

Analysts Presentation

1st Quarter 2018 Financial Results

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RHB Banking Group
31 May 2018



AGENDA

Executive Summary

1st Quarter 2018 Financial Results

Summary and Outlook



Highlights of Q1 2018 Performance (1/2)

Profitability

Year-on-year:

- Net profit rose 18.1% to RM590.8 million, pre-tax profit up 20.3% to RM791.9 million, mainly due to higher net fund based and non-fund based income, and lower allowance for expected credit losses
- Positive jaws maintained, though operating expenses rose 13.4% to RM863.0 million driven by a rise in personnel costs and IT-related expenses. Cost-to-income ratio (CIR) improved to 48.8%
- ROE of 10.4% compared to 8.7% for FY 2017

Quarter-on-quarter:

- Net profit grew 28.4%, primarily due to higher net fund based and non-fund based income, and from lower allowance for expected credit losses

Assets and Liabilities

- Gross loans and financing grew 4.3% Y-o-Y and 0.7% year-to-date to RM161.2 billion driven by housing loans/financing
 - Domestic loans grew 6.7% Y-o-Y, faster than industry which grew 4.4%
- Total customer deposits rose 2.6% Y-o-Y to RM169.8 billion and 2.2% for the quarter
 - Total CASA grew 14.3% Y-o-Y but declined 1.5% from December 2017
 - CASA composition at 29.3% from 26.3% a year ago and 30.4% in December 2017
- Slight uptick in gross impaired loans (GIL) ratio 2.29% from 2.23% in December 2017

Highlights of Q1 2018 Performance (2/2)

Business Performance

- **Group Wholesale Banking:**
 - **Group Corporate & Investment Banking** recorded 11.3% higher pre-tax profit at RM173.8 million on the back of higher non-fund based and net fund based income
 - **Group Treasury and Global Markets** achieved 12.9% increase in pre-tax profit to RM342.0 million due to higher foreign exchange gain and higher investment and trading gain
- **Retail Banking** loans and financing grew 11.4% Y-o-Y, driven by mortgages and personal financing. However, pre-tax profit declined Y-o-Y from higher operating expenses and higher allowance for expected credit losses for loans and financing
- **Business Banking** - increase in pre-tax profit by 1.5% to RM89.4 million due to higher net fund based income and lower expected credit losses for loans and financing. Loans grew 8.7% Y-o-Y driven by Retail SME
- **Singapore** - recorded a pre-tax profit of SGD11.4 million compared with a pre-tax loss of SGD9.1 million a year ago primarily due to significant reduction in allowance for expected credit losses
- **Islamic Banking business:**
 - Pre-tax profit increased by 49.8% Y-o-Y to RM148.9 million
 - Islamic Financing represents 31.5% of the Group's total domestic gross loans and financing, vs 29.7% as at December 2017

Capital and Liquidity

- Capital position of RHB Bank Group as at 31 March 2018 (post MFRS 9) remained strong
- CET I ratio at 13.5%, Tier I ratio at 13.7% and total capital ratio at 16.7%
 - Bank entity CET I ratio at 11.4%, Tier I ratio at 11.6% and total capital ratio at 14.9%
- Loan loss coverage ratio (including regulatory reserve) improved to 107.4% as at end March 2018

RHB Banking Group Scorecard for 2018

Top Level Indicators	Target 2018	Actual Q1 2018
ROE	9.0% - 10.0%	10.4% ^{N1}
Loans Growth	6%	4.3% ^{N2}
CASA Growth	10%	14.3% ^{N2}
Gross Impaired Loans Ratio	<2.2%	2.29%
Cost to Income Ratio	<50%	48.8%
Overseas Profit Contribution	+ve	5.0%

N1 : Annualised

N2 : Year-on-year growth

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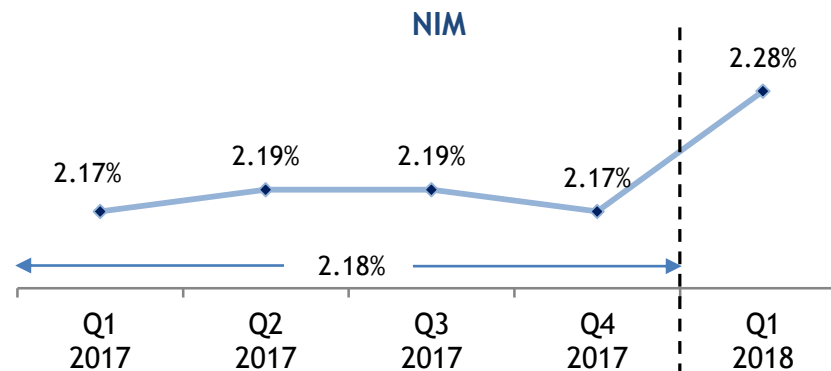
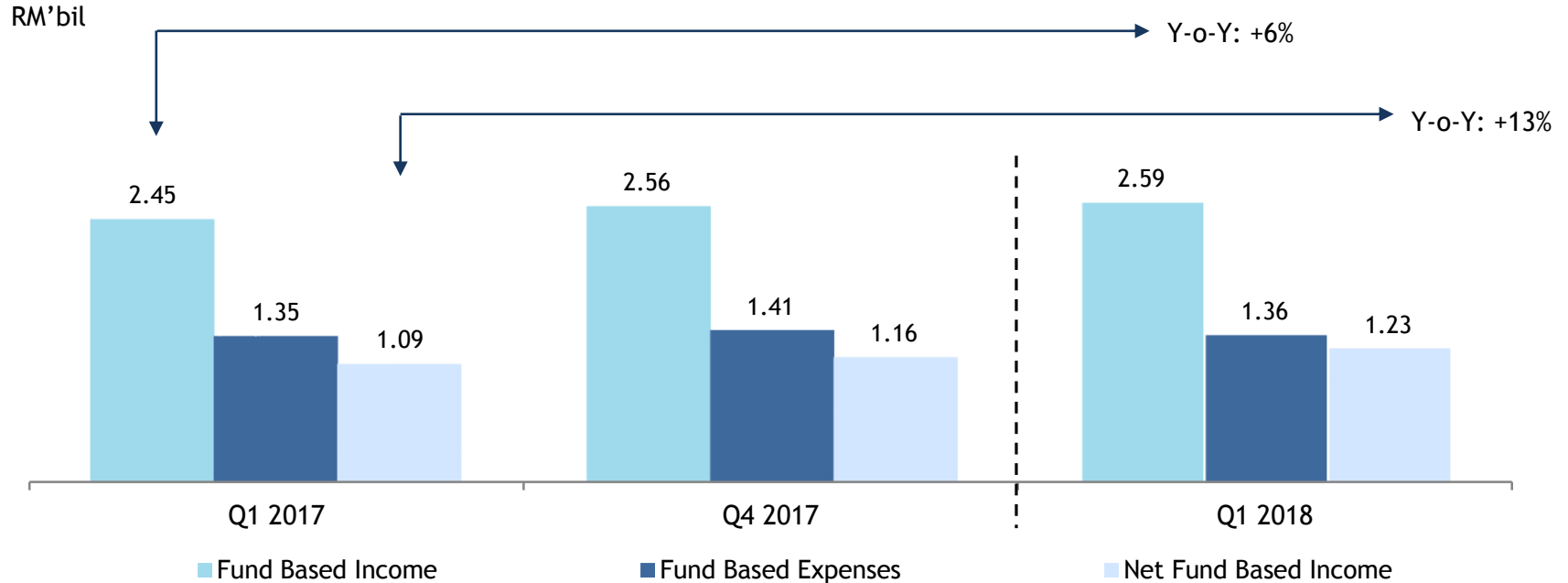
Improved profitability Y-o-Y arising from higher net fund based & non-fund based income and lower allowances for loan and asset impairment; CIR and loan loss coverage ratio improved

