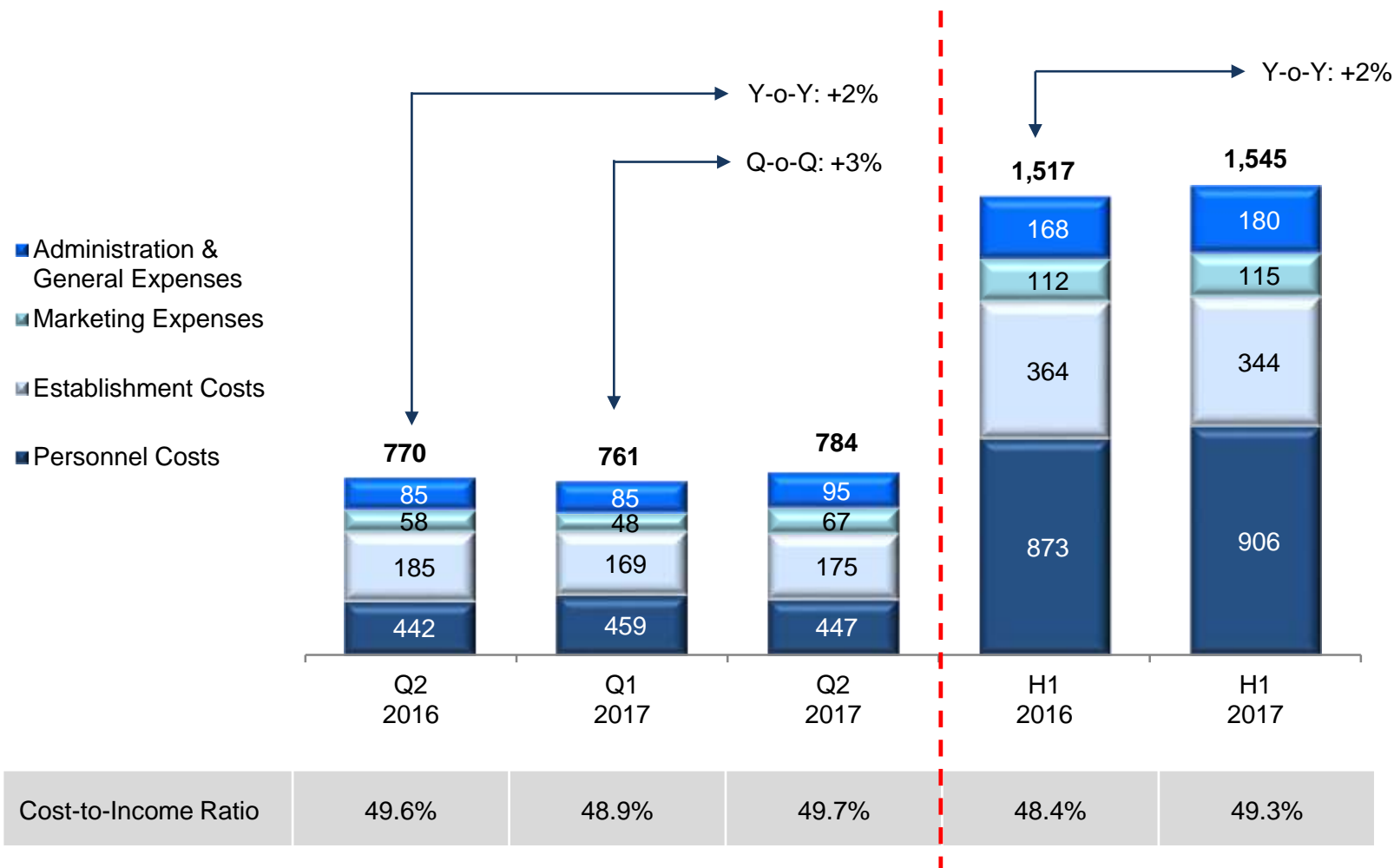
# Net fund based income rose, supported by loans growth and improved margin contributed by savings from more prudent funding cost management



# Lower non-fund based income contributed largely by lower net fx gain and fee income from loan and loan related exposure, partially offset by increases in net wealth management fee income and brokerage income



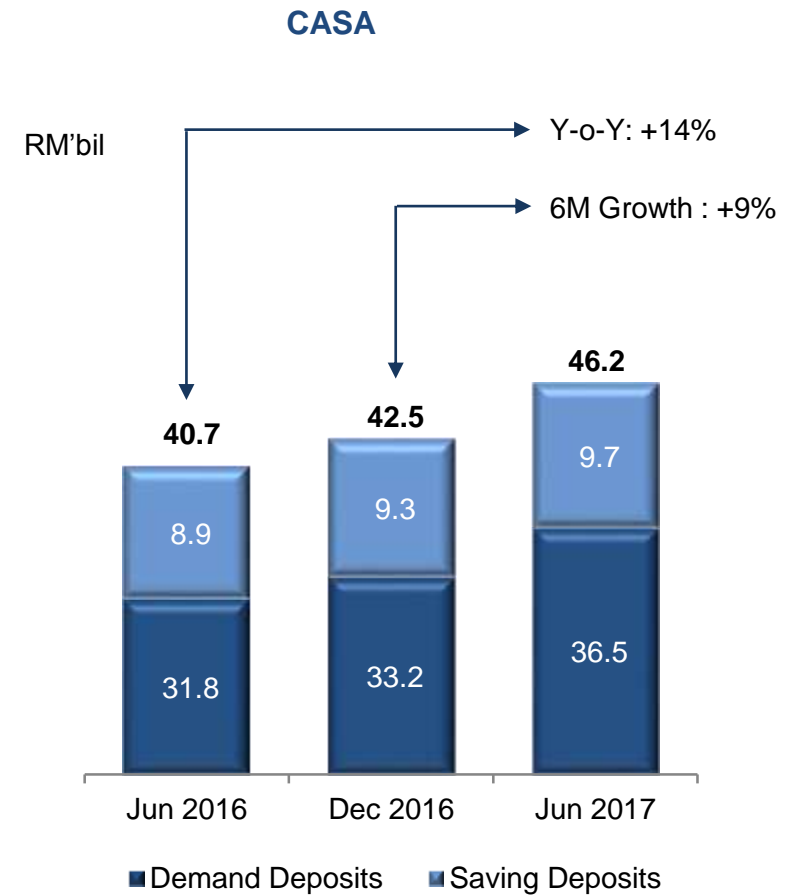
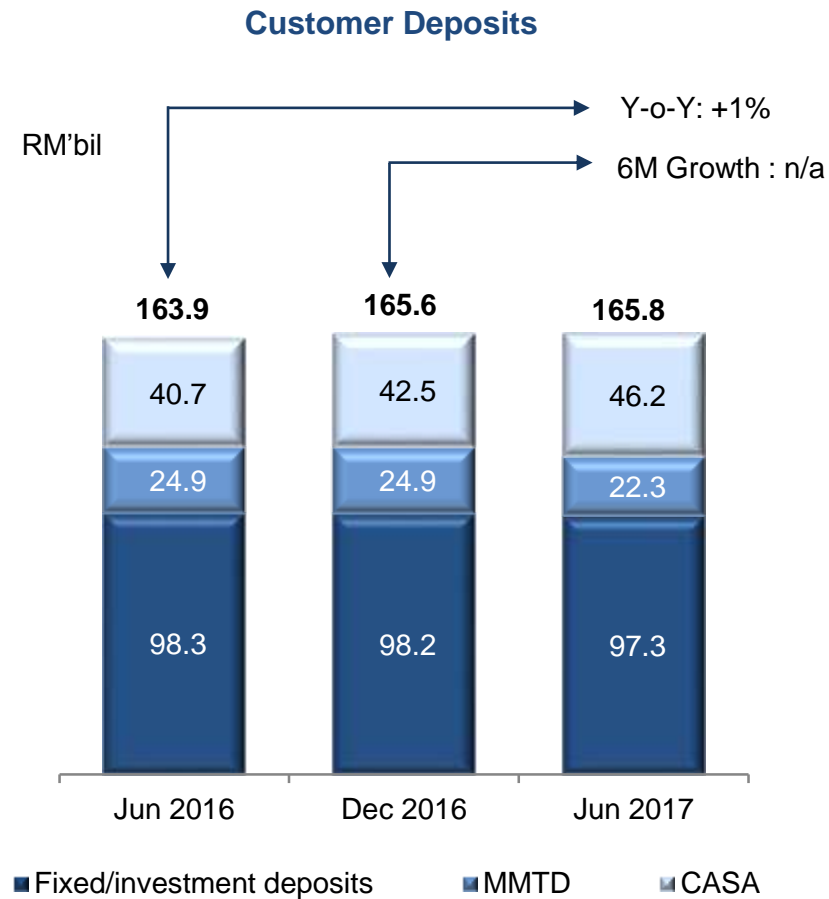
# Operating expenses well-contained, up 3% Q-o-Q and 2% Y-o-Y; increase is from higher personnel cost and IT-related expenses as the Group continued to invest into technology infrastructure and capabilities



