

# Analysts Presentation First Half 2018 Financial Results

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30 August 2018



# AGENDA

Executive Summary

H1 2018 Financial Results

Strategy Update

Summary and Outlook



# Highlights of H1 2018 Performance (1/2)

## Profitability

### Year-on-year:

- Net profit up 16.0% to a record RM1,161.1 million, mainly due to higher net fund based and non-fund based income, and lower allowances for expected credit losses (ECL) on other assets
- Net fund based income rose 10.8% to RM2,481 million mainly underpinned by growth in loans and prudent funding cost management. Non-fund based income grew 1.3% to RM904.2 million contributed largely by higher net foreign exchange gain and trading and investment income, partially offset by lower insurance underwriting surplus, and lower brokerage income
- Operating expenses rose 7.6% to RM1,660.7 million driven by a rise in personnel costs and IT-related expenses. Cost-to-income ratio (CIR) improved to 49.1%
- Allowances for ECL on loans was 16.3% higher at RM180.9 million, primarily due to higher collective credit losses for loans arising from implementation of MFRS9
- ROE of 10.2% compared with 9.1% same period last year

### Quarter year-on-year:

- Net profit rose by 13.8% to RM570.3 million from the corresponding quarter last year primarily due to higher net fund based income and lower allowances for ECL on other assets

## Assets and Liabilities

- Gross loans and financing for the Group grew 3.1% Y-o-Y to RM161.4 billion driven by mortgage
  - Total domestic loans grew 4.5% Y-o-Y
  - Total customer deposits increased marginally Y-o-Y to RM166.0 billion
    - Total CASA grew 4.2% Y-o-Y but declined 4.7% from December 2017 mainly from Corporate and Singapore
    - CASA composition at 29.0% from 27.9% a year ago and 30.4% in December 2017
- Gross impaired loans (GIL) ratio of 2.33%, up from 2.23% in December 2017 but lower than the post-MFRS 9 restated ratio of 2.38%
- Loan loss coverage ratio (including regulatory reserve) stood at 104.1% as at end June 2018

# Highlights of H1 2018 Performance (2/2)

## Business Performance

- **Group Wholesale Banking** recorded a pre-tax profit of RM971.3 million, an increase of 11.0% Y-o-Y:
  - **Group Corporate & Investment Banking** pre-tax profit grew 29.0% to RM352.7 million on the back of higher net fund based and non-fund based income and lower allowances for ECL on loans
  - **Group Treasury and Global Markets** recorded a 2.9% growth in pre-tax profit to RM618.7 million mainly due to higher foreign exchange gain and trading & investment income, partially offset by higher operating expenses and lower ECL write back on loans.
- **Retail Banking** pre-tax profit grew 2.1% Y-o-Y to RM496.9 million mainly due to higher net fund based income and non-fund based income, partly offset by higher allowances for ECL on loans and higher operating expenses
- **Business Banking** loans grew 7.4% Y-o-Y. However pre-tax profit decreased 13.0% to RM165.1 million mainly due to higher allowances for ECL for loans and higher operating expenses
- **Singapore** recorded a pre-tax profit of SGD24.1 million compared with a pre-tax loss of SGD30.9 million a year ago primarily due to significant reduction in allowances for ECL on loans and other assets
- **Islamic Banking:**
  - Pre-tax profit increased by 8.8% Y-o-Y to RM274.8 million
  - Islamic Financing represents 31.4% of the Group's total domestic gross loans and financing, up from 29.7% as at December 2017
  - No. 3 in industry by financing assets (RM46.0 billion as at end June 2018)

## Capital and Liquidity

- Capital position as at 30 June 2018 remained strong
  - Group CET I ratio at 14.5%, Tier I ratio at 14.7% and total capital ratio at 17.7%
  - Bank entity CET I ratio at 12.4%, Tier I ratio at 12.7% and total capital ratio at 16.1%

## Dividend

- Interim dividend of 7.5 sen per share for FY2018, representing 25.9% payout based on H1 2018 results