Financial Position		Financial Results		Key Financial Ratios	
Total Assets +1.9%  Mar 2018: RM234.6 bil Dec 2017: RM230.2 bil	Gross Loans +0.7%  Mar 2018: RM161.2 bil Dec 2017: RM160.1 bil	Total Income +13.8%  Q1 2018: RM1.77 bil Q1 2017: RM1.56 bil	Operating Profit Before Allowances +14.1%  Q1 2018: RM906.4 mil Q1 2017: RM794.2 mil	ROE +1.3%  Q1 2018: 10.4% Q1 2017: 9.1%	Non Interest Income / Total Income +0.5%  Q1 2018: 30.2% Q1 2017: 29.7%
Customer Deposits +2.2%  Mar 2018: RM169.8 bil Dec 2017: RM166.2 bil	CASA -1.5%  Mar 2018: RM49.7 bil Dec 2017: RM50.5 bil	Profit Before Tax +20.3%  Q1 2018: RM791.9 mil Q1 2017: RM658.3 mil	Net Profit to Shareholders +18.1%  Q1 2018: RM590.8 mil Q1 2017: RM500.3 mil	Cost to Income Ratio -0.1%  Q1 2018: 48.8% Q1 2017: 48.9%	Gross Impaired Loans Ratio +0.06%  Mar 2017: 2.29% Dec 2017: 2.23%
Shareholders' Equity -3.4%  Mar 2018: RM22.4 bil Dec 2017: RM23.1 bil	Net Assets Per Share -3.5%  Mar 2018: RM5.57 Dec 2017: RM5.77	<i>N1 Including Regulatory Reserve</i> <i>N2 After MFRS 9 adoption</i>		Credit Charge Ratio -0.09%  Q1 2018: 0.26% Q1 2017: 0.35%	Loan Loss Coverage Ratio ^{N1} +5.8%  Mar 2018: 107.4% ^{N2} Dec 2017: 101.6%

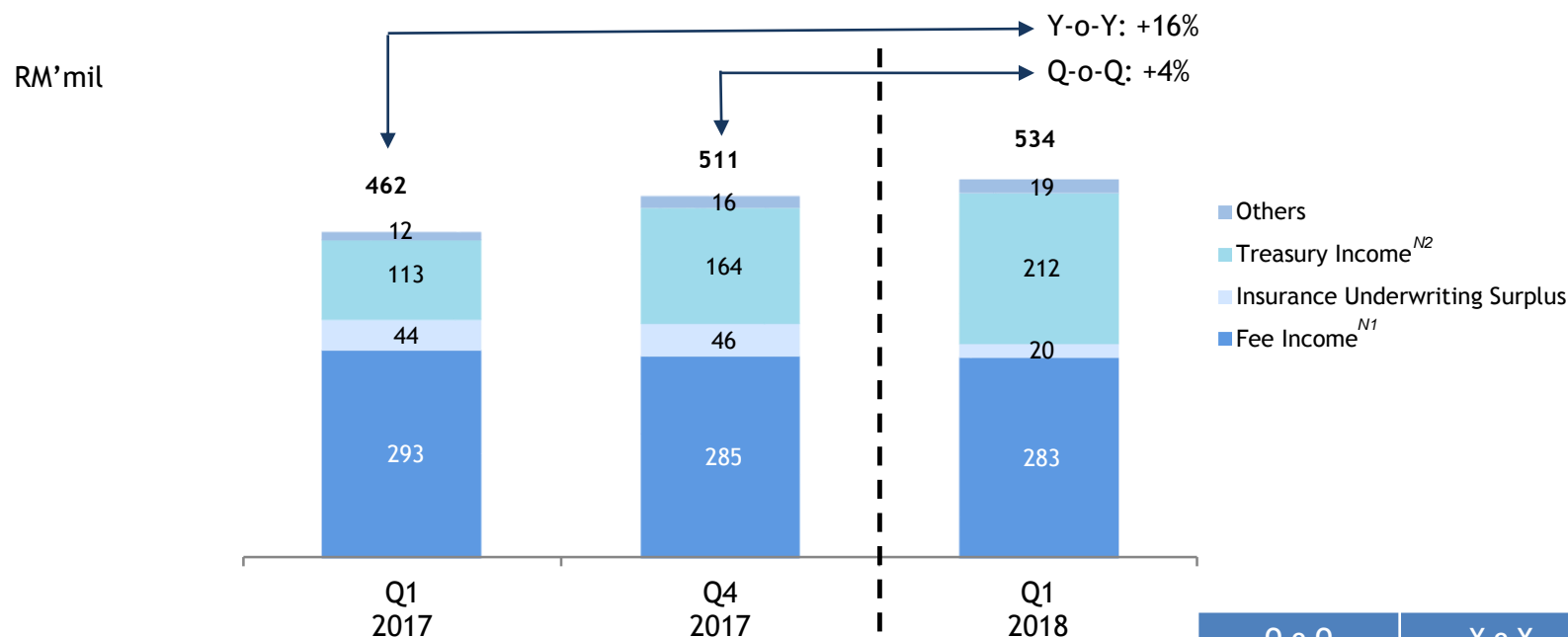
Strong operating performance continued Y-o-Y and Q-o-Q, on the back of robust topline growth and further supported by lower allowances for loans and other assets

RM' mil	Q1 2018	Q1 2017	Q4 2017	Y-o-Y Change %	Q-o-Q Change %
Net Interest Income	929	851	892	9	4
Net Islamic Fund Base Income	306	242	264	26	16
Total Net Fund Based Income (A)	1,235	1,093	1,156	13	7
Other Operating Income	566	454	520	25	9
Islamic Non-Fund Based Income	-32	8	-9	>-100	>-100
Total Non-Fund Based Income (B)	534	462	511	16	5
Total Income (A+B)	1,769	1,555	1,667	14	6
Operating Expenses	-863	-761	-847	13	2
Operating Profit Before Allowances	906	794	820	14	10
Allowances for Loan Impairment	-104	-133	-114	-22	-9
Impairment Losses (Made)/ Written Back on Other Assets	-11	-3	-104	>-100	-89
Profit Before Taxation	792	658	602	20	32
Net Profit	591	500	460	18	28

Sound growth in net fund based income from continuous funding and liquidity management; Positive impact of rate hike reflected in higher NIM

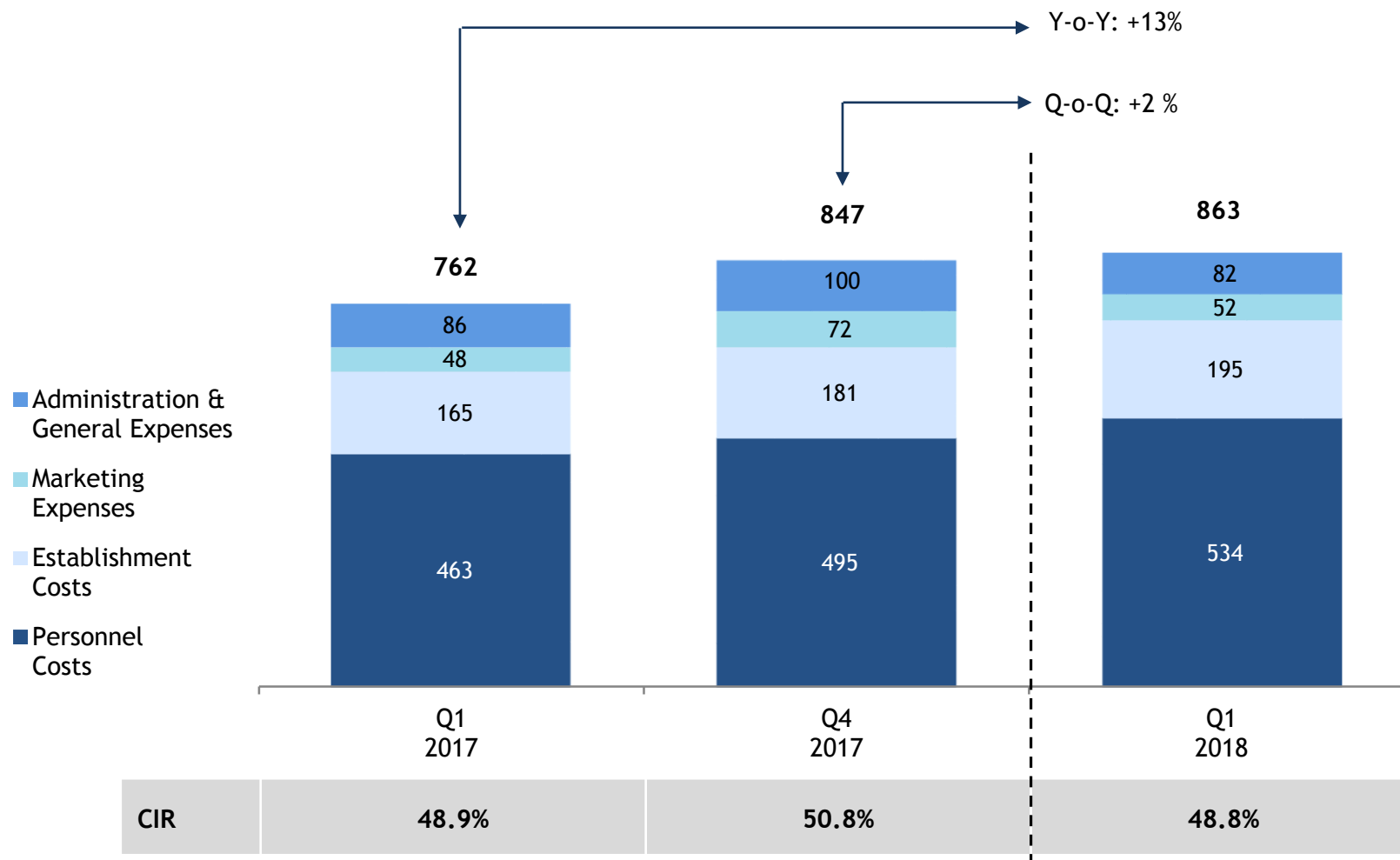


Non-fund based income grew strongly Y-o-Y contributed largely by higher net forex gain and trading & investment income; Q-o-Q growth mainly from higher brokerage fee income and trading & investment income



