

# Analysts Presentation FY2017 Financial Results

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RHB Banking Group  
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# AGENDA

Executive Summary

FY2017 Financial Results

Strategy Update

Summary and Outlook



# Highlights of FY2017 Performance (1/2)

## Profitability

- Net profit rose 16.0% y-o-y to RM1.95 billion, pre-tax profit up 14.6% to RM2.6 billion
- Earnings improvement mainly due to higher net fund based income, lower loan loss impairment and lower impairment losses on other assets, partially offset by lower non-fund based income and higher overheads
- Operating expenses tightly managed, up 2.9%. Cost-to-income ratio (CIR) at 49.9%
- ROE of 8.7%

## Assets and Liabilities

- Gross loans and financing grew 3.7% y-o-y to RM160.1 billion mainly driven by mortgages and SME
  - Domestic loans grew 5.2% y-o-y, higher than industry which grew 4.1%
- Strong domestic CASA growth of 11.9% y-o-y compared to industry growth of 9.4%
  - CASA composition strengthened to 30.4% from 25.6% in December 2016
  - Total customer deposits grew 0.3% y-o-y to RM166.2 billion
- Gross impaired loans (GIL) ratio improved to 2.23% from 2.43% in December 2016

# Highlights of FY2017 Performance (2/2)

## Business Performance

- Higher profit in **Group Treasury & Global Market** mainly due to higher net funding income and higher impairment write-back on loans
- **Retail Banking** - Mortgage loans and financing grew by 13.2% Y-o-Y, market share increased to 9.1% from 8.6% in December 2016
- **Business Banking** - loans increased by 8.6% with SME market share improving to 9.0% from 8.8% in 2016. Revenue grew 4.8%, however profit declined due to higher allowances for loans
- **Investment Bank Group**
  - Investment banking - Higher brokerage income, offset by softer capital market and higher provision on margin accounts from overseas business
  - Asset management registered a 20.5% increase in pre-tax profit to RM59.3 million
- **Singapore** - with prudent stance taken particularly in H2 2017, impaired loans and corporate bonds relating to oil and gas industry have been adequately provided for
- **Islamic Banking business:**
  - Pre-tax profit increased by 11.3% y-o-y
  - Islamic Financing represented 29.7% of the Group's total domestic gross loans and financing, vs 24.8% as at December 2016

## Capital and Liquidity

- Capital position of RHB Bank Group (after proposed final dividend) remained strong
- CET I ratio at 13.9%, Tier I ratio at 14.2% and total capital ratio at 17.2%
  - Bank entity CET I ratio at 13.1%, Tier I ratio at 13.4% and total capital ratio at 15.9%
- Loan loss coverage ratio (including regulatory reserve) has improved significantly to 101.6% as at end 2017
- Strong liquidity and funding position

## Dividend

- Proposed final dividend of 10 sen per share. Total dividend for FY2017 at 15 sen per share, representing 30.8% payout ratio

# RHB Banking Group Scorecard for 2017

Top Level Indicators	Target 2017	Actual FY2017
ROE	9% - 10%	8.7%
Loans Growth	5%	3.7% (Domestic : 5.2%)
CASA Growth	8%	18.8%
Gross Impaired Loans Ratio	< 2.5%	2.23%
Cost to Income Ratio	< 50%	49.9%
Overseas Profit Contribution	10%	-11%

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Improved profitability Y-o-Y supported by pick up in loans growth, prudent funding cost management and lower allowances for loan and asset impairment; CIR and GIL ratios declined with loan loss coverage exceeding 100%

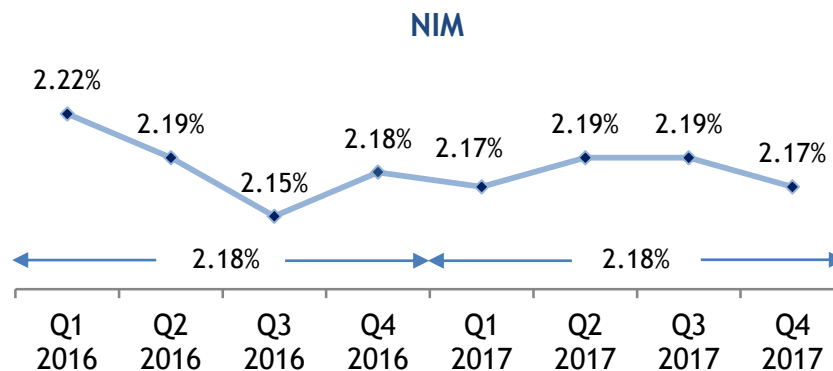
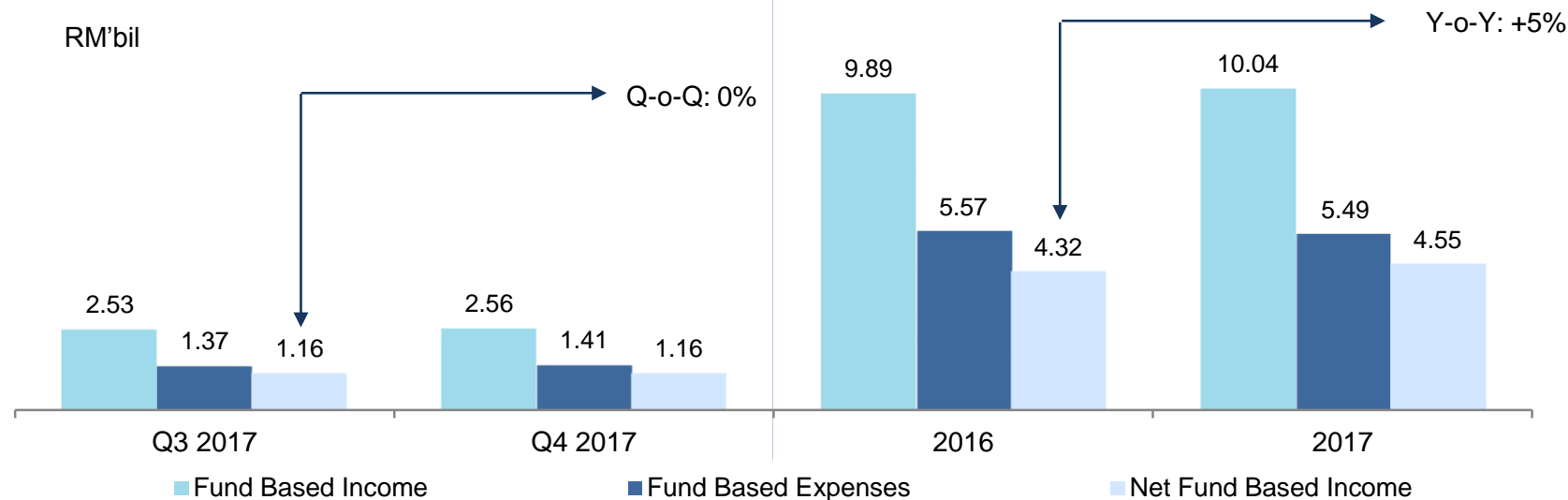
Financial Position		Financial Results		Key Financial Ratios	
<b>Total Assets</b>  -2.7%  2017: RM230.2 bil 2016: RM236.7 bil	<b>Gross Loans</b>  +3.7%  2017: RM160.1 bil 2016: RM154.5 bil	<b>Total Income</b>  +3.2%  2017: RM6.39 bil 2016: RM6.19 bil	<b>Operating Profit Before Allowances</b>  +3.4%  2017: RM3.20 bil 2016: RM3.09 bil	<b>ROE</b>  +0.2%  2017: 8.7% 2016: 8.5%	<b>Non Interest Income / Total Income</b>  -1.5%  2017: 28.7% 2016: 30.2%
<b>Customer Deposits</b>  +0.3%  2017: RM166.2 bil 2016: RM165.6 bil	<b>CASA</b>  +18.8%  2017: RM50.5 bil 2016: RM42.5 bil	<b>Profit Before Tax</b>  +14.6%  2017: RM2.56 bil 2016: RM2.23 bil	<b>Net Profit to Shareholders</b>  +16.0%  2017: RM1.95 bil 2016: RM1.68 bil	<b>Cost to Income Ratio</b>  -0.1%  2017: 49.9% 2016: 50.0%	<b>Gross Impaired Loans Ratio</b>  -0.2%  2017: 2.23% 2016: 2.43%
<b>Shareholders' Equity</b>  +6.5%  2017: RM23.1 bil 2016: RM21.7 bil	<b>Net Assets Per Share</b>  +6.5%  2017: RM5.77 2016: RM5.42	<i>N1 Including Regulatory Reserve</i>		<b>Credit Charge Ratio</b>  -0.12%  2017: 0.27% 2016: 0.39%	<b>Loan Loss Coverage Ratio <i>N1</i></b>  +26.9%  2017: 101.6% 2016: 74.7%

Strong underlying performance in the current quarter with operating profit before allowances up 4% Q-o-Q and 21% Y-o-Y, although net profit declined Q-o-Q due to higher pre-emptive provision for impairment losses on other assets in oil and gas