# RHB Banking Group Scorecard for 2018

Top Level Indicators	Target 2018	Actual H1 2018
ROE	9.0% - 10.0%	10.2% <sup>N1</sup>
Loans Growth	6%	3.1% <sup>N2</sup>
CASA Growth	10%	4.2% <sup>N2</sup> (MY Retail & BBG CASA growth of 5.4%)
Gross Impaired Loans Ratio	<2.2%	2.33%
Cost to Income Ratio	<50%	49.1%
Overseas Profit Contribution	+ve	4.5%

N1 : Annualised

N2 : Year-on-year growth

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# H1 profits rose Y-o-Y arising from higher net fund based income and lower allowances for expected credit losses on other assets; CIR improved and loan loss coverage ratio remained above 100%

Financial Position		Financial Results		Key Financial Ratios	
<b>Total Assets</b>  +1.8%  Jun 2018: RM234.5 bil Dec 2017: RM230.2 bil	<b>Gross Loans</b>  +0.8%  Jun 2018: RM161.4 bil Dec 2017: RM160.1 bil	<b>Total Income</b>  +8.1%  H1 2018: RM3.39 bil H1 2017: RM3.13 bil	<b>Operating Profit Before Allowances</b>  +8.5%  H1 2018: RM1.72 bil H1 2017: RM1.59 bil	<b>ROE <sup>N1</sup></b>  +1.1%  H1 2018: 10.2% H1 2017: 9.1%	<b>Non-Fund Based/ Total Income</b>  -1.8%  H1 2018: 26.7% H1 2017: 28.5%
<b>Customer Deposits</b>  -0.1%  Jun 2018: RM166.0 bil Dec 2017: RM166.2 bil	<b>CASA</b>  -4.7%  Jun 2018: RM48.1 bil Dec 2017: RM50.5 bil	<b>Profit Before Tax</b>  +19.3%  H1 2018: RM 1.56 bil H1 2017: RM 1.31 bil	<b>Net Profit to Shareholders</b>  +16.0%  H1 2018: RM1.16 bil H1 2017: RM1.00 bil	<b>Cost to Income Ratio</b>  -0.2%  H1 2018: 49.1% H1 2017: 49.3%	<b>Gross Impaired Loans Ratio</b>  -0.05% <sup>N3</sup>  Jun 2018: 2.33% Dec 2017: 2.38% <sup>N3</sup> Dec 2017: 2.23%
<b>Shareholders' Equity</b>  +2.7% <sup>N3</sup>  Jun 2018: RM22.5 bil Dec 2017: RM21.9 bil <sup>N3</sup> Dec 2017: RM23.1 bil	<b>Net Assets Per Share</b>  +2.7% <sup>N3</sup>  Jun 2018: RM5.61 Dec 2017: RM5.47 <sup>N3</sup> Dec 2017: RM5.77	<i>N1 Annualised</i> <i>N2 Including Regulatory Reserve</i> <i>N3 Post MFRS 9 restated opening balance</i>		<b>Credit Charge Ratio <sup>N1</sup></b>  +0.02%  H1 2018: 0.22% H1 2017: 0.20%	<b>Loan Loss Coverage Ratio <sup>N2</sup></b>  -2.1% <sup>N3</sup>  Jun 2018: 104.1% Dec 2017: 106.2% <sup>N3</sup> Dec 2017: 101.6%