	Q1 2017	Q4 2017	Q1 2018	Q-o-Q Change	Y-o-Y Change
^{N1} Fee Income	293	285	283	-1%	-3%
IB Related	35	37	29	-22%	-16%
Brokerage Income	92	76	87	15%	-5%
Wealth Management	38	34	35	2%	-9%
Commercial Banking	128	138	132	-5%	3%
^{N2} Treasury Related Income	114	164	212	29%	87%
Net Forex Gain	55	124	81	-35%	48%
Gain & MTM on Securities/Derivatives	59	40	131	>100%	>100%

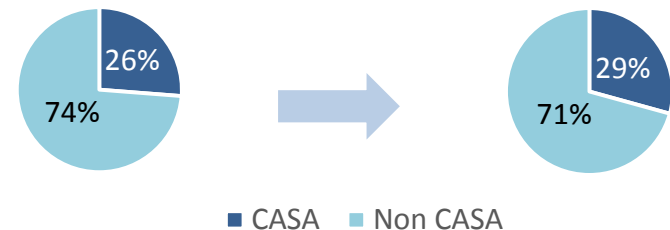
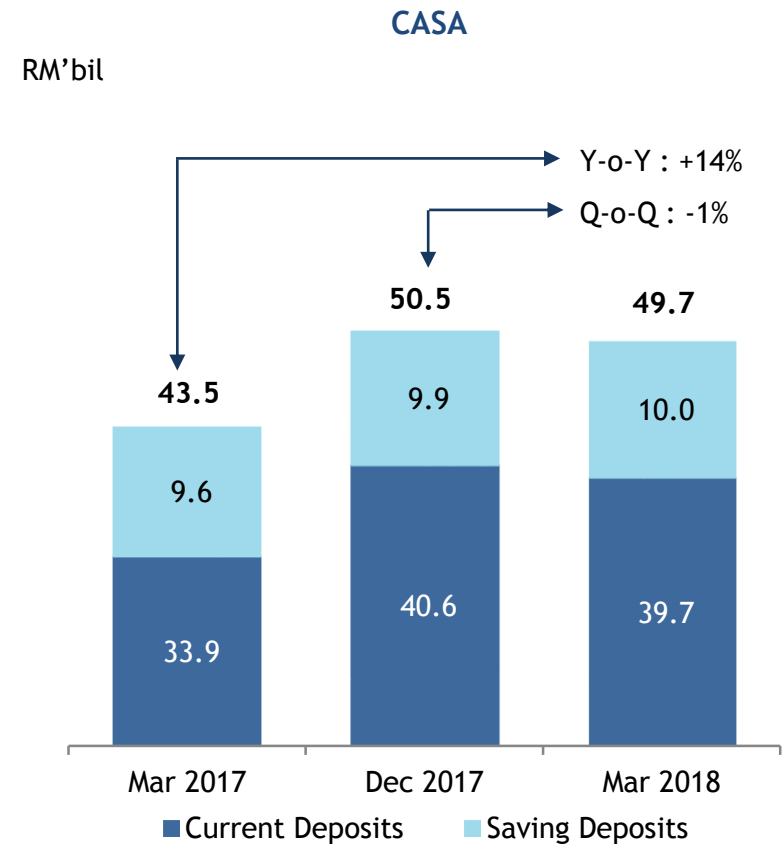
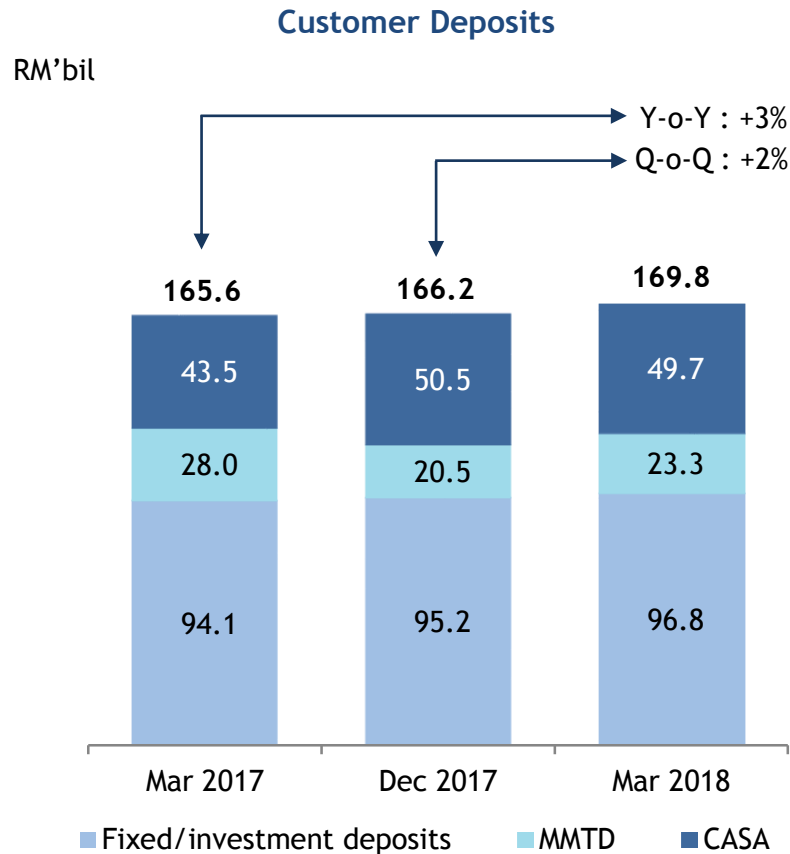
Operating expenses grew 13.4% Y-o-Y mainly due to higher personnel costs and IT-related expenses; Positive jaws maintained hence CIR improved further to 48.8%