## Loans growth driven by mortgage and SME; Corporate loans showing a rebound from contraction in Q1 2017

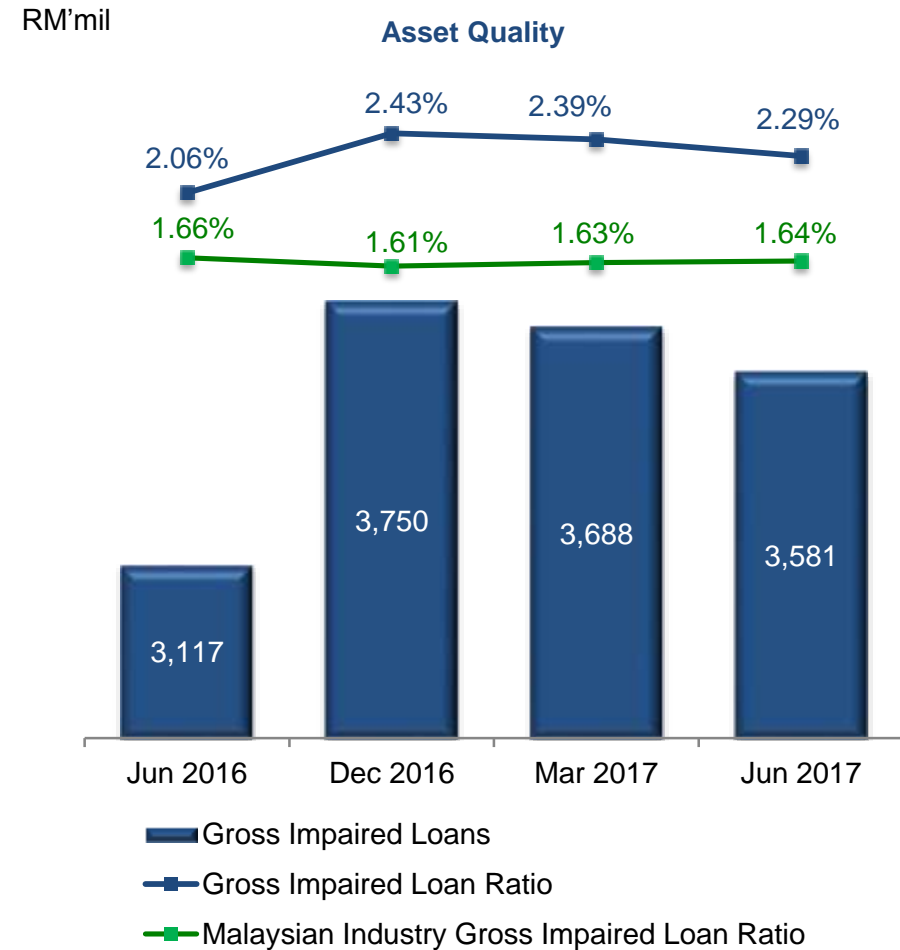
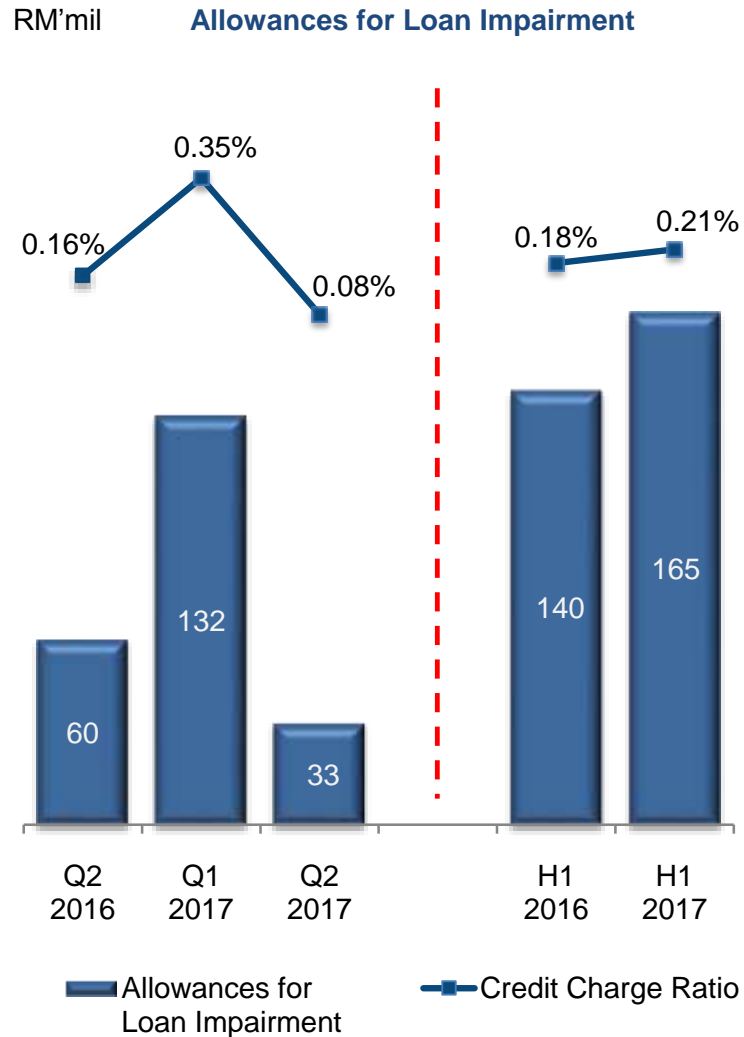
RM'mil	Jun 2017	Mar 2017	Q-o-Q Change %	Dec 2016	YTD Change %
<b>GROUP RETAIL</b>	<b>71,725</b>	<b>70,483</b>	<b>2</b>	<b>70,138</b>	<b>2</b>
<i>Mortgage</i>	43,372	41,989	3	40,509	7
<i>Commercial Property Financing</i>	4,605	4,585	-	4,550	1
<i>Securities</i>	7,774	8,016	-3	8,952	-13
<i>Auto Finance</i>	8,070	8,248	-2	8,504	-5
<i>Unsecured Business</i>	7,103	6,834	4	6,793	5
<i>Others</i>	801	811	-1	830	-3
<b>GROUP BUSINESS BANKING</b>	<b>22,933</b>	<b>22,409</b>	<b>2</b>	<b>22,013</b>	<b>4</b>
<i>SME</i>	20,933	20,440	2	20,097	4
<i>Commercial</i>	2,000	1,969	2	1,916	4
<b>GROUP WHOLESALE BANKING</b>	<b>45,412</b>	<b>44,372</b>	<b>2</b>	<b>45,471</b>	<b>-</b>
<b>TOTAL RHB DOMESTIC</b>	<b>140,070</b>	<b>137,264</b>	<b>2</b>	<b>137,622</b>	<b>2</b>
<b>OVERSEAS OPERATIONS</b>	<b>16,503</b>	<b>17,228</b>	<b>-4</b>	<b>16,847</b>	<b>-2</b>
<i>Singapore</i>	12,586	13,165	-4	13,026	-3
<i>Others</i>	3,917	4,063	-4	3,821	3
<b>TOTAL RHB GROUP</b>	<b>156,573</b>	<b>154,492</b>	<b>1</b>	<b>154,469</b>	<b>1</b>