RM'mil	Q4 2017	Q3 2017	Q4 2016	Q-o-Q %	Y-o-Y %
Net Interest Income	892	893	861	-	4
Net Islamic Fund Base Income	264	266	230	-1	15
<b>Total Net Fund Based Income (A)</b>	<b>1,156</b>	<b>1,159</b>	<b>1,091</b>	<b>-</b>	<b>6</b>
Other Operating Income	520	415	346	25	50
Islamic Non-Fund Based Income	-9	11	41	>-100	>-100
<b>Total Non Fund Based Income (B)</b>	<b>511</b>	<b>426</b>	<b>387</b>	<b>20</b>	<b>32</b>
<b>Total Income (A+B)</b>	<b>1,668</b>	<b>1,585</b>	<b>1,478</b>	<b>5</b>	<b>13</b>
Operating Expenses	-847	-794	-802	7	6
<b>Operating Profit Before Allowances</b>	<b>820</b>	<b>791</b>	<b>676</b>	<b>4</b>	<b>21</b>
Allowances for Impairment - Loans	-114	-148	-309	-23	-63
Allowances for Impairment - Other Assets	-104	1	-23	>-100	>100
<b>Pre-tax Profit</b>	<b>602</b>	<b>644</b>	<b>344</b>	<b>-7</b>	<b>75</b>
<b>Net Profit</b>	<b>460</b>	<b>489</b>	<b>261</b>	<b>-6</b>	<b>76</b>

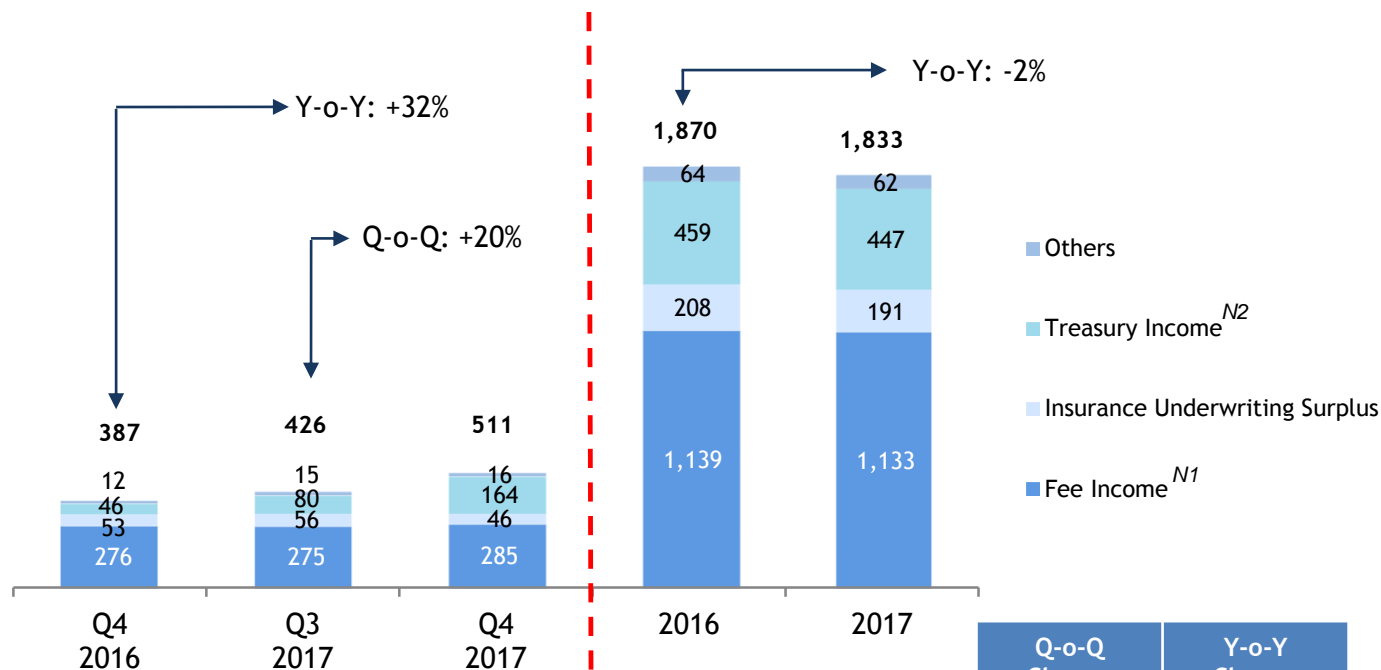


## Active management of funding and liquidity resulted in solid Y-o-Y net fund based income growth and stable NIM



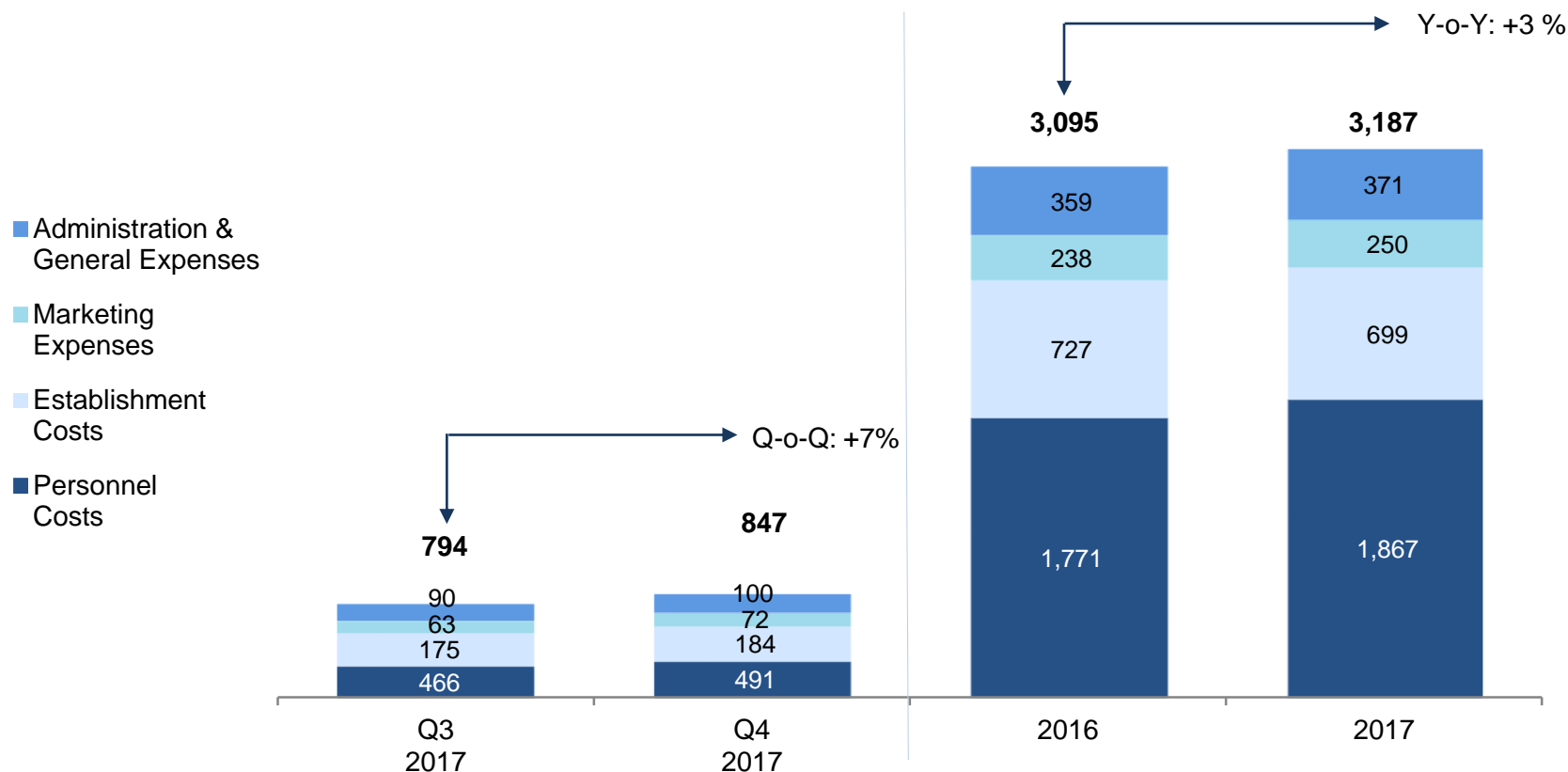
# Net wealth management fee income and brokerage income increased Y-o-Y, offset by lower IB related fee income; Q-o-Q increase driven by forex gain and IB related fee income

RM'mil



	Q4 2016	Q3 2017	Q4 2017	2016	2017	Q-o-Q Change	Y-o-Y Change
<sup>N1</sup> Fee Income	276	275	285	1,139	1,133	4%	-
IB Related	40	24	37	178	129	59%	-27%
Brokerage Income	68	76	76	290	325	-	12%
Wealth Management	35	37	34	124	147	-7%	19%
Commercial Banking	133	138	138	547	532	-	-3%
<sup>N2</sup> Treasury Related Income	46	80	164	459	447	105%	-3%
Net Forex Gain	44	38	124	272	275	228%	1%
Gain & MTM on Securities/Derivatives	2	42	40	187	172	-4%	-8%