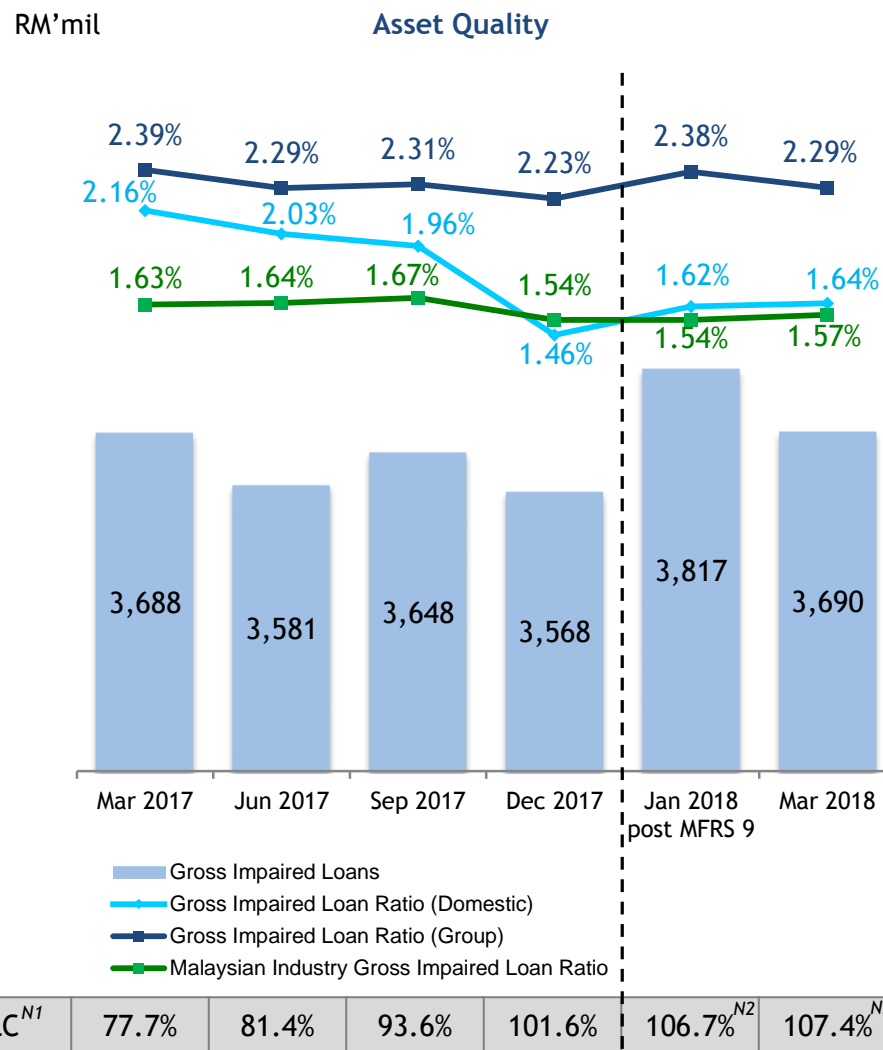
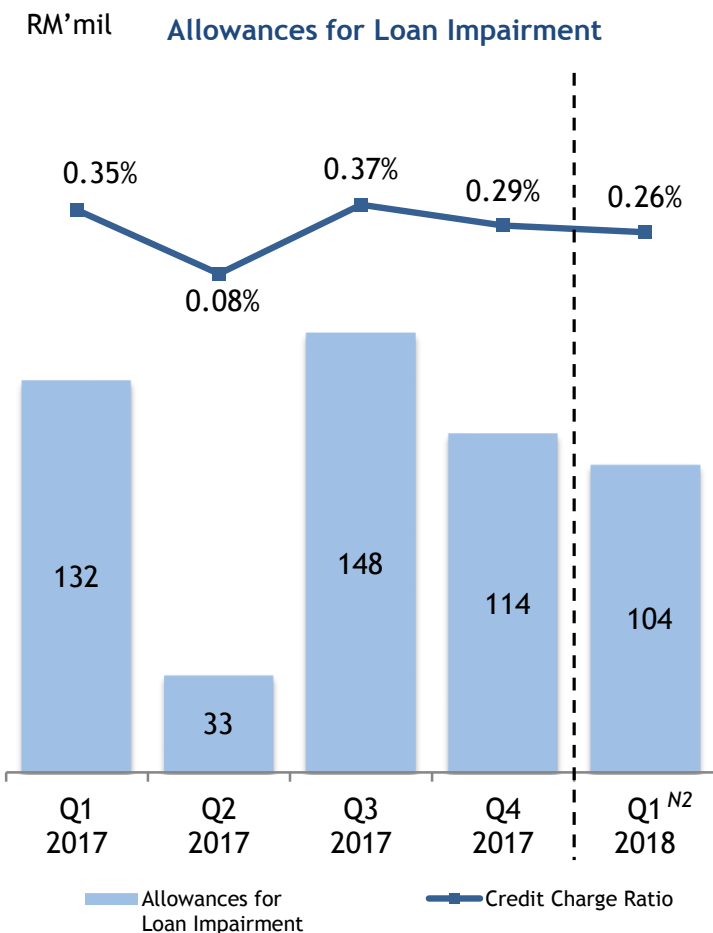
Loans growth continued to be driven by mortgage and SME partially offset by large corporate repayments and impact of stronger RM in Singapore

RM'mil	Mar 2018	Dec 2017	Q-o-Q Growth %	Mar 2017	Y-o-Y Growth %	Composition	
						Mar 2018 %	Dec 2017 %
GROUP RETAIL	78,486	76,266	2.9	70,480	11.4	48.7	47.6
<i>Mortgage</i>	48,912	46,920	4.2	41,989	16.5	30.3	29.3
<i>Commercial Property Financing</i>	4,764	4,694	1.5	4,585	3.9	3.0	2.9
<i>Securities</i>	7,710	7,882	-2.2	8,018	-3.8	4.8	4.9
<i>Auto Finance</i>	8,129	8,066	0.8	8,245	-1.4	5.0	5.0
<i>Unsecured Business</i>	8,219	7,932	3.6	6,834	20.3	5.1	5.0
<i>Others</i>	752	772	-2.6	809	-7.0	0.5	0.5
GROUP BUSINESS BANKING	24,339	23,906	1.8	22,391	8.7	15.1	14.9
<i>SME</i>	22,446	22,146	1.4	20,473	9.6	13.9	13.8
<i>Commercial</i>	1,893	1,760	7.6	1,918	-1.3	1.2	1.1
GROUP WHOLESALE BANKING	43,597	44,634	-2.3	44,393	-1.8	27.0	27.9
TOTAL RHB DOMESTIC	146,422	144,806	1.1	137,264	6.7	90.8	90.4
OVERSEAS OPERATIONS	14,784	15,318	-3.5	17,228	-14.2	9.2	9.6
<i>Singapore</i>	11,063	11,456	-3.4	13,165	-16.0	6.9	7.2
<i>Others</i>	3,721	3,862	-3.7	4,063	-8.4	2.3	2.4
TOTAL RHB GROUP	161,206	160,124	0.7	154,492	4.3	100.0	100.0

Total deposits growth Y-o-Y led by higher current account, Q-o-Q growth was mainly driven by fixed deposits and MMTD; CASA ratio remained healthy at 29.3%



Allowances for loan impairment moderated further and credit charge ratio improved; Gross impaired loans ratio improved Y-o-Y but ticked up marginally Q-o-Q; Loan loss coverage maintained above 100%*^{N1}



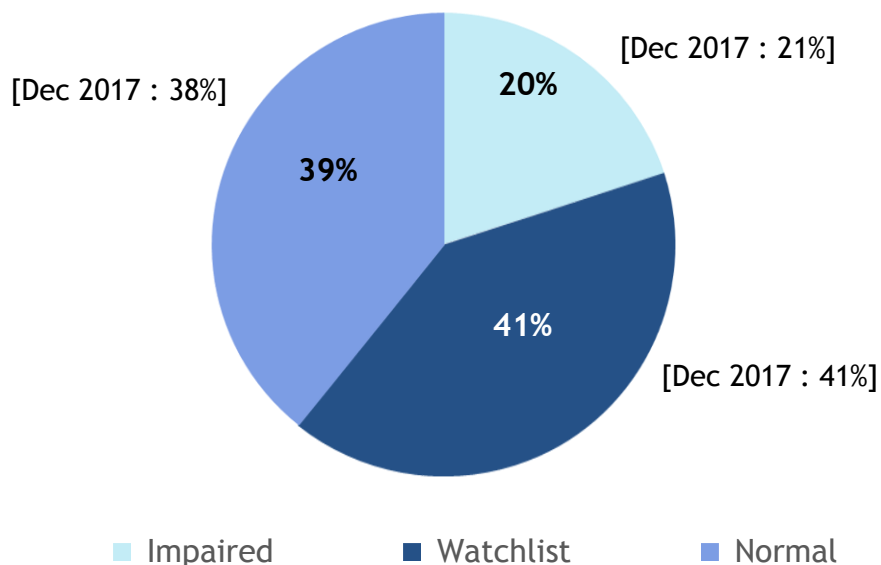
N1: Inclusive of 1.0% regulatory reserve

N2: Post MFRS9 adoption

O&G Exposure (Loans + Bonds) declined with lower Impaired amount

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
Mar 2018	3.3	2.05%	1.7	1.07%	5.0	3.12%
Dec 2017	3.4	2.12%	1.8	1.09%	5.2	3.21%