# Healthy deposits growth driven by CASA, further improving the Group's CASA composition



Composition	24.8%	25.6%	27.9%
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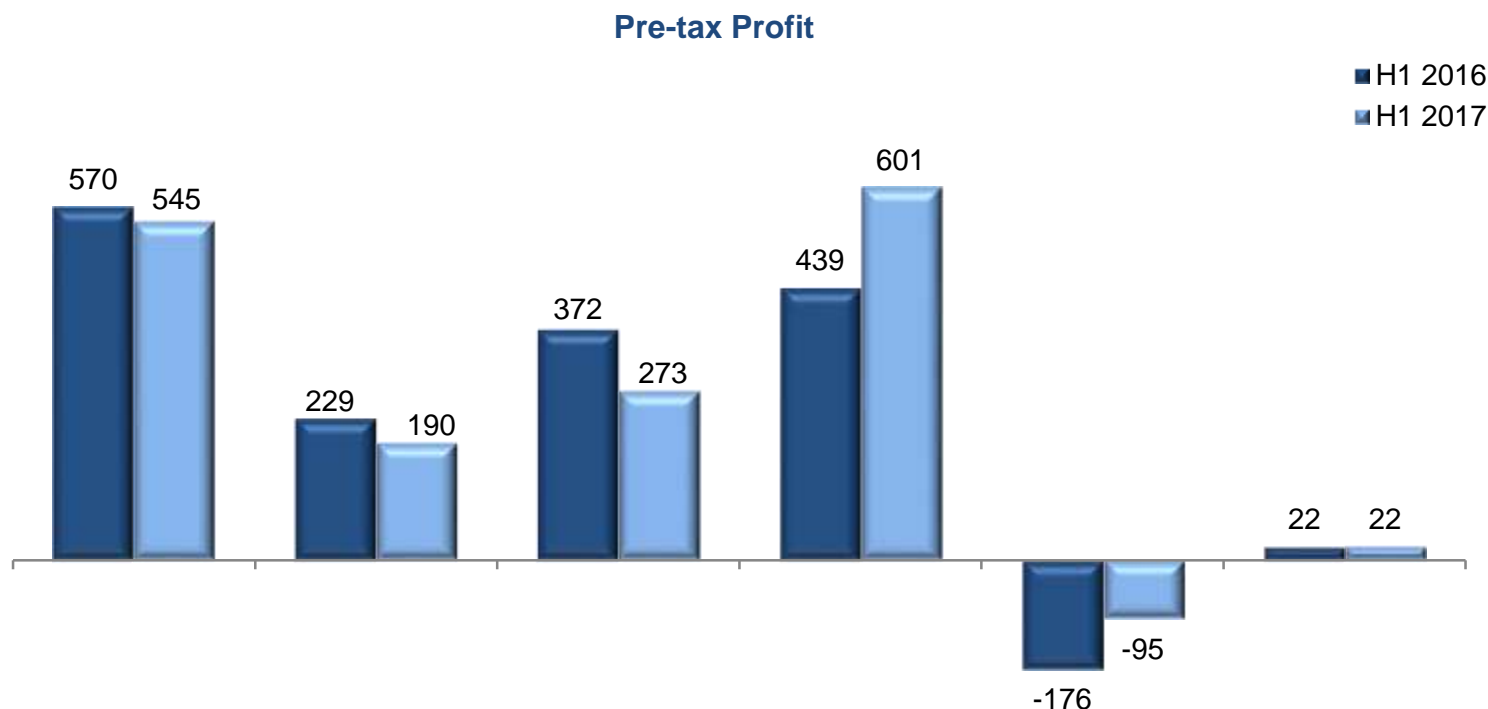
# Asset quality actively managed with improving loan loss coverage



Loan Loss Coverage <sup>N1</sup>	79.2%	74.7%	77.8%	81.4%
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N1: Inclusive of 1.2% regulatory reserve

Treasury recorded better profitability while margin compression and lower non-fund based income affected Retail and CBIB; Higher loan impairment allowances resulted in lower profit at BBG; Singapore impacted by impairments in oil and gas sector

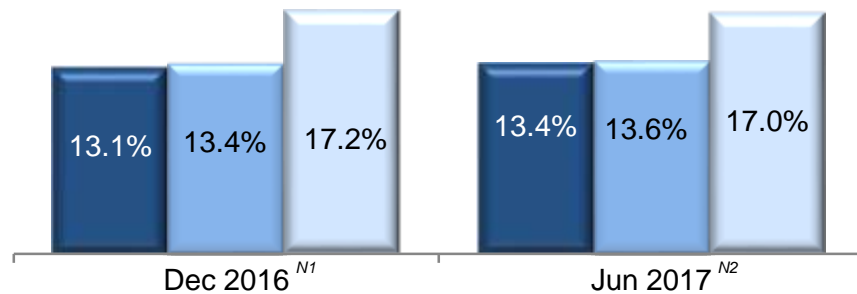


Business Unit	Retail	BBG	Wholesale Banking		GIB	
			CBIB	Treasury	Singapore	Others
Y-o-Y Growth	↓4%	↓17%	↓27%	↑37%	↑46%	↑2%



# Capital adequacy of Group and key banking subsidiaries remain strong

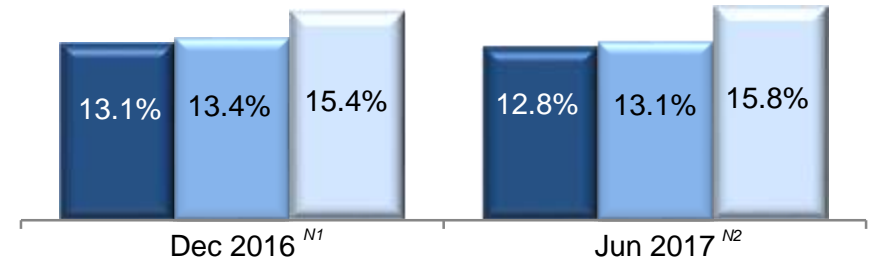
## RHB Bank Group



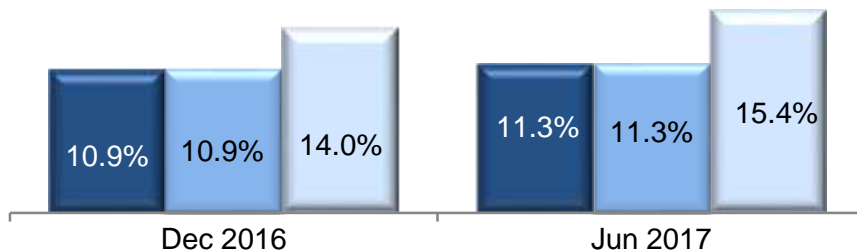
*N1 Ratios are after FY2016 proposed final dividend*