Operating expenses tightly managed, grew 2.9% from higher personnel cost and IT-related expenses in line with the Group's investments in IT and Digital Capabilities; CIR contained at <50%

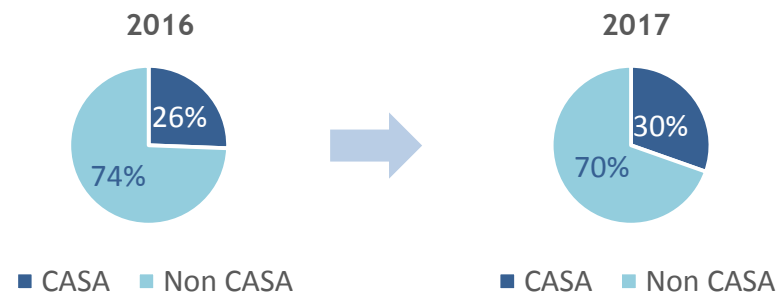
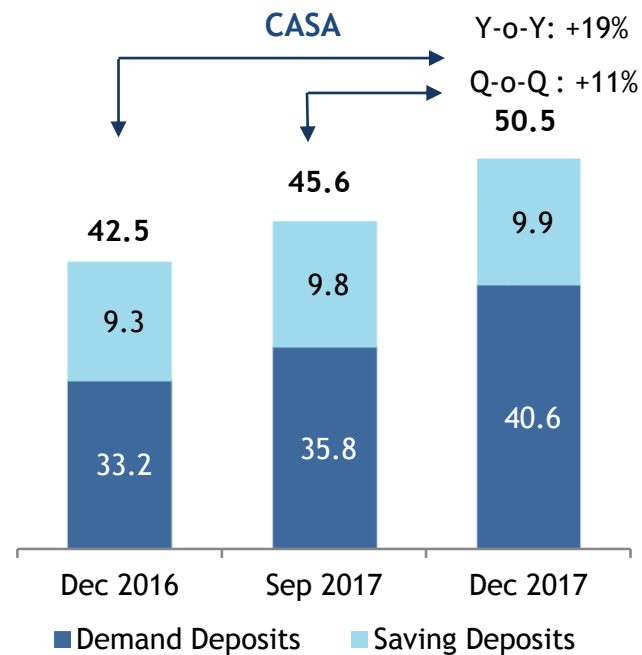


	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2016	2017
CIR	54.3%	48.9%	49.7%	50.1%	50.8%	50.0%	49.9%

Loans growth driven by mortgage and SME; Domestic growth exceeded industry's, partially offset by Singapore operations due to several large repayments and impact of stronger RM

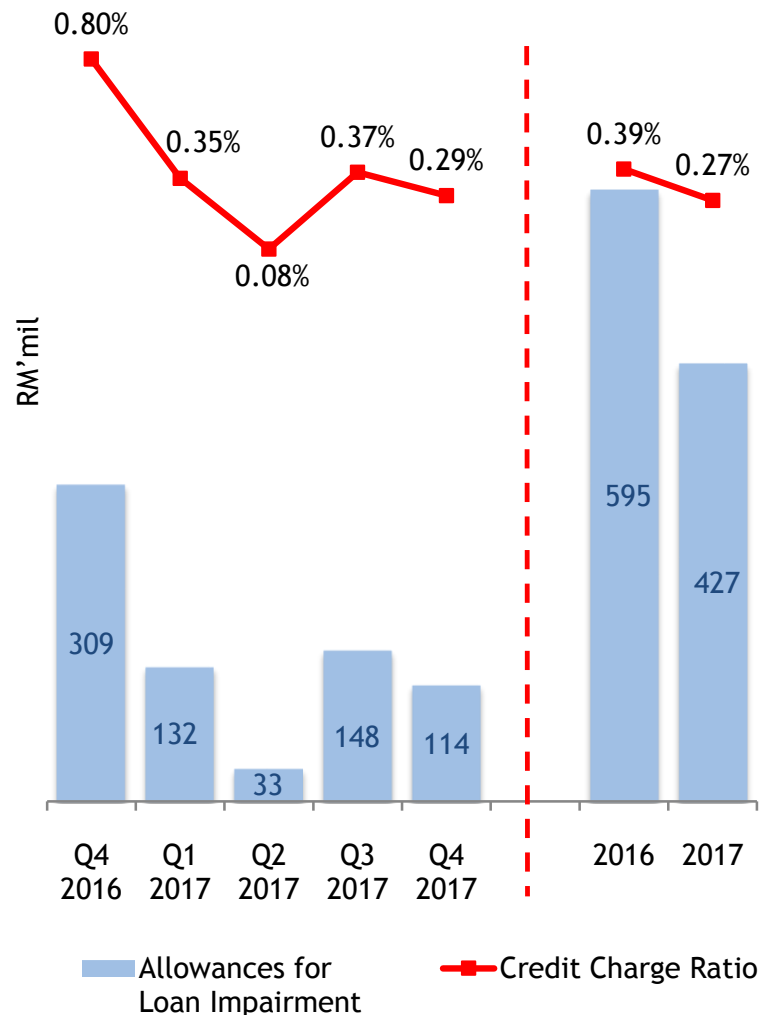
RM'mil	2017	2016	Y-o-Y Growth %	Composition	
				2017	2016
<b>GROUP RETAIL</b>	<b>76,269</b>	<b>70,138</b>	<b>9%</b>	<b>48%</b>	<b>46%</b>
<i>Mortgage</i>	46,920	40,509	16%	29%	26%
<i>Commercial Property Financing</i>	4,694	4,550	3%	3%	3%
<i>Securities</i>	7,882	8,952	-12%	5%	6%
<i>Auto Finance</i>	8,069	8,504	-5%	5%	6%
<i>Unsecured Business</i>	7,932	6,793	17%	5%	4%
<i>Others</i>	772	830	-7%	1%	1%
<b>GROUP BUSINESS BANKING</b>	<b>23,917</b>	<b>22,030</b>	<b>9%</b>	<b>15%</b>	<b>14%</b>
<i>SME</i>	22,146	20,114	10%	14%	13%
<i>Commercial</i>	1,771	1,916	-8%	1%	1%
<b>GROUP WHOLESALE BANKING</b>	<b>44,620</b>	<b>45,454</b>	<b>-2%</b>	<b>28%</b>	<b>29%</b>
<b>TOTAL RHB DOMESTIC</b>	<b>144,806</b>	<b>137,622</b>	<b>5%</b>	<b>91%</b>	<b>89%</b>
<b>OVERSEAS OPERATIONS</b>	<b>15,318</b>	<b>16,847</b>	<b>-9%</b>	<b>9%</b>	<b>11%</b>
<i>Singapore</i>	11,456	13,026	-12%	7%	8%
<i>Others</i>	3,862	3,821	1%	2%	2%
<b>TOTAL RHB GROUP</b>	<b>160,124</b>	<b>154,469</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>

# Strong growth in CASA, total deposits remained stable Y-o-Y

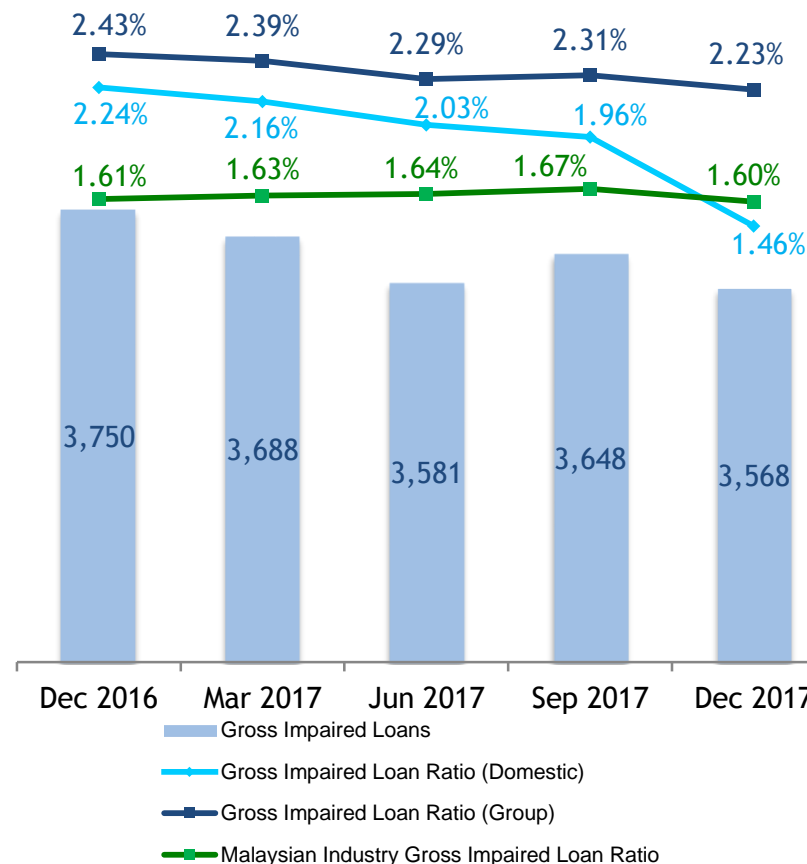


Allowances for loan impairment declined as oil and gas accounts impaired in last two years adequately provided for; Asset quality improved from active management, with loan loss coverage exceeding 100%\*N1