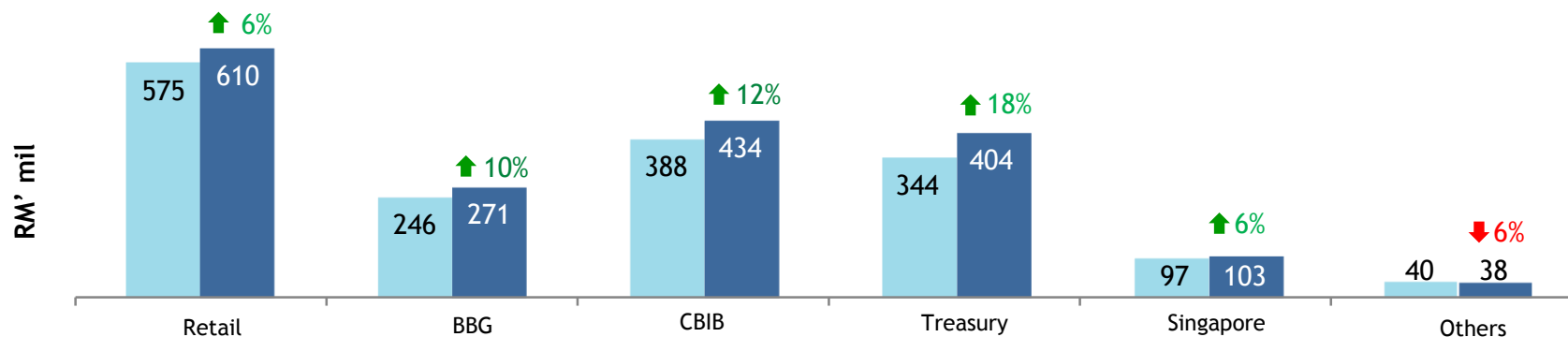
Oil & Gas Exposure



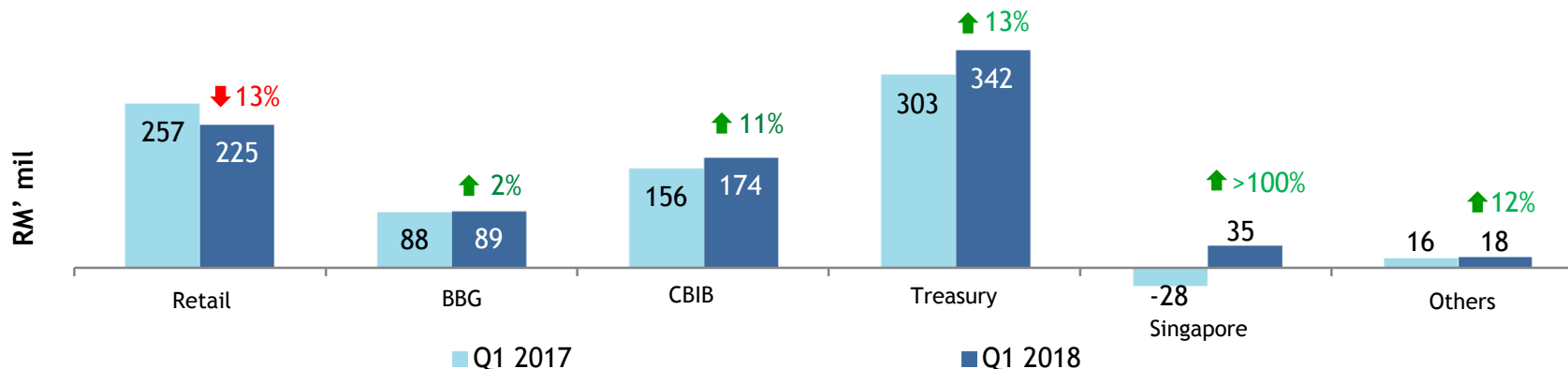
Country	% of Loans Outstanding
Malaysia	78%
Singapore	21%
Thailand	1%

Revenue increased across all domestic segments and Singapore; Higher profit from CBIB's net fund based & non-fund based income and Treasury's foreign exchange gain and investment & trading gain; Singapore improved from lower impairment losses and higher non fund based income

Revenue



Pre-tax Profit



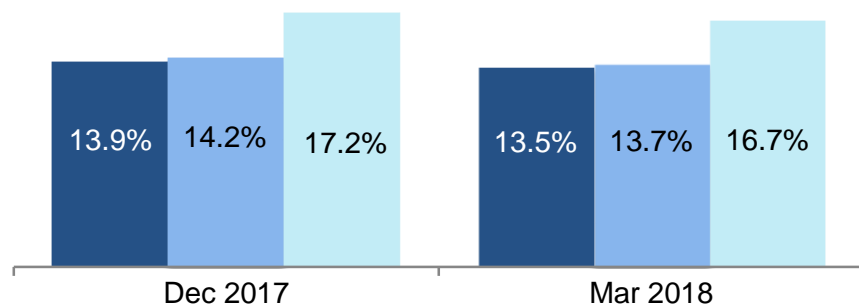
MFRS 9 Day 1 adjustment impact on capital within expectations; LLC excluding RR improved significantly with LLC including RR maintained above 100%

(RM million)	31 Dec 2017 (MFRS 139) A	Day 1 Adjustment B	1 Jan 2018 (MFRS 9) C=A+B	31 Mar 2018
Allowance for impaired loans and other assets:				
Loans	1,826	+1,361	3,187	3,147
Securities	745	+160	905	828
Regulatory reserves	1,798	(1,124)	674	664
Retained earnings	13,429	(123)	13,306	13,906

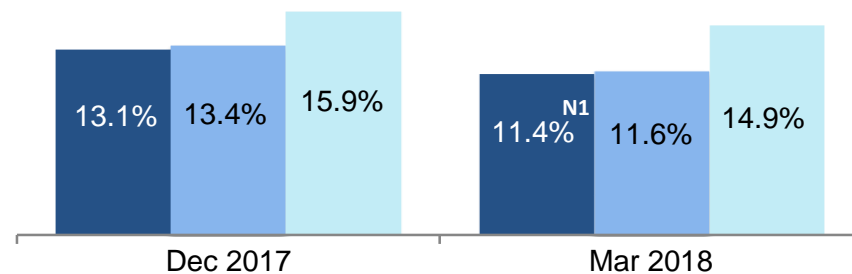
1 Jan 2018	Group		Bank	
<u>Impact on Capital</u>	Before MFRS 9	After MFRS 9	Before MFRS 9	After MFRS 9
CET1 Capital Ratio	13.9%	13.7%	13.1%	12.8%
CET1 Capital Ratio (fully loaded)	13.9%	13.7%	12.2%	11.9%
Tier 1 Capital Ratio	14.2%	14.0%	13.4%	13.1%
Total Capital Ratio	17.2%	17.0%	15.9%	15.5%
<u>Impact on Loan Loss Coverage</u>				
Loan Loss Coverage (without RR)	51.2%	91.5%		
Loan Loss Coverage with RR	101.6%	106.7%		

Capital position at end March 2018 remained robust for Group and key banking subsidiaries

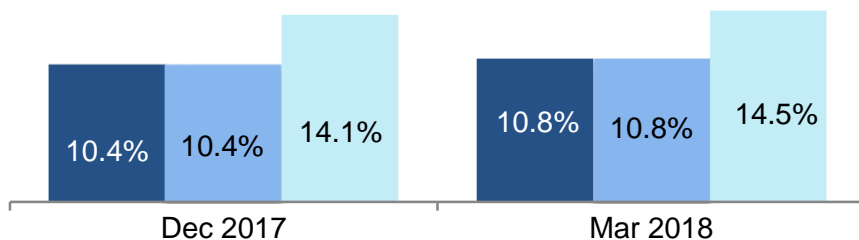
RHB Bank Group



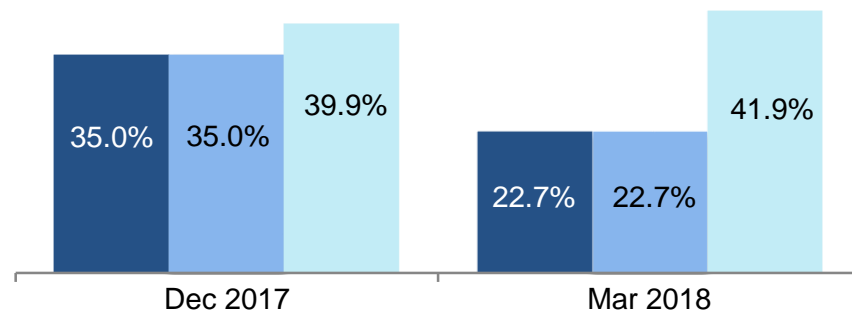
RHB Bank



RHB Islamic Bank



RHB Investment Bank



■ CET 1 Capital ■ Tier 1 Capital ■ Total Capital

Ratios are after FY2017 proposed final dividend, but excluding Q1 2018 profits

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Economic Outlook

- Malaysia is expected to register a moderate GDP expansion of 5.2% in 2018, against 5.9% growth registered in 2017, supported by resilient domestic demand, as exports continue to expand and create positive spillover effects into consumer spending and private investments
- Market and industry players will be keenly awaiting the economic policies of the new government, which are expected to boost private sector demand and consumption. This in turn is expected to positively impact the banking sector
- Overall, the banking sector is likely to ride on continued economic growth supported by healthy asset quality, strong capital position and ample liquidity
- Possibility of another OPR hike of 25 basis points by end of 2018