*N2 Ratios are after FY2017 interim dividend*

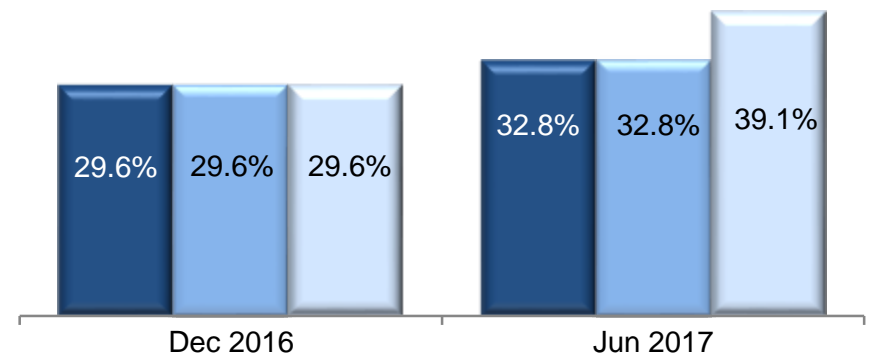
## RHB Bank



## RHB Islamic Bank

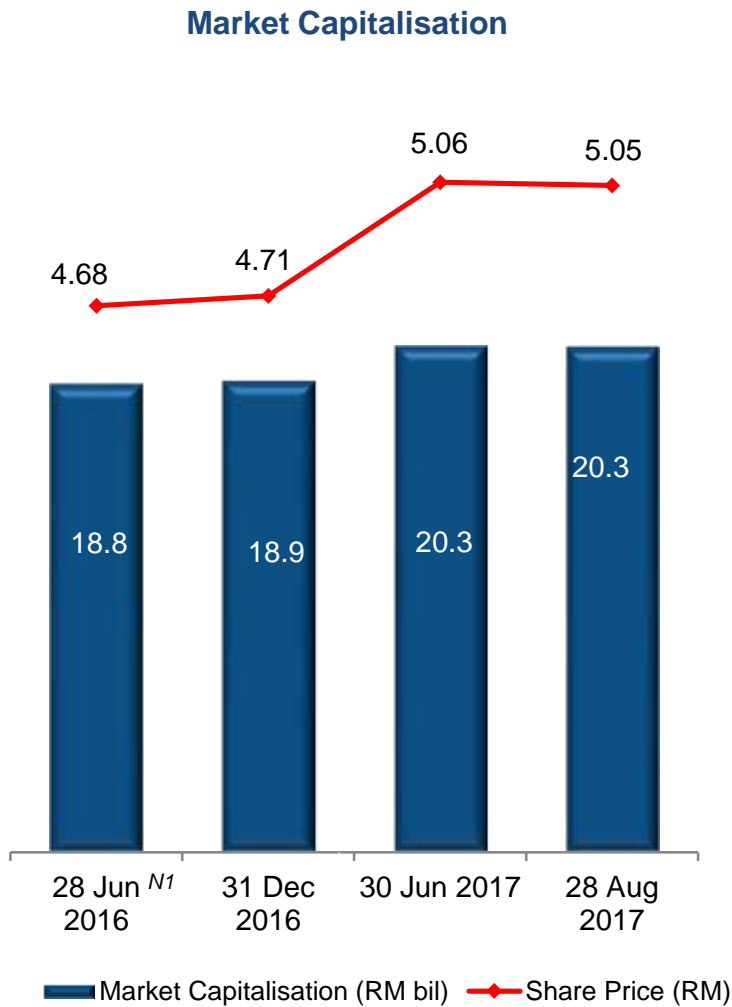


## RHB Investment Bank

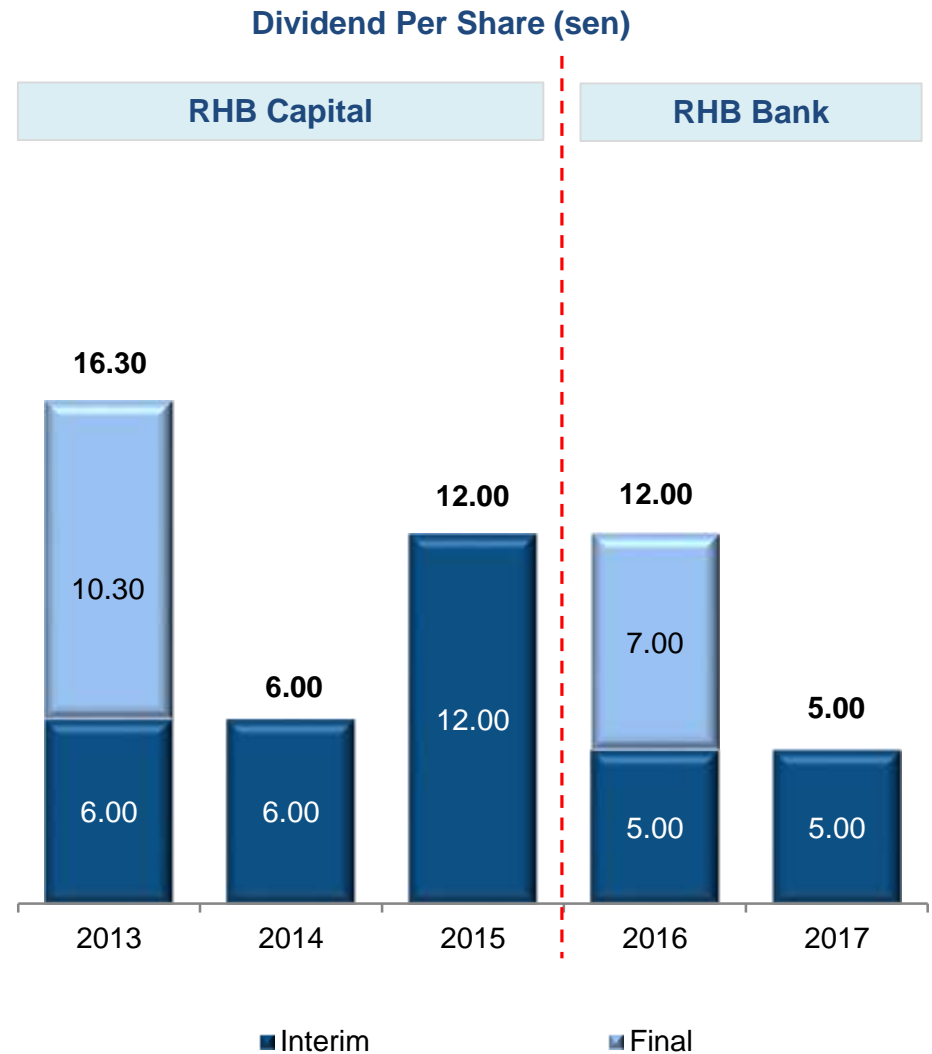


■ CET 1 Capital    ■ Tier 1 Capital    ■ Total Capital

# Declared interim cash dividend of 5 sen per share, representing 20% dividend payout



<sup>N1</sup>: Listing of RHB Bank shares at opening price of RM4.68



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# Key updates on the progress of IGNITE 2017 (1/3)