Allowances for Loan Impairment



Asset Quality



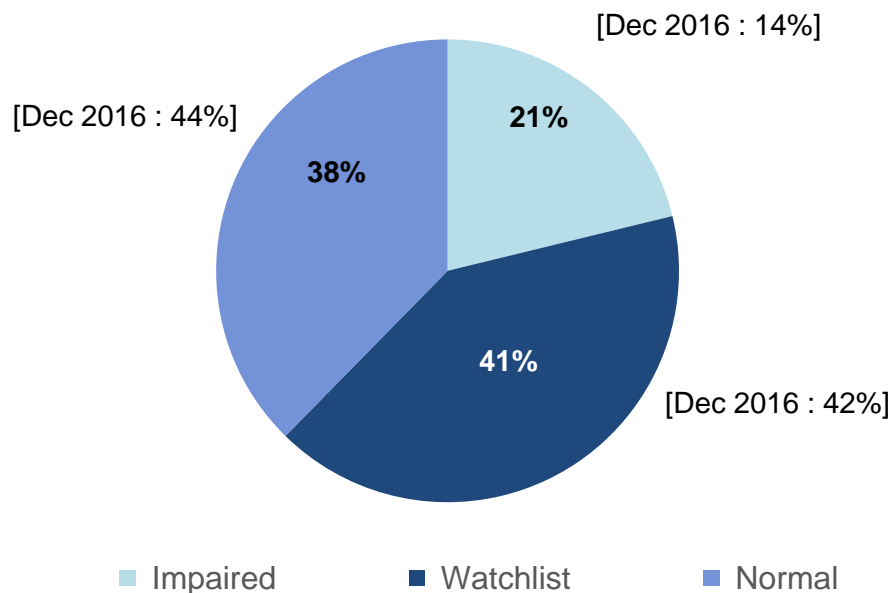
LLC <sup>N1</sup>	74.7%	77.8%	81.4%	93.6%	101.6%
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N1: Inclusive of 1.2% regulatory reserve

## O&G Exposure (Loans + Bonds) has gradually declined with a corresponding drop of amount in Watchlist

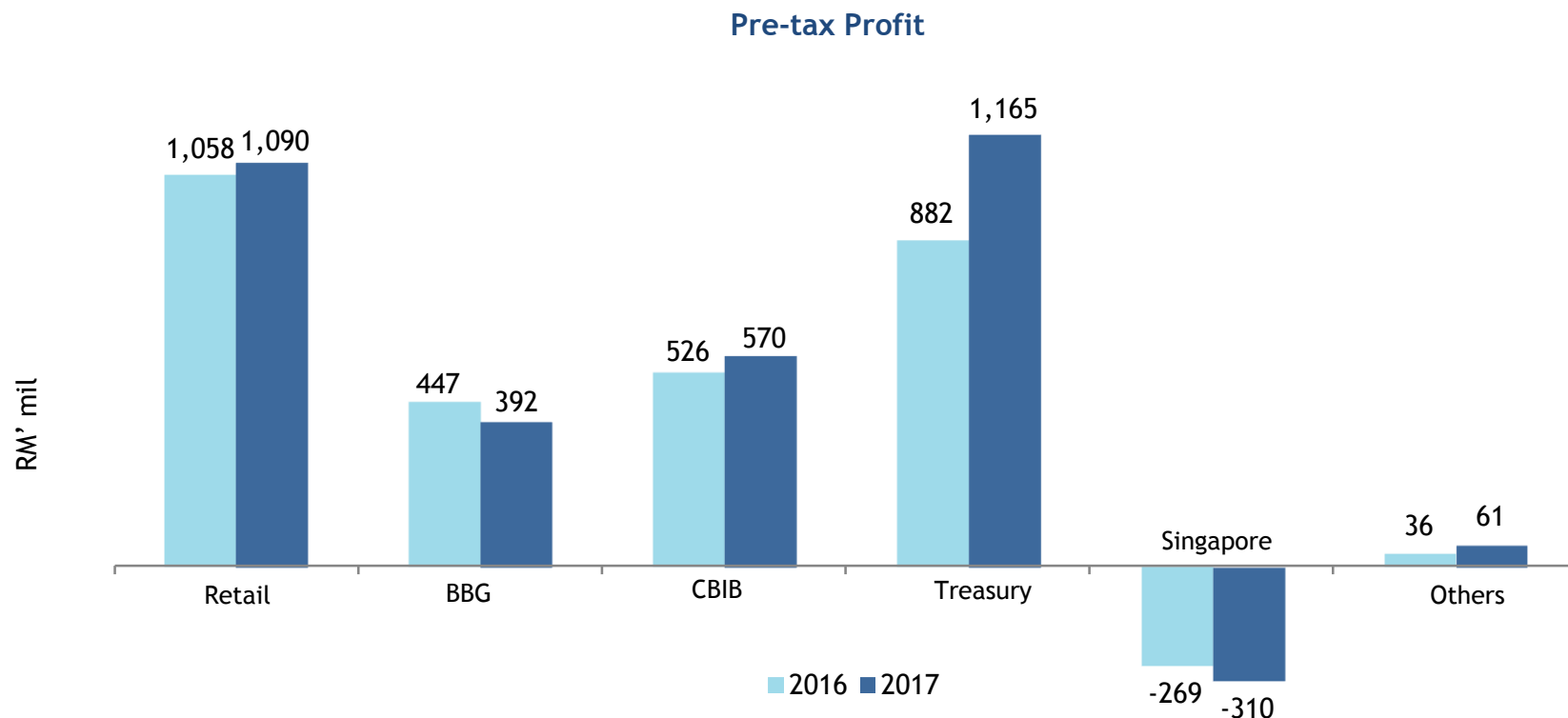
Loans + Bonds Outstanding	Oil and Gas Related Industry					
	Upstream		Downstream		Total	
	RM' bil	% to Gross Loans	RM' bil	% to Gross Loans	RM' bil	% to Gross Loans
<b>Dec 2017</b>	<b>3.4</b>	<b>2.12%</b>	<b>1.8</b>	<b>1.09%</b>	<b>5.2</b>	<b>3.21%</b>
Dec 2016	3.9	2.49%	2.2	1.45%	6.1	3.95%

### Oil & Gas Exposure



Country	% of Loans Outstanding
Malaysia	76%
Singapore	23%
Thailand	1%

Higher profit from Treasury and CBIB from higher net funding income and lower loan impairment respectively; Retail profit improved notwithstanding margin compression; Higher loan impairment allowances decreased profit at BBG; Singapore impacted by impairments in oil and gas sector

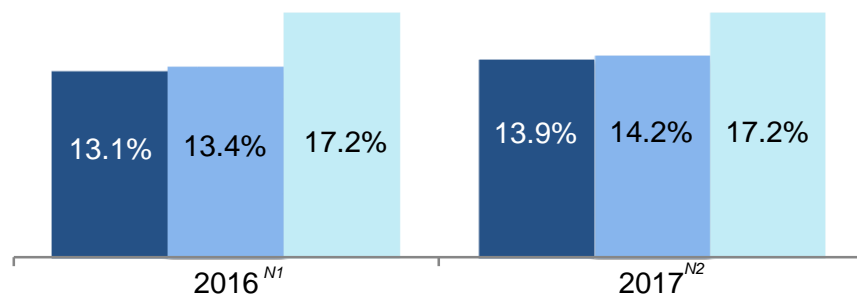


Business Unit	Retail	BBG	Wholesale Banking		GIB	
			CBIB	Treasury	Singapore	Others
Y-o-Y Growth	↑ 3%	↓ 12%	↑ 8%	↑ 32%	↓ 15%	↑ 68%



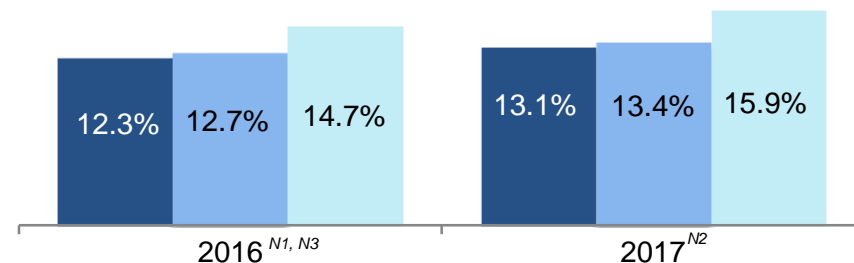
# Robust capital position for Group and key banking subsidiaries

## RHB Bank Group

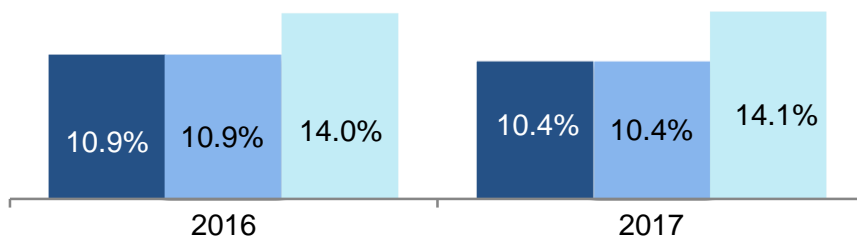


N1 Ratios are after FY2016 final dividend  
 N2 Ratios are after FY2017 proposed final dividend  
 N3 Restated