Concluding Remarks

- The Group delivered best ever quarterly profit performance in Q1 2018
- Loans and financing continued to be driven by strong growth in mortgages and retail SME
- Prudent management of funding cost and impact of OPR hike in January 2018 resulted in uptick in net interest margin
- Our fundamentals have improved following the increase in LLC to more than 100%, robust capital level of 11.4% (CET 1 at Bank level), healthy liquidity position with LCR of 116.6% and moderation of credit charge ratio at 0.26% as at end-March 2018
- The Group remains committed to the new strategy which focuses on establishing market leadership in our core segments; strengthen Malaysia as our base, position overseas business to focus on our strengths & niche; and build a winning operating model that prioritises customer journeys, agility, analytics and digital enablement
- Digital enablement through AGILE@Scale will be a core component of FIT22, with objective of better productivity and efficiency, enhanced customer journeys and improved workplace for employees
- Barring unforeseen circumstances, the Group expects to achieve better performance this year.

THANK YOU

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TOGETHER WE PROGRESS

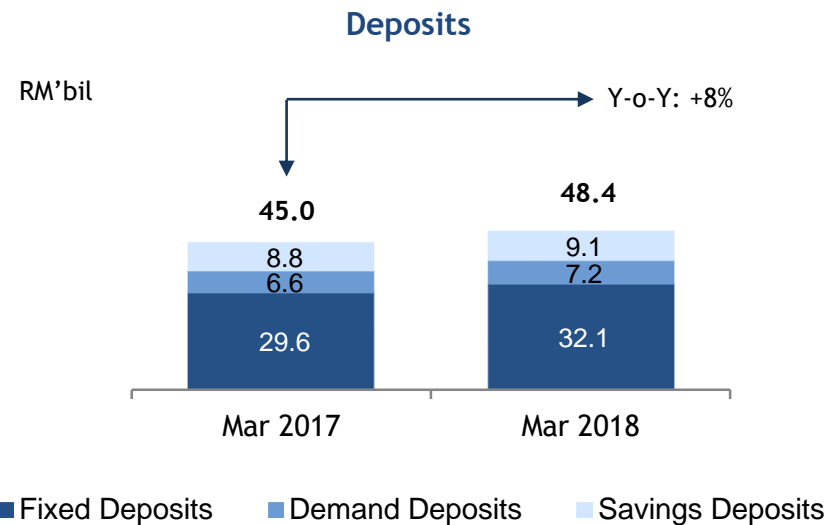
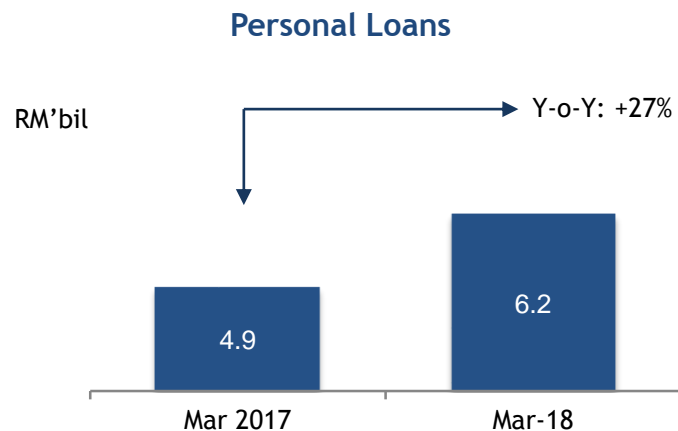
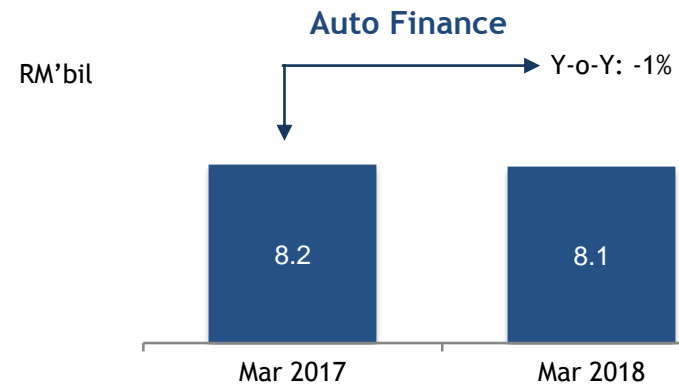
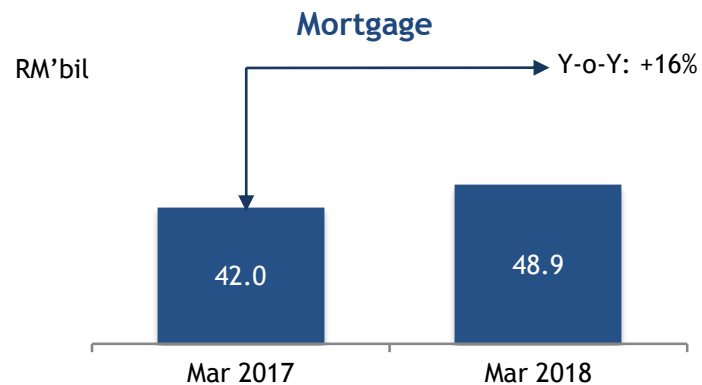


APPENDIX

Key Business Highlights



Retail Banking

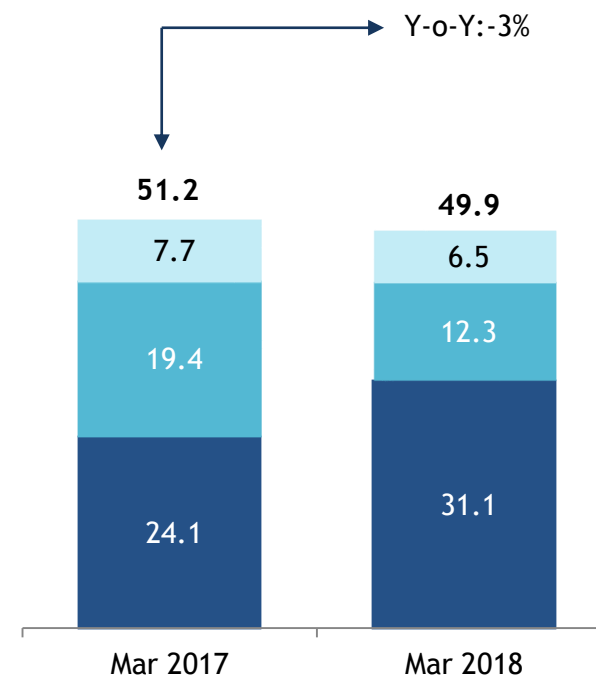


Investment Banking - Market Positions & Asset Management (1/2)

	YTD Mar 2018	
	Market Share	Ranking
Equity: - By value - By volume	7.8% 11.8%	5 th 3 rd
Debt Capital Markets: - MYR sukuk - Total MYR bonds (Conventional & Islamic bonds)	28.6% 26.9%	1 2
Mergers & Acquisitions: - by value - by deal count	67.3% 6 deals	1 1
Equity Capital Markets	27.6%	2