Initiative	Objective / Target	Achievement
<b>Affluent segment strategy</b>	<ul style="list-style-type: none"> <li>• Relaunch Premier Banking with enhanced value proposition, services and offerings</li> <li>• Expand and capture affluent customer base by penetrating SME owners &amp; Corporate C-suites</li> </ul>	<ul style="list-style-type: none"> <li>◆ Since the launch of the new value proposition in July 2016:                             <ul style="list-style-type: none"> <li>– Affluent AUM grew by 15.2%</li> <li>– Premier Banking customer base grew by 38% and SME owners contributed 36% of the total Premier Banking base</li> <li>– Average productivity 140% above FY2017 target</li> </ul> </li> </ul>
<b>Mass Affluent segment strategy</b>	<ul style="list-style-type: none"> <li>• Increase segment base and profitability</li> <li>• Become the customer's main transaction bank</li> </ul>	<ul style="list-style-type: none"> <li>◆ Increased the Mass Affluent customer base by 5.2% in H1 2017 vs December 2016                             <ul style="list-style-type: none"> <li>– Grew Mass Affluent CASA customer base by 4.8% vs December 2016</li> </ul> </li> <li>◆ Smart Account was launched in March 2017 and successfully attracted digital savvy banking customers (7,867 active Smart Account as at June 2017)                             <ul style="list-style-type: none"> <li>– Average CASA balance is over 2.5 times higher than the conventional CASA customer</li> </ul> </li> </ul>
<b>Asset Management strategy</b>	Scale AUM growth through expansion of agency sales team and Group-wide collaboration	<ul style="list-style-type: none"> <li>◆ Retail AUM from funds distributed through the Agency Channel grew by 37% in the H1 2017 to RM1.5 billion while AUM from funds distributed through RHB Banking Group grew by 28% in the H1 2017 to RM1.8 billion</li> </ul>
<b>SME growth strategy</b>	Capture SME's end-to-end value chain by creating an integrated ecosystem	<ul style="list-style-type: none"> <li>◆ SME YTD loan growth of 3.6% vs industry of 1.7%</li> <li>◆ SME market share increased to 8.9% in June 2017 from 8.8% in 2016</li> <li>◆ RHB Cash Management (Reflex) registered a y-o-y subscriber growth of 14.8% with average current balance y-o-y growth of 9.1% as at Q2 2017</li> <li>◆ Approved RM 73.5 million facilities under Financial Supply Chain (FSC) financing YTD June 2017.</li> </ul>

# Key updates on the progress of IGNITE 2017 (2/3)

Initiative	Objective / Target	Achievement
Digital and payments	Build and develop a digital ecosystem to cater to our customers lifestyle needs	<ul style="list-style-type: none"> <li>♦ Launched initiatives to improve customers' online and mobile banking experience:                             <ul style="list-style-type: none"> <li>– Launched various payment solutions in the form of Mobile POS (MPOS), Samsung Pay, and Payment Gateway Tokenisation</li> <li>– Launched SME Web Portal for SMEs to allow for online application of business current account and business loan / financing</li> </ul> </li> <li>♦ Launched a groupwide digital transformation program – Digital.RHB focused on customer centric design, insights-driven servicing and collaborative culture. This is achieved through:                             <ul style="list-style-type: none"> <li>– <b>Redefining customer experience</b> by reimagining customer journey and improving our process, products and services that customers touch and interact with via digital technologies</li> <li>– <b>Leveraging on advanced analytics</b> to gain deep insights on customers to increase cross-selling potential and enhance customer's experience</li> <li>– <b>Establishing our own Digital Academy</b> which is currently transforming 100 of our staff to become digital leaders</li> <li>– <b>Adopting AGILE methodology</b> end to end to ensure integration between business, IT and other support functions to deliver innovation to the market in a timely manner</li> </ul> </li> </ul>

# Key updates on the progress of IGNITE 2017 (3/3)

Initiative	Objective / Target	Achievement	
CIB growth strategy	Boost returns via reinforcement of Client Coverage Model	<ul style="list-style-type: none"><li>◆ Increased product holding ratio for domestic top corporates to 5.09 in Q2 2017 from 4.97 in Q1 2017 through refined client coverage model</li><li>◆ Significant deals are as follows:</li></ul>	
DCM	 <p><b>DanaInfra Nasional Berhad</b> RM4.5 bil IMTN issuance out of RM46.0 bil ICP/IMTN Programme <i>Joint Lead Arranger &amp; Joint Lead Manager</i></p>  <p><b>Rukun Juang Sdn Bhd</b> RM993.0 mil issuance out of RM1.3 bil IMTN Programme <i>Sole Principal Adviser, Joint Lead Arranger &amp; Joint Lead Manager</i></p>	 <p><b>Pengurusan Air SPV Bhd</b> RM2.1 bil issuance out of RM20.0 bil IMTN Programme <i>Joint Lead Manager</i></p>  <p><b>Perbadanan Kemajuan Negeri Selangor</b> RM400.0 mil issuance out of RM1.7 bil ICP/IMTN Programme <i>Joint Lead Manager</i></p>	 <p><b>Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)</b> RM3.2 bil sukuk issuance out of RM25.0 bil Sukuk Murabahah Programme <i>Joint Lead Arranger &amp; Joint Lead Manager</i></p>
	ECM / M&A	 <p><b>Rohas Tecnic Berhad</b> RM251.9 mil Reverse take-over of Tecnic Group Berhad by Rohas-Euco Holdings Sdn Bhd <i>Principal adviser &amp; Placement Agent</i></p>	 <p><b>WCT Bhd</b> RM177.8 mil Primary Placement <i>Joint Bookrunner &amp; Joint Placement Agent</i></p>

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# Economic Outlook

- ◆ Malaysia's GDP is forecast to grow 5.3% in 2017, up from 4.2% recorded in 2016:
  - Robust GDP growth of 5.8% in second quarter y-o-y, up from 5.6% in first quarter
  - Continued expansion in exports, albeit at a moderate pace
  - Pick up in domestic demand
  - Increase in public spending and investments
- ◆ Interest rate expected to be stable, with OPR forecast to remain at 3.0% for the year
- ◆ 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



## Concluding Remarks

- ◆ The Group achieved two consecutive quarters of sustained profitability
- ◆ Our overall loans growth picked up in second quarter, compared to 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
- ◆ Our SME and Islamic banking portfolios have maintained their strong performance for the first half of 2017, whilst our CASA composition continues to strengthen
- ◆ The Group will continue to pursue growth in selective market segments while also effectively managing asset quality and enhancing productivity
- ◆ 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
- ◆ The Group expects to deliver a better performance this year compared to 2016

# THANK YOU

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**INVESTOR RELATIONS CONTACT:**

Mr. Syed Ahmad Taufik Albar  
Group Chief Financial Officer  
+(603) 9280 7090  
[taufik.albar@rhbgroupp.com](mailto:taufik.albar@rhbgroupp.com)