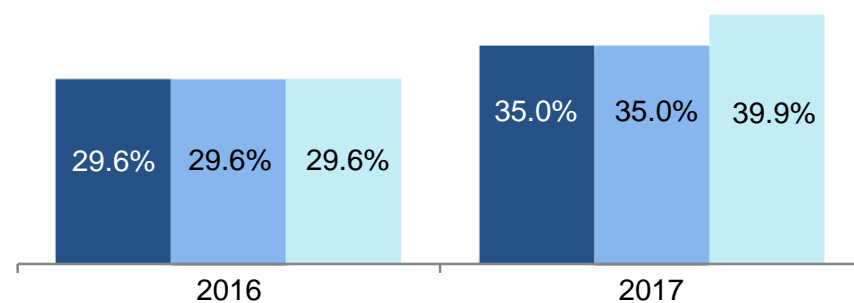
## RHB Bank



## RHB Islamic Bank

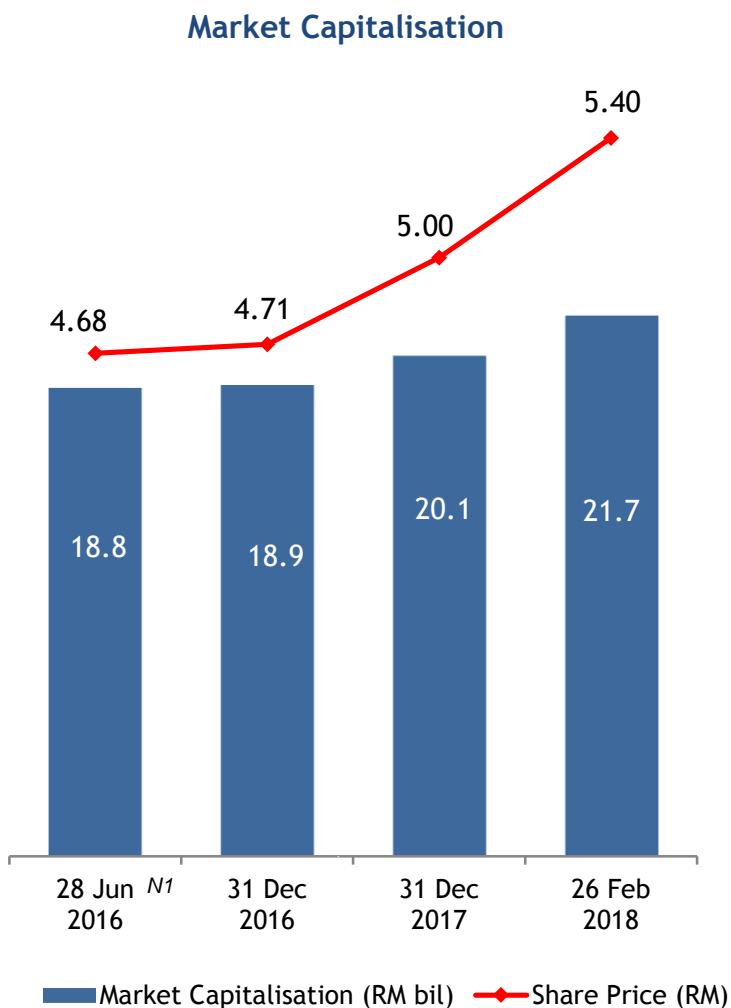


## RHB Investment Bank

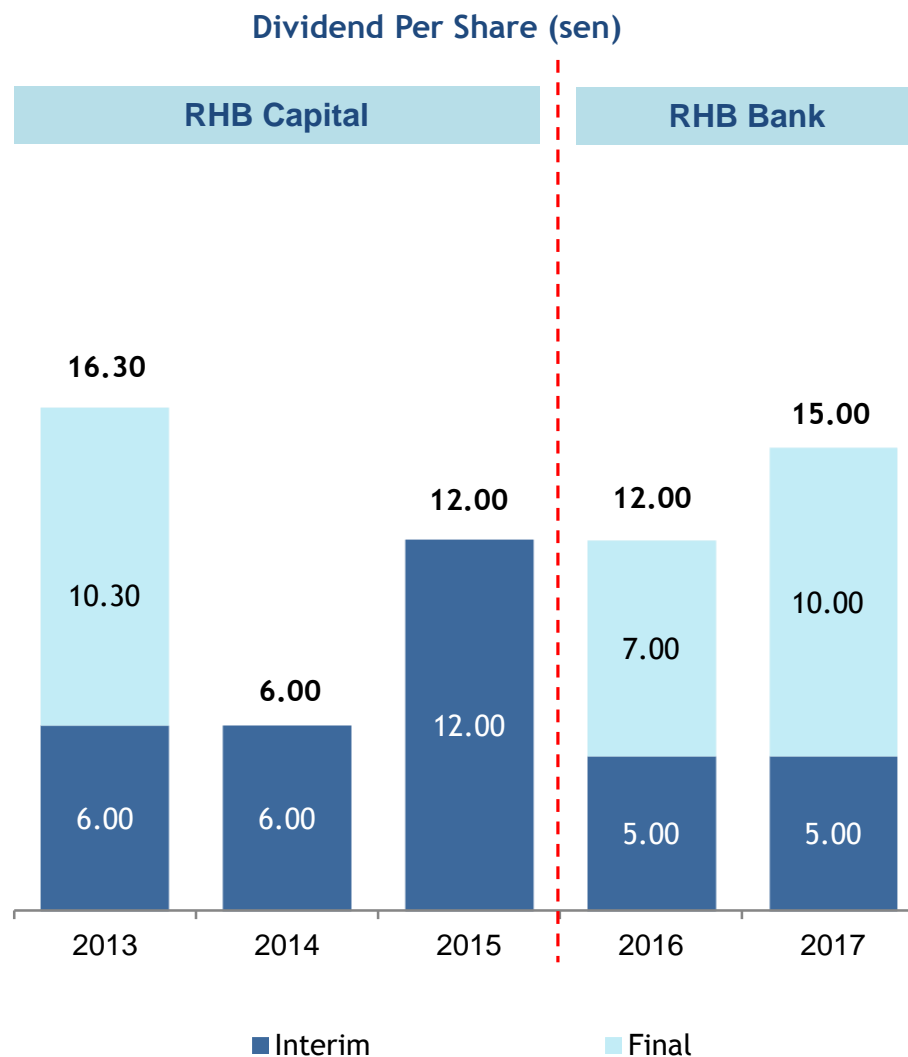


■ CET 1 Capital    ■ Tier 1 Capital    ■ Total Capital

# Final cash dividend of 10 sen per share proposed, total dividend payout of 31% in 2017



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



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# Update on IGNITE 2017 achievements

## Affluent segment strategy



Premier banking customer base growth since its re-launch in Jul '16

**66.0%** to 45.9k



Of which **37%** are SME owners

**27.8%**  
Affluent AUM growth to RM33.4 bil



Exceeded FY2017 target on average productivity by

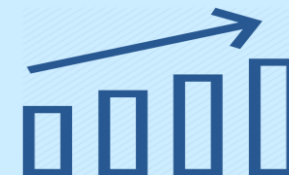
**26%**

## Mass Affluent segment strategy

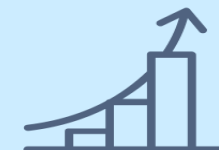
Customer base growth

**13.4%**

to 395K Customers since Dec 2016



**21,532** active Smart Account since launch in Mar 2017



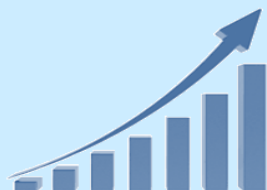
CASA growth **5.7%** to RM3.85 bil since Dec 2016