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Asset Under Management

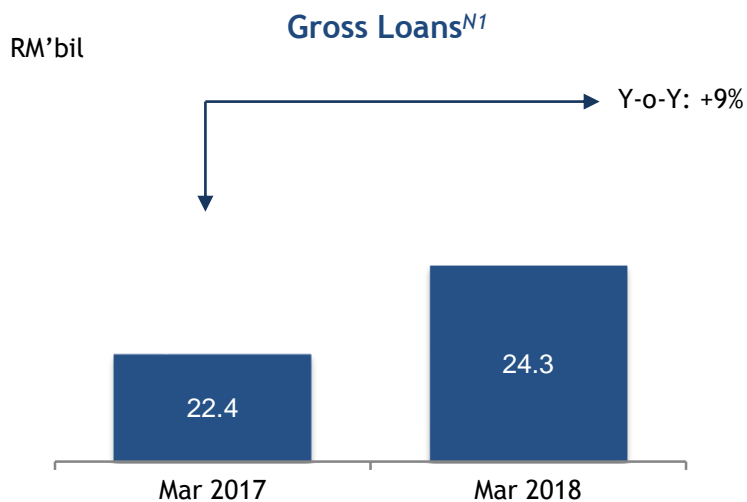


Domestic Retail Market Share	11.1%	10.3%
	Overseas	Wholesale
		Retail

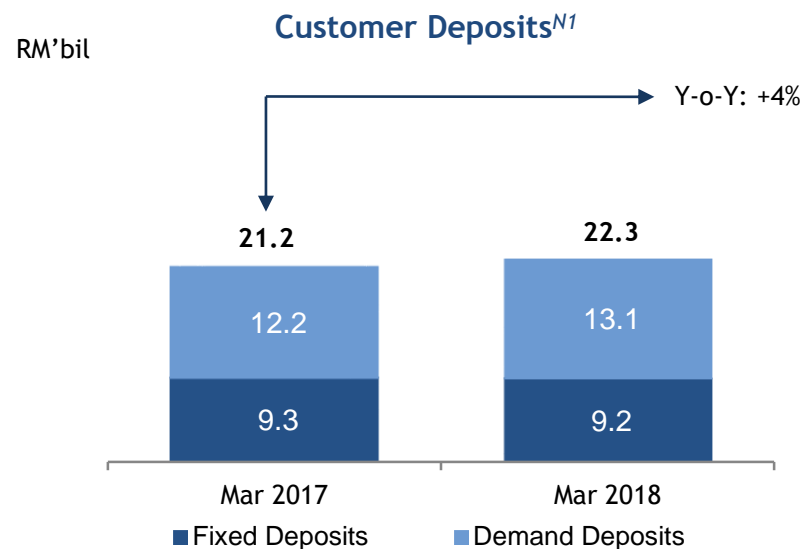
Investment Banking - Market Position (2/2)

YTD March 2018	Ranking	Market Share	DCM	
Debt Capital Markets: - MYR sukuk - Total MYR bonds (Conventional & Islamic bonds)	1	28.6%		Edra Energy Sdn Bhd RM5.085 bil issuance out of RM5.28 bil Sukuk Wakalah Programme <i>Joint Lead Manager</i>
	2	26.9%		Danga Capital Berhad RM2.0 bil issuance out of RM20.0 bil Ringgit Islamic Securities Programme <i>Joint Lead Manager</i>
Mergers & Acquisitions: - by value - by deal count	1	67.3%		MMC Corporation Bhd RM1.0 bil issuance out of RM2.5 bil Sukuk Murabahah Programme <i>Sole Principal Adviser, Sole Lead Arranger & Sole Lead Manager</i>
	1	6 deals		
Equity Capital Markets	2	27.6%		
M&A			ECM	
	Air Asia Group Berhad (“AAGB”) RM4,647.0 mil Disposal of AAGB’s aircraft leasing operations <i>Principal Adviser and Joint Financial Adviser</i>			Serba Dinamik Holdings Berhad RM427.2 mil Primary Placement <i>Sole Principal Adviser & Sole Placement Agent</i>
	UMW Holdings Bhd RM501.0 mil Acquisition of shares in Med-Bumikar Mara Sdn Bhd and Central Shore Sdn Bhd held by MBM Resources <i>Adviser to Med-Bumikar Mara Sdn Bhd</i>			Wegmans Holdings Berhad RM43.50 mil Listing on ACE Market of Bursa Securities <i>Sole Principal Adviser, Sponsor, Sole Underwriter & Sole Placement Agent</i>
	AWC Berhad RM72.5 mil Acquisition of 60% equity interest in Trackwork & Supplies Sdn Bhd and proposed call & put option of remaining 40% equity interest in Trackwork (<i>in progress</i>) <i>Principal Adviser</i>			Hibiscus Petroleum Berhad RM40.76 mil Private Placement <i>Sole Principal Adviser & Sole Placement Agent</i>

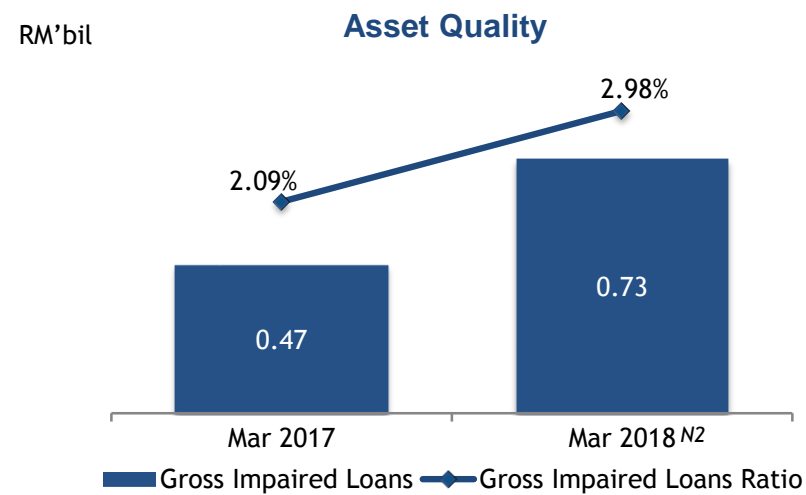
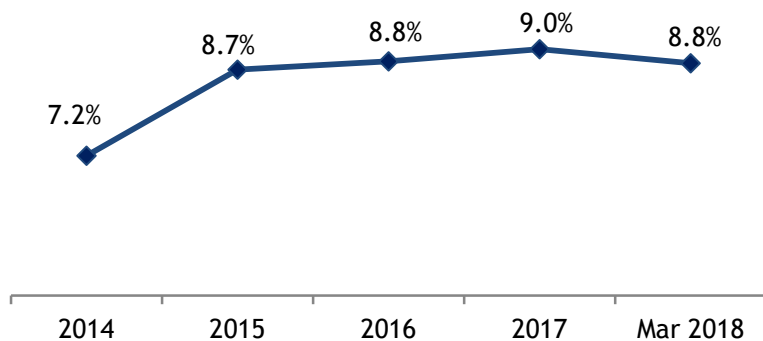
Business Banking