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**TOGETHER WE PROGRESS**



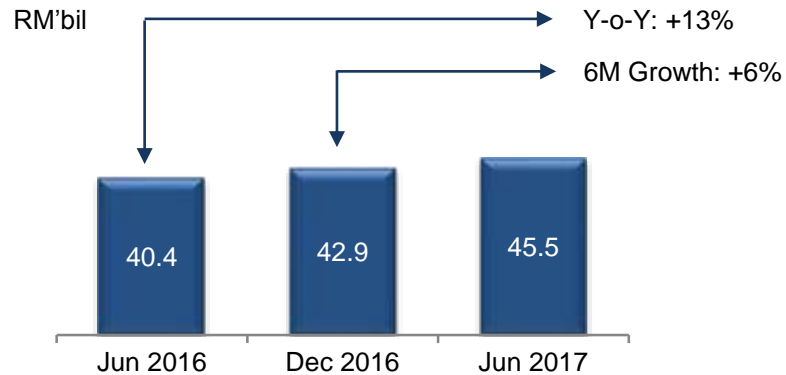
# APPENDIX

## Key Business Highlights



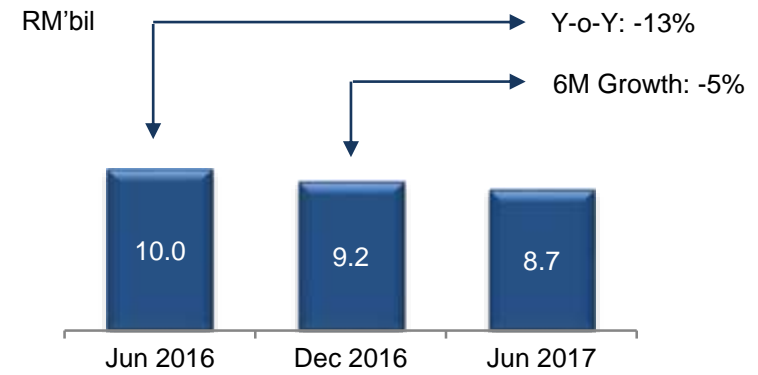
# Retail Banking

## Mortgage



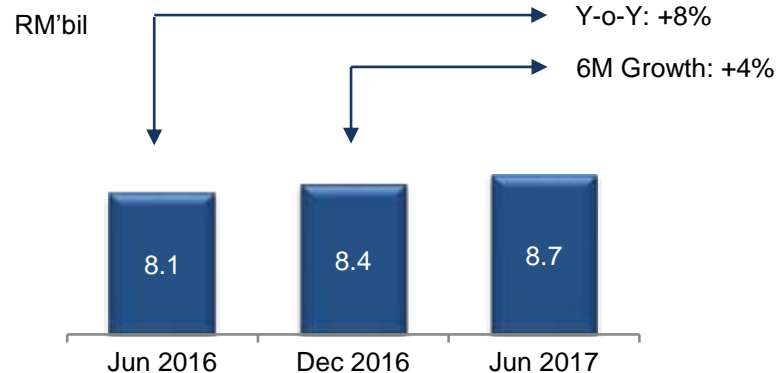
Market Share	8.4%	8.6%	8.8%
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## Auto Finance



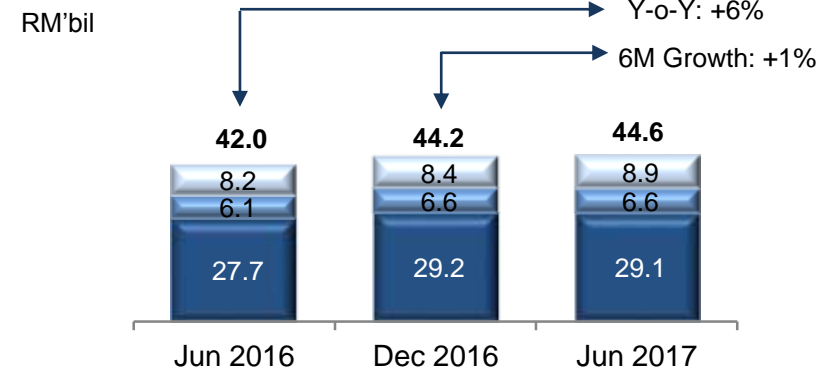
Market Share	5.9%	5.5%	5.1%
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## Personal Use



Market Share	9.3%	9.2%	9.7%
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## Deposits



Market Share	6.6%	6.8%	6.7%
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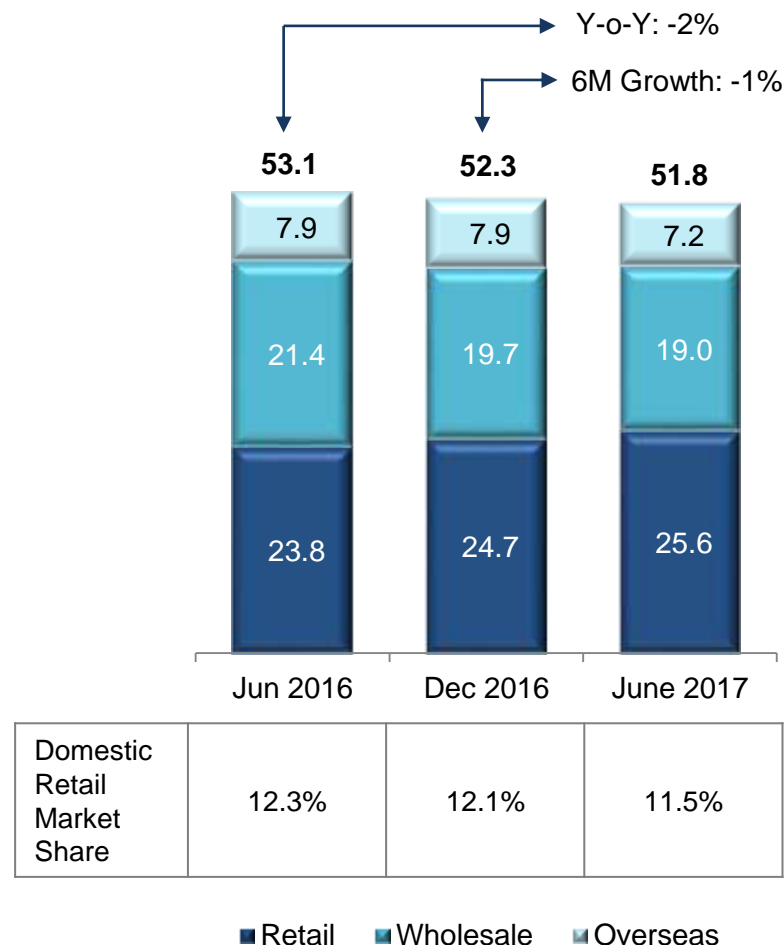
■ Fixed Deposits ■ Demand Deposits ■ Savings Deposits

# Investment Banking – Market Positions & Asset Management

	YTD Jun 2017	
	Market Share	Ranking
Equity: - By value - By volume	8.5% 12.4%	5 <sup>th</sup> 3 <sup>rd</sup>
Debt Capital Markets: - MYR sukuk  - Total MYR bonds (Conventional & Islamic bonds)	13.9%  10.9%	4 <sup>th</sup>  4 <sup>th</sup>
Mergers & Acquisitions: - by value - by deal count	20.2%  5 deals	3 <sup>rd</sup>  5 <sup>th</sup>
Equity Capital Markets	16.9%	2 <sup>nd</sup>