Avg Smart Account CASA balance

**>2.5 times** higher than normal account balance

## Update on IGNITE 2017 achievements (cont'd)

### Asset management strategy



AUM growth through  
Agency Channel

**44.2%** to  
RM1.6 bil

AUM growth  
through RHB Banking

**16.9%** to RM1.6 bil



### SME growth strategy

**8.8%**  
vs Industry 6.3%



SME loan growth



SME market share  
**9.0%**  
from 8.7% in 2015

**19.9%**  
**RHB**Reflex



Subscriber growth



**RM 148.1 mil**

Approved facilities under  
Financial Supply Chain

## Update on IGNITE 2017 achievements (cont'd)

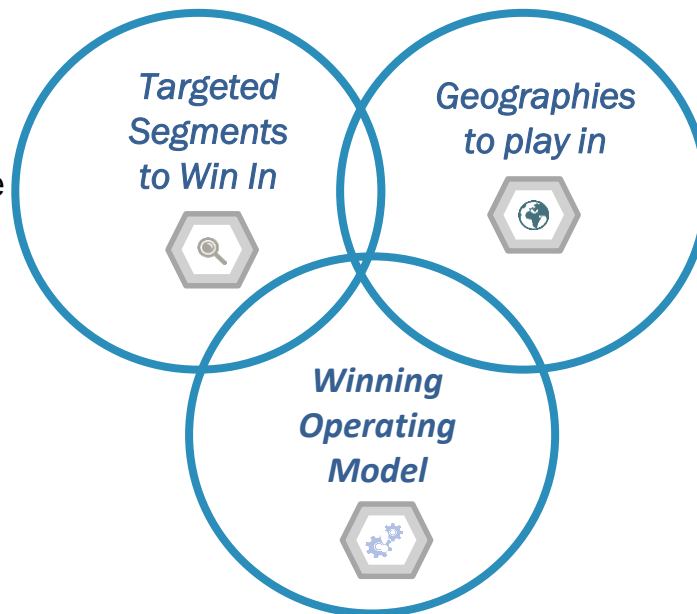
Initiative	Objective / Target	Achievement		
CIB growth strategy	Boost returns via reinforcement of Client Coverage Model	♦ Increase in product holding ratio for domestic top corporates to 5.37 as at Dec 2017 from 4.62 in Dec 2016 through refined client coverage model		
DCM	 <b>Edra Energy Sdn Bhd</b> RM5.085 bil issuance out of RM5.28 bil Sukuk Wakalah Programme <i>Joint Lead Manager</i>	 <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>	 <b>Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)</b> RM3.5 bil sukuk issuance out of RM25.0 bil Sukuk Murabahah Programme <i>Joint Lead Arranger &amp; Joint Lead Manager</i>	
ECM	 <b>S P Setia Berhad</b> RM2.22 bil Rights Issue <i>Joint Underwriter</i>	 <b>Malaysian Resources Corporation Berhad</b> RM1.73 bil Rights Issue <i>Sole Principal Adviser, Sole Managing Underwriter &amp; Joint Underwriter</i>	 <b>Air Asia Berhad</b> RM1.06 bil Private Placement <i>Joint Principal Adviser &amp; Sole Placement Agent</i>	
M&A	 <b>Sarawak Energy Berhad</b> RM8.1 bil Acquisition of equity interest in Sarawak Hidro Sdn Bhd from Ministry of Finance Inc. and Federal Lands Commissioner <i>Sole Adviser</i>	 <b>Malaysia Building Society Berhad</b> RM645.0 mil Acquisition of equity interest in Asian Finance Bank Bhd <i>Joint Principal Adviser</i>	 <b>AmanahRaya Real Estate Investment Trust</b> RM455.0 mil Acquisition of Vista Tower from The Intermark Sdn. Bhd <i>Sole Principal Adviser</i>	

## “FIT@22” OUR ROADMAP TO WIN



Way forward : Our priorities will be to strengthen Malaysia and win in targeted segments; focus on our niche and strengths overseas while we explore partnerships; and build a winning operating model

- Affluent – leveraging on SME customer base
- SME – focusing on small business segment to drive growth as well as build a connected ecosystem business
- Mid Caps – enhance penetration rate by enhancing product offering and customized innovative solutions with structuring capabilities
- Large Caps – capturing greater share of wallet focusing on targeted segments to increase revenue uplift



- Strengthen Malaysia as our core
  - Rebalancing of Retail and SME assets
  - Boost retail deposits
- Focus on our strengths & niche overseas and explore potential partnerships / JVs
  - Build private wealth business in Singapore
- AGILE@Scale
- Customer Journeys
- Digital Channel Platform (DCP)

# Digital Transformation Program:

## 1. AGILE way of working - Faster speed to market, increased productivity, customer centricity and new talent acquisition and development

### AGILE way of working

- Cross functional, self sufficient squads set up with E2E empowerment and accountability
- Teams co-located to drive efficiency, leveraging collaboration tools for project management
- Simplified governance — one committee for sign-off on design and launch
- Multiple context changes — to drive accelerated adoption, e.g., reporting lines, performance management and KPIs, etc.
- Iterative short sprints — focus on speed to market

### From traditional banking culture ...



Risk averse



Channel centricity



Silo'ed



Rigidity



Focus on process

### ... to an AGILE way of working



Experimentation



Customer centricity



Collaboration



Agility



Innovation

## Next Step: AGILE @ scale across the Group

- Multi-disciplinary Squads and Tribes at the core
- Traditional manager role split into Product Owner, Chapter Lead and Agile Coach
- Explicit expert career tracks
- IT, Risk and Business work side-by-side



# Digital Transformation Program:

## 2. Re-imagining customer journeys to deliver superior experience - our achievements so far

### Digital Customer Journeys



#### RHB MyHome App

- 1<sup>st</sup> of its kind online mortgage application and documents submission; 1,345 applications and 676 approved in 3 months.
- ~80% of customers are 21-40 yrs old, mostly affluent / mass affluent and digitally savvy with good risk grades



#### Banking-at-your-doorstep (RHB Rider) through RHB Smart Account

- An end-to-end online account opening solution, without the need to visit the branch
- 1,855 Smart Accounts applied online since Oct 2017



#### RHB iSMART

- A digital tool to empower and increase productivity of our sales team, 100% adoption since launch
- 80% active users on weekly basis, 10% productivity improvement observed during pilot

### Analytics:

- RM400m additional customer deposits in 5 months
- 3k new Premier SME customers in 5 months

### Talent Acquisition and Development

- Comprehensive Digital Office to sustain the transformation from day one
- Digital Academy to drive the learning agenda and enablement
- 50 digital talents hired - UI/UX specialists, AGILE Coaches, Mobile developers, LEAN process engineers
- 100 internal staff trained as Digital Leaders, another 200 planned for 2018
- Enhanced empowerment, collaboration and sense of ownership and achievement

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## Economic Outlook

- Malaysia's 2018 real GDP is forecasted to grow at 5.2% supported by strong growth in private consumption and private investments.
- The Malaysian banking sector is expected to see a recovery in loans growth primarily from stronger business loans
- Capital market activities are also expected to pick up which would help support non-interest income of banks
- Recent OPR hike is expected to benefit banks and unlikely to hurt loans growth or asset quality

## Concluding Remarks

- The Group delivered a sustained profit growth momentum in 2017
- H2 of 2017 showed a pick up in loans and financing driven by strong growth in mortgages and SME. This, and prudent management of funding cost resulted in stable net interest margin
- Asset quality improved and operating cost was contained
- Positive momentum across core businesses and a robust balance sheet, including comfortable loan loss coverage, capital and liquidity levels, place the Group in a good position to drive value creation from key businesses and segments
- With the conclusion of IGNITE 2017, the Group has embarked on a new 5-year Strategy which is underpinned by three key strategic thrusts, namely Funding the Group Journey, Invest to Win in the medium term and Transform the Organisation, with focus on targeted segments to win, strengthening Malaysian franchise and building a winning operating model (FIT22)
- Digital enablement through AGILE@Scale and customer journeys will be a core component of FIT22, with objective of better productivity and efficiency, enhanced customer journeys and improved workplace for its employees

# RHB Banking Group Scorecard for 2018

Top Level Indicators	Actual FY2017	Target 2018
ROE	8.7%	9.0%-10.0%
Loans Growth	3.7%	6%
CASA Growth	18.8%	10%
Gross Impaired Loans Ratio	2.23%	<2.2%
Cost to Income Ratio	49.9%	<50%
Overseas Profit Contribution	-11%	+ve

# THANK YOU

[www.rhbgroup.com](http://www.rhbgroup.com)

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**TOGETHER WE PROGRESS**



# APPENDIX

## Key Business Highlights

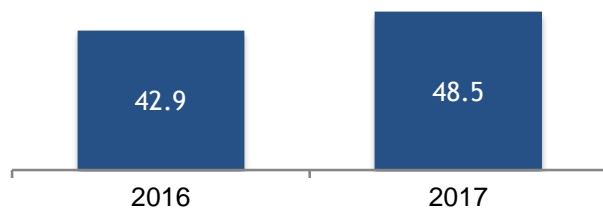


# Retail Banking

## Mortgage

RM'bil

Y-o-Y: +13%

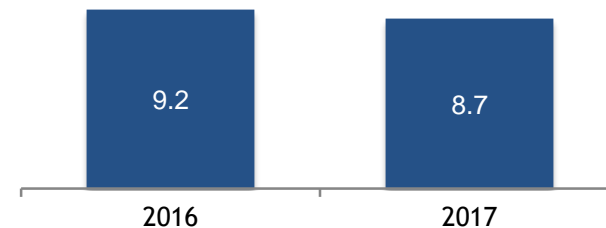


Market Share	8.6%	9.1%
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## Auto Finance

RM'bil

Y-o-Y: -5%

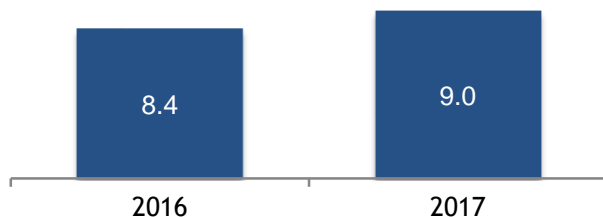


Market Share	5.5%	5.1%
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## Personal Use