N1: Domestic only

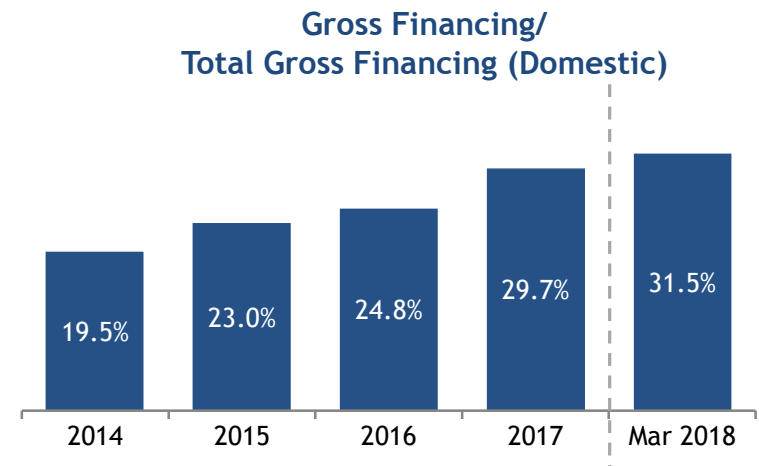
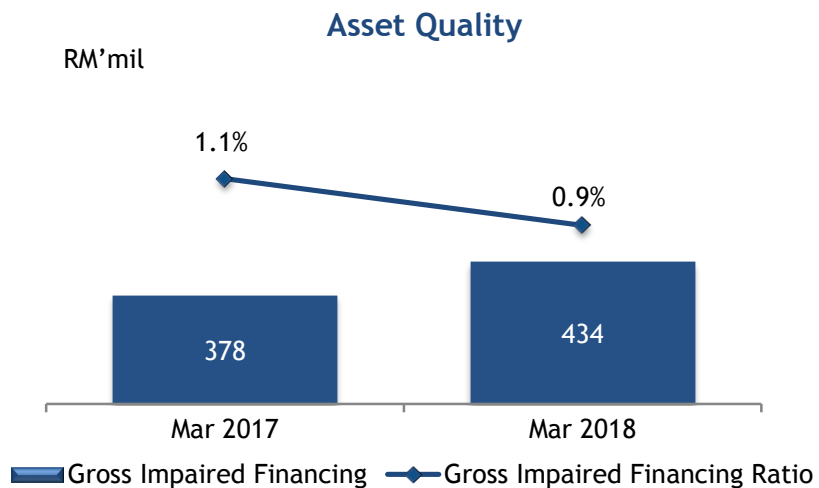
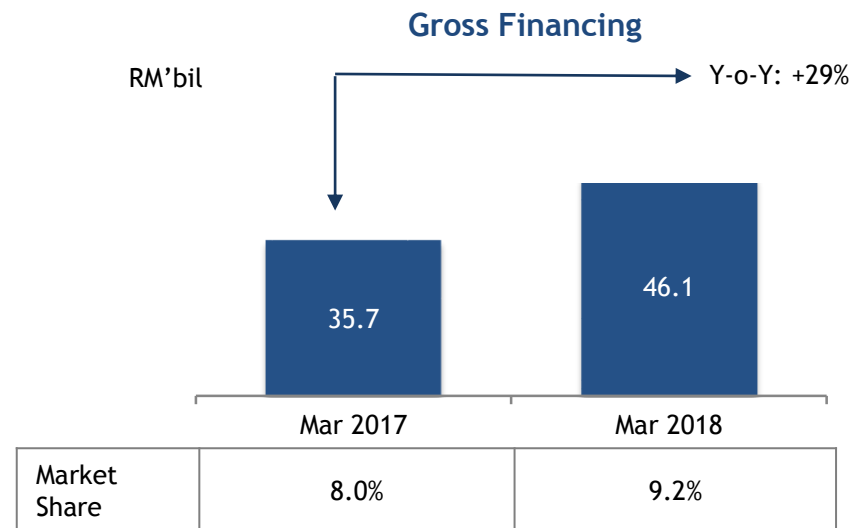
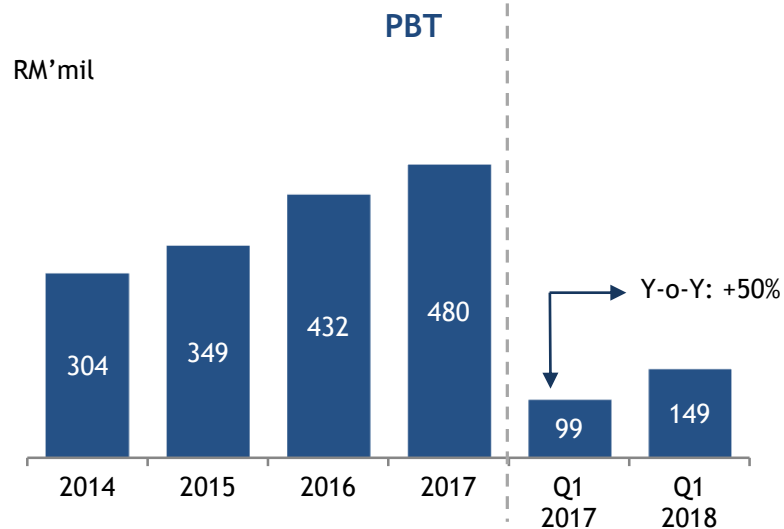


SME Market Share



N2: After MFRS 9 adoption

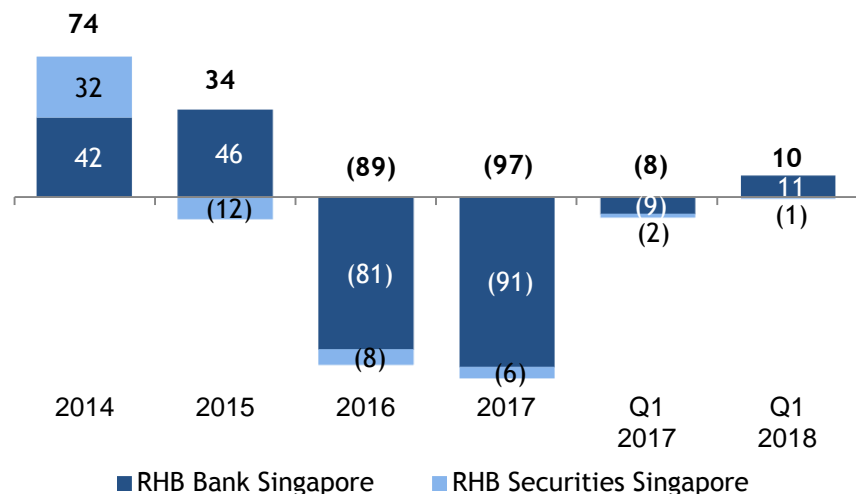
Islamic Banking



RHB Singapore

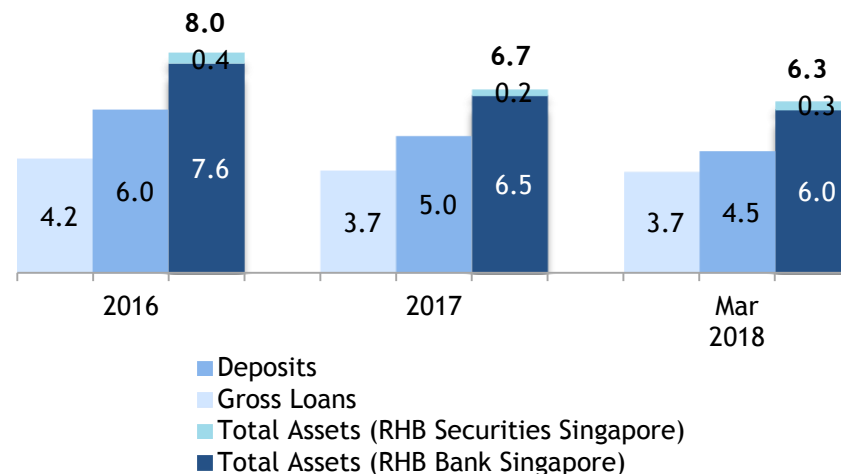
SGD'mil

PBT

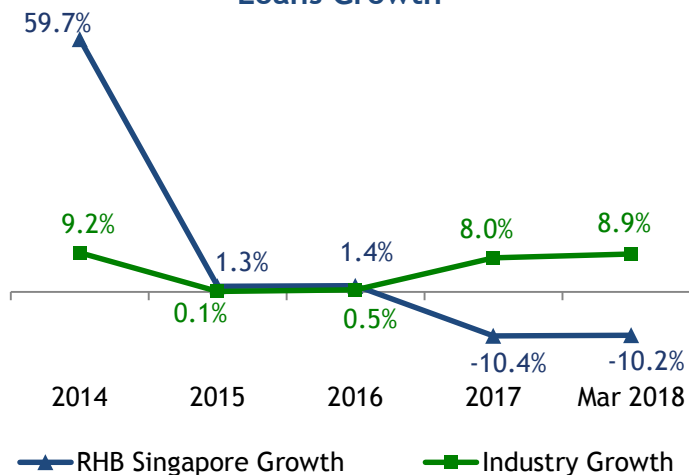


SGD'bil

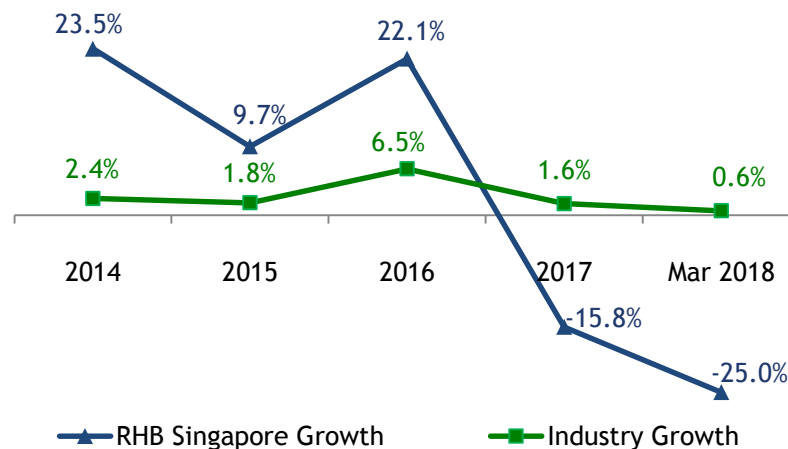
Loans, Deposits & Total Assets



Loans Growth^{N1}



Deposits Growth^{N1}



N1 : YoY growth