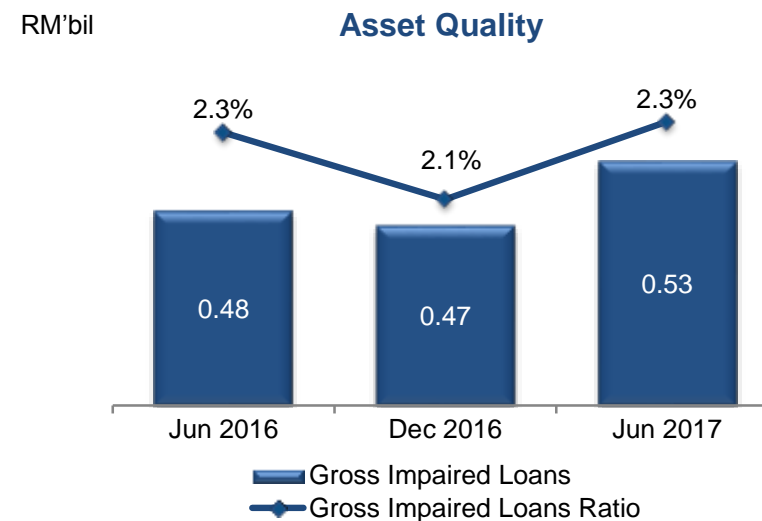
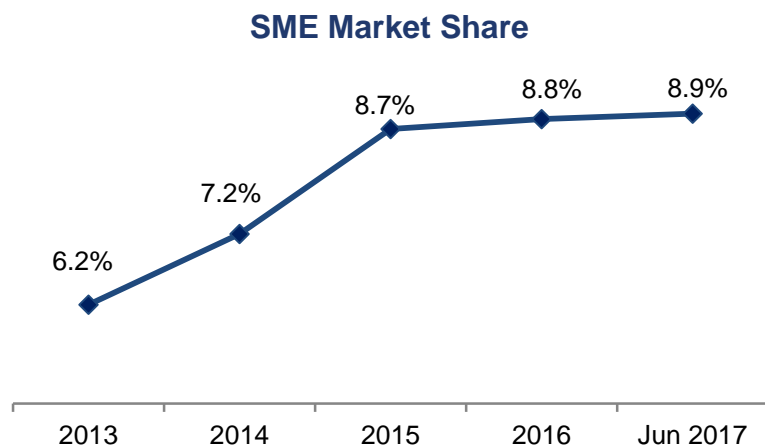
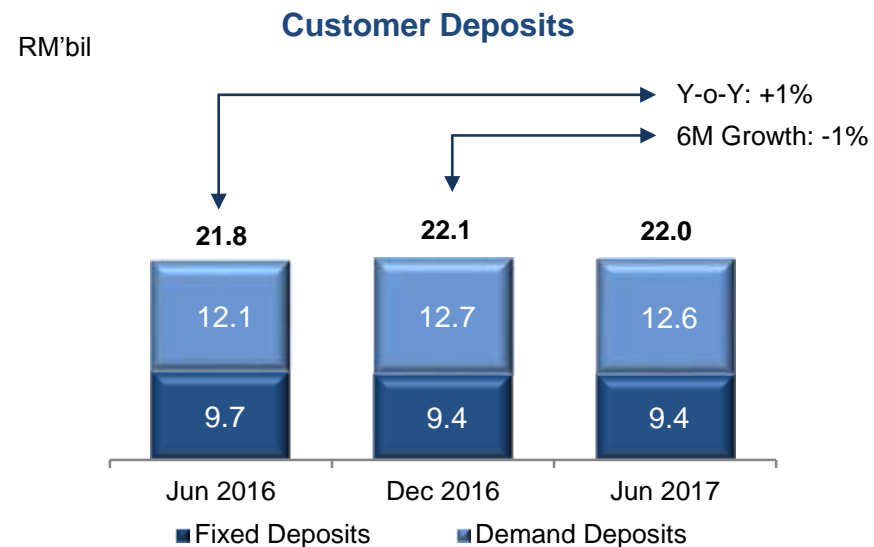
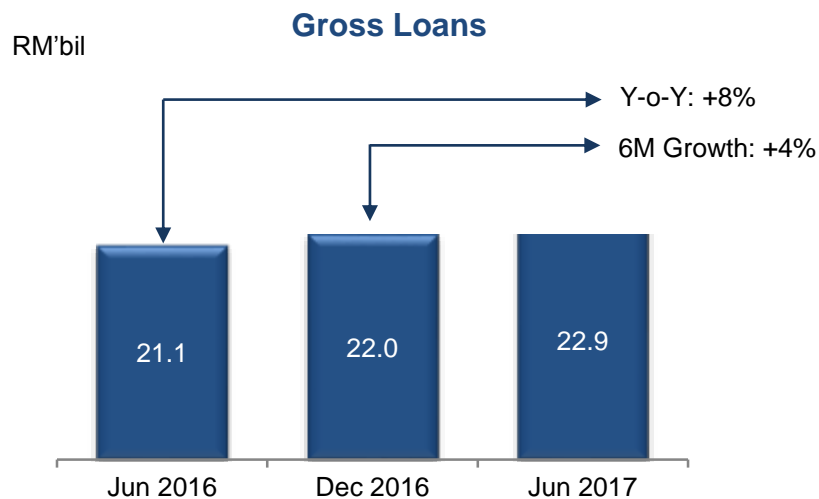
RM'bil

## Asset Under Management

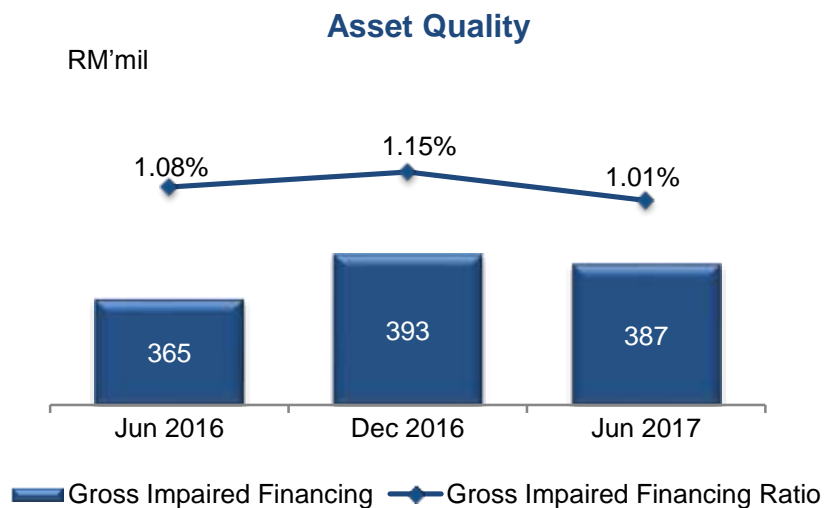
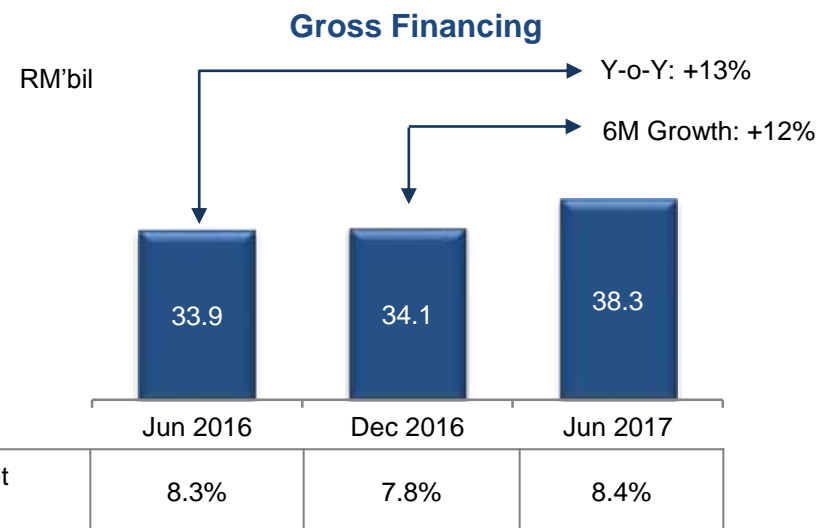
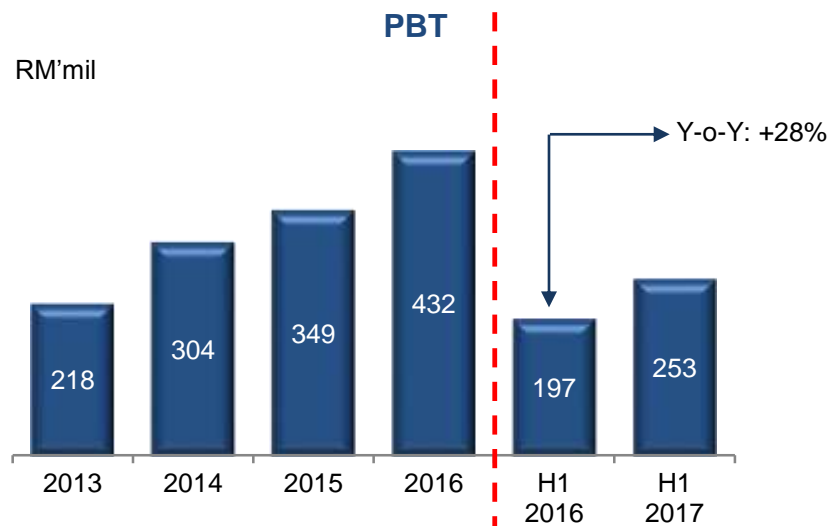