RM'bil

Y-o-Y: +8%

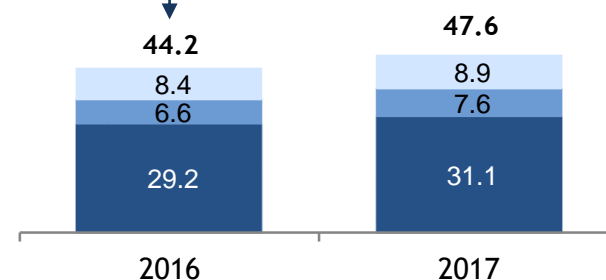


Market Share	9.2%	10.7%
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## Deposits

RM'bil

Y-o-Y: +8%



Market Share	6.8%	7.0%
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■ Fixed Deposits ■ Demand Deposits ■ Savings Deposits

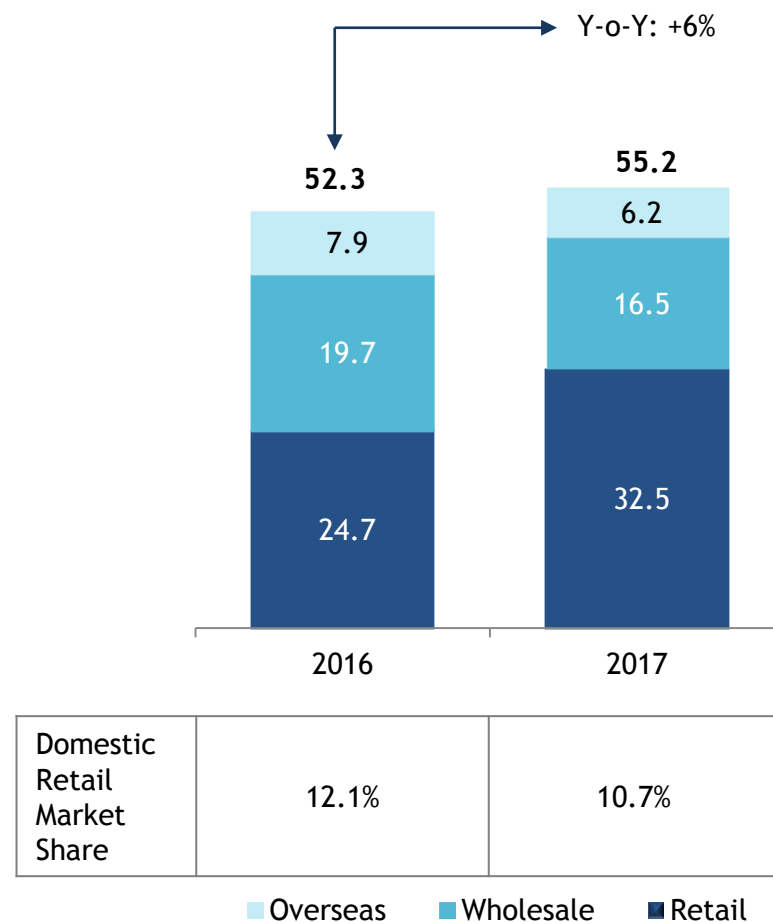


# Investment Banking - Market Positions & Asset Management

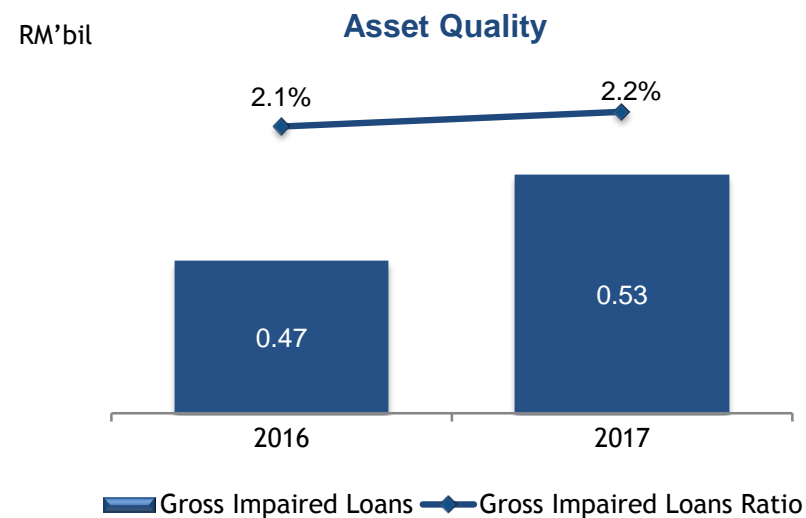
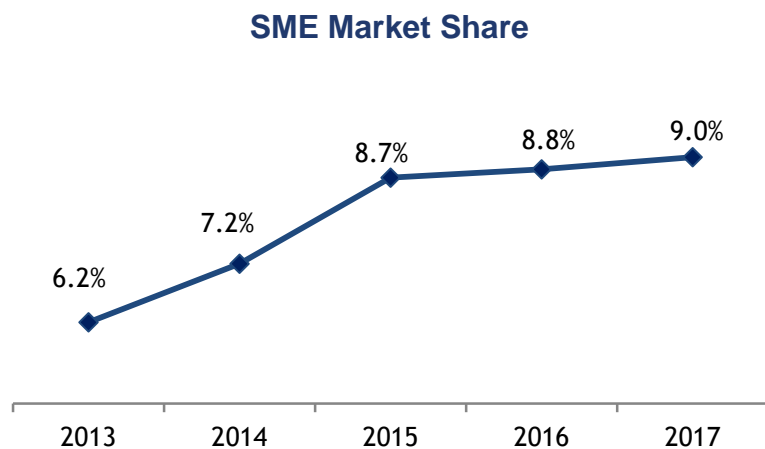
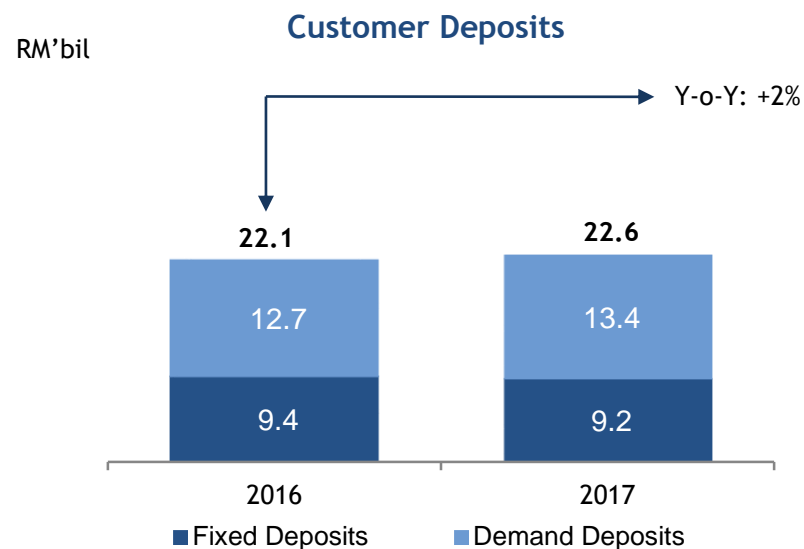
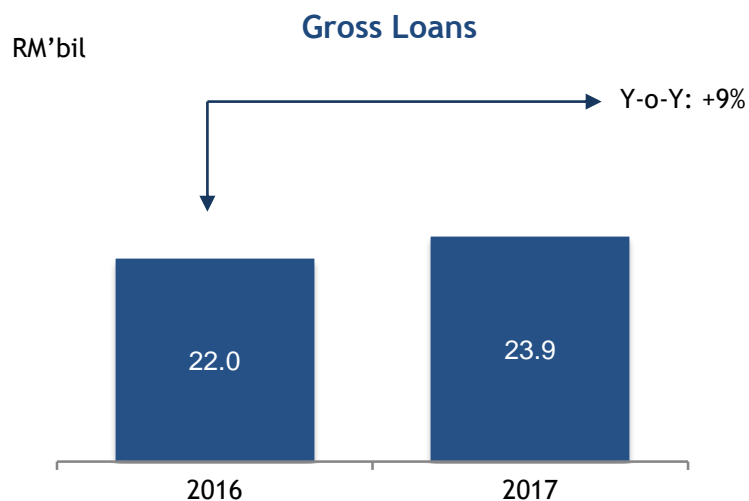
	YTD Dec 2017	
	Market Share	Ranking
Equity: - By value - By volume	8.3% 12.2%	5 <sup>th</sup> 3 <sup>rd</sup>
Debt Capital Markets: - MYR sukuk - Total MYR bonds (Conventional & Islamic bonds)	4 4	10.8% 10.0%
Mergers & Acquisitions: - by value - by deal count	5 4	6.0% 12 deals
Equity Capital Markets	3	9.4%

RM'bil

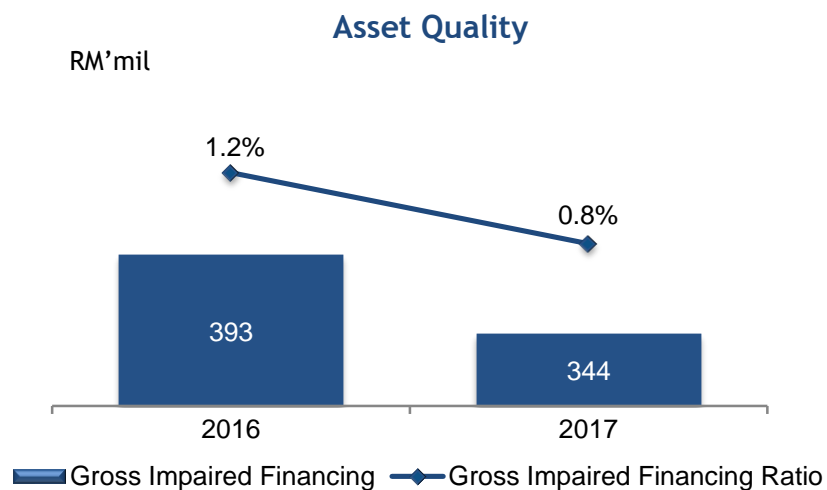
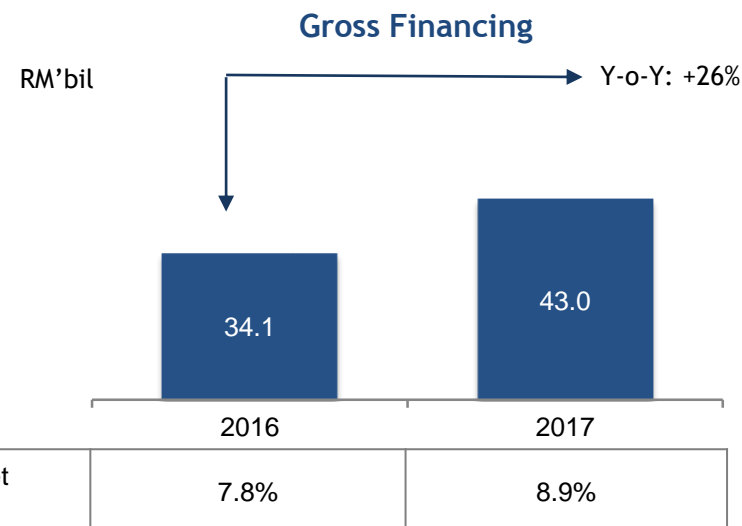
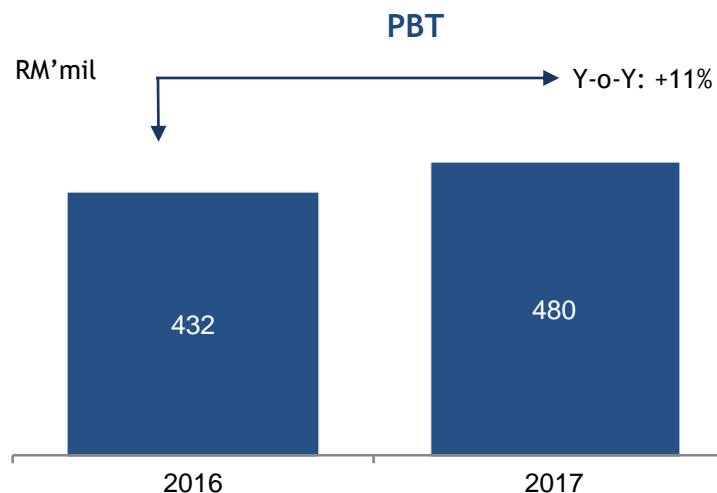
## Asset Under Management



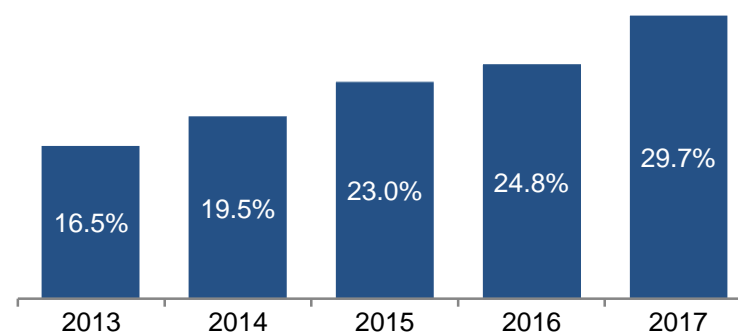
# Business Banking



# Islamic Banking



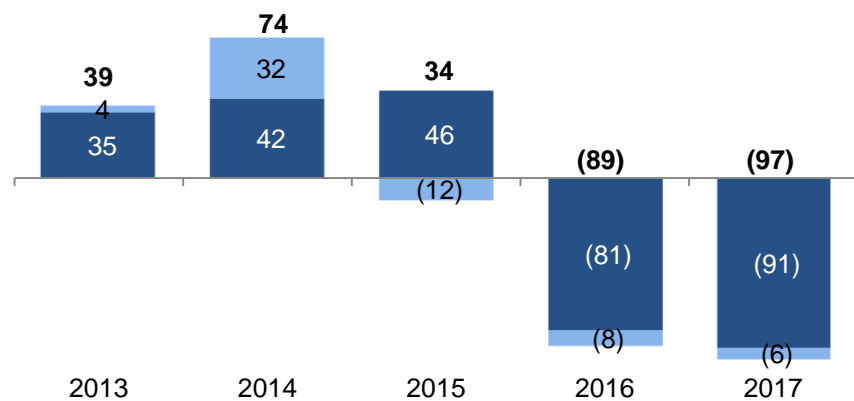
**Gross Financing/  
Total Gross Financing (Domestic)**



# RHB Singapore

SGD'mil

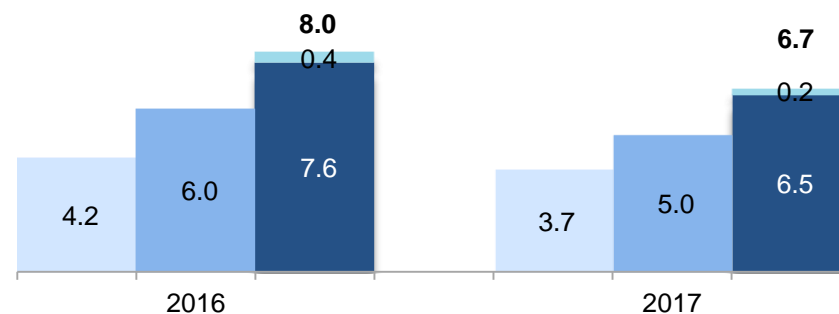
## PBT



■ RHB Bank Singapore ■ RHB Securities Singapore

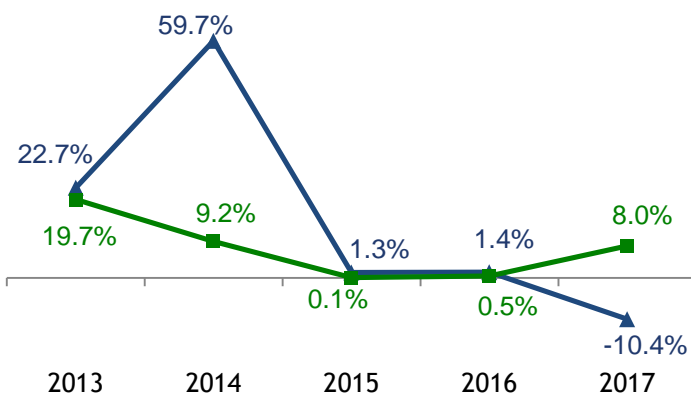
SGD'bil

## Loans, Deposits & Total Assets



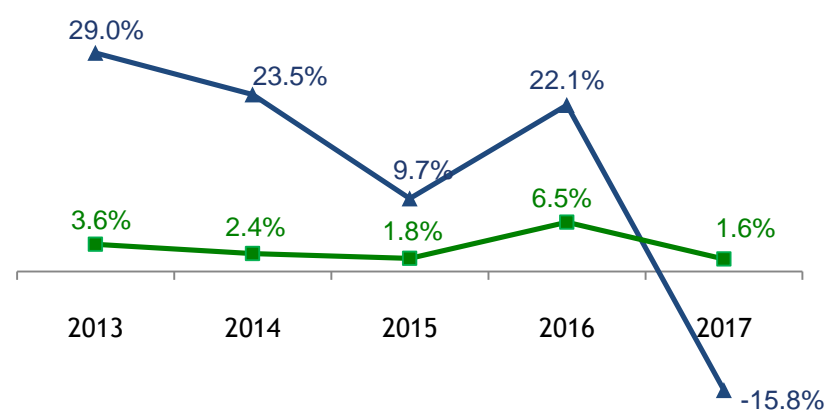
■ Deposits  
■ Gross Loans  
■ Total Assets (RHB Securities Singapore)  
■ Total Assets (RHB Bank Singapore)

## Loans Growth



▲ RHB Singapore Growth ■ Industry Growth

## Deposits Growth



▲ RHB Singapore Growth ■ Industry Growth