Domestic Retail Market Share	12.3%	12.1%	11.5%
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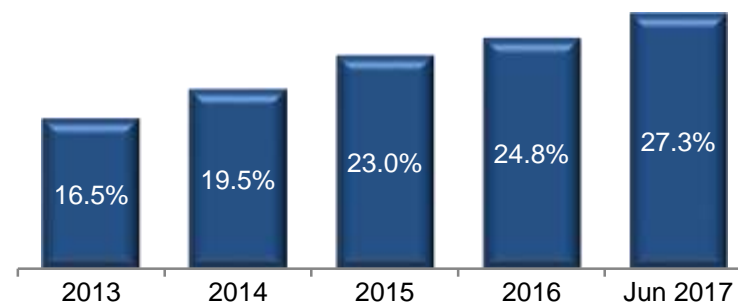
# Business Banking



# Islamic Banking



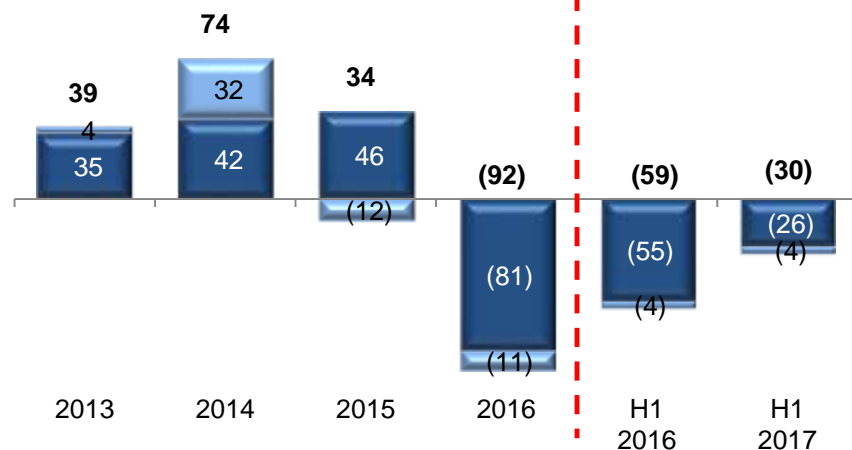
## Gross Financing/ Total Gross Financing (Domestic)



# RHB Singapore

SGD'mil

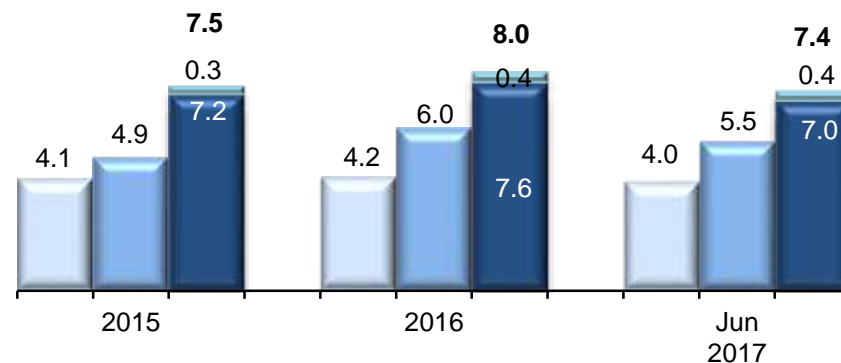
PBT



■ RHB Bank Singapore ■ RHB Securities Singapore

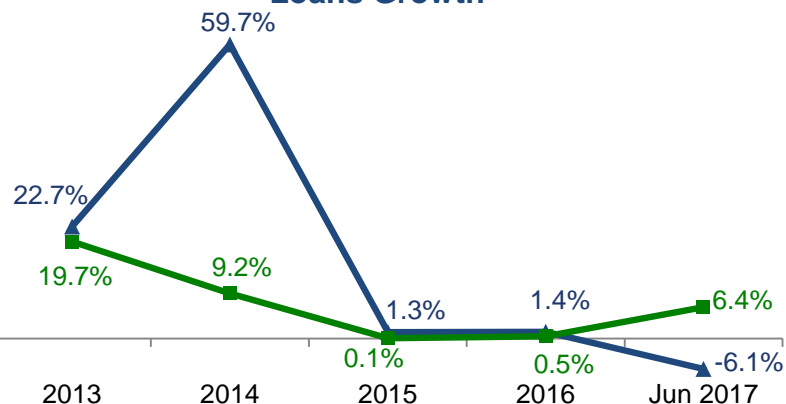
## Loans, Deposits & Total Assets

SGD'bil



■ Deposits  
■ Gross Loans  
■ Total Assets (RHB Securities Singapore)  
■ Total Assets (RHB Bank Singapore)

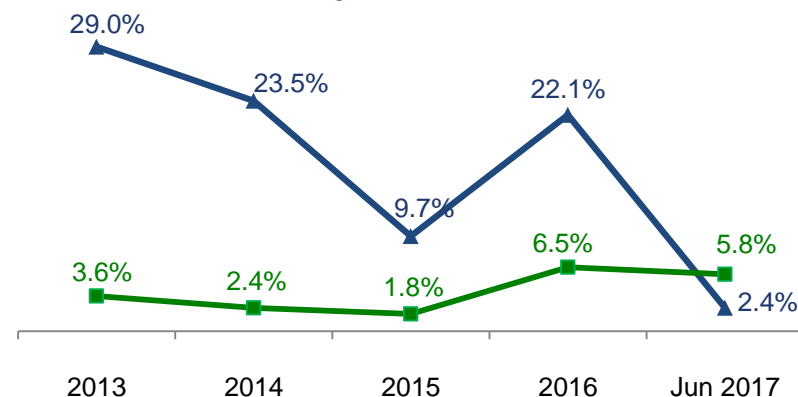
## Loans Growth<sup>N1</sup>



▲ RHB Singapore Growth ■ Industry Growth

N1 Y-o-Y growth

## Deposits Growth<sup>N1</sup>



▲ RHB Singapore Growth ■ Industry Growth