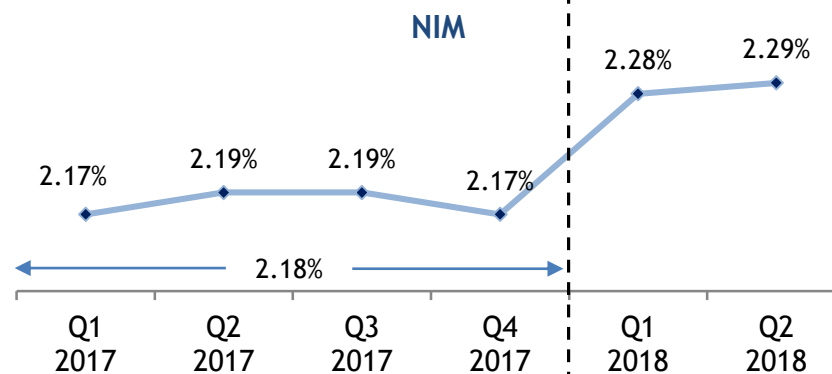
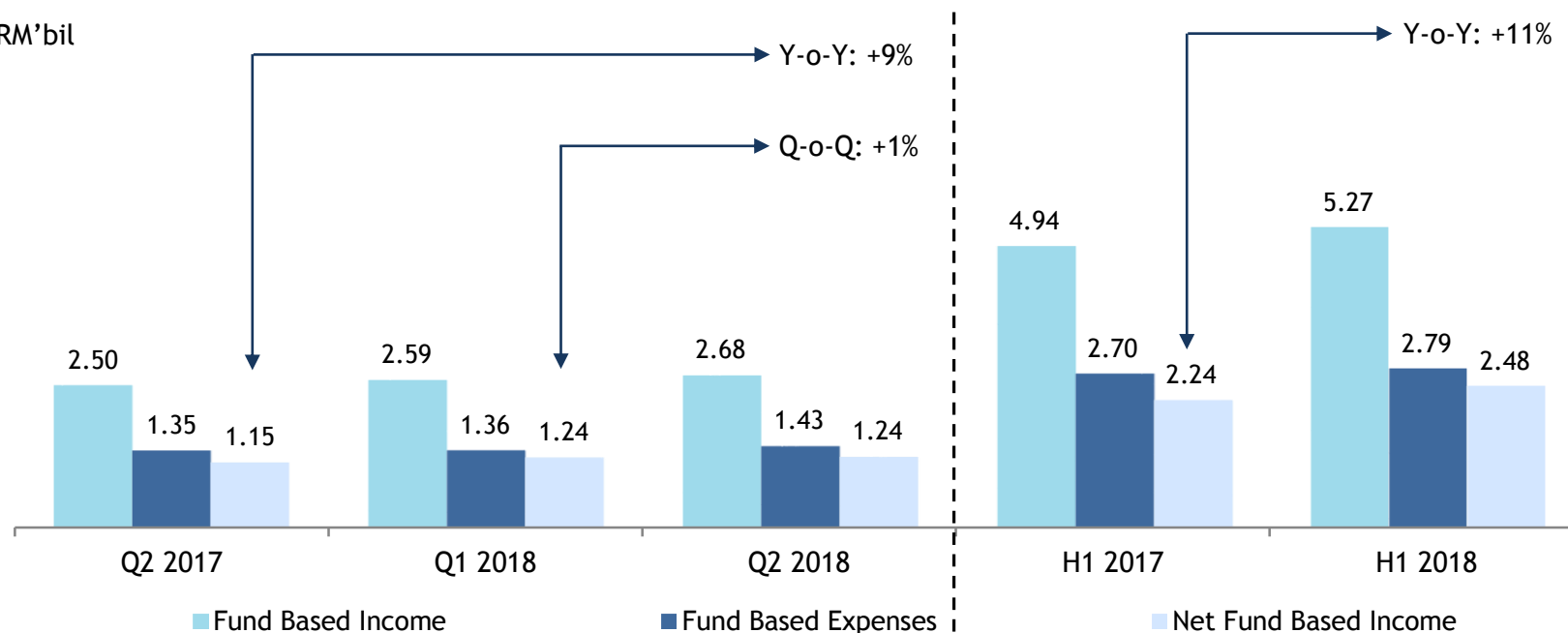
**Q2 continued the year's momentum driven by lower overheads and allowances for ECL;  
One-off fee income gain in Q1 resulted in a marginal decline of net profit Q-o-Q**

RM' mil	Q2 2017	Q1 2018	Q2 2018	Q-o-Q %	H1 2017	H1 2018	Y-o-Y %
Net Interest Income	886	930	937	1	1,738	1,867	7
Net Islamic Fund Base Income	260	306	308	1	502	614	22
<b>Total Net Fund Based Income (A)</b>	<b>1,146</b>	<b>1,236</b>	<b>1,245</b>	<b>1</b>	<b>2,240</b>	<b>2,481</b>	<b>11</b>
Other Operating Income	396	564	309	-45	848	873	3
Islamic Non-Fund Based Income	36	-32	63	>-100	44	31	-30
<b>Total Non-Fund Based Income (B)</b>	<b>432</b>	<b>532</b>	<b>372</b>	<b>-30</b>	<b>892</b>	<b>904</b>	<b>1</b>
<b>Total Income (A+B)</b>	<b>1,578</b>	<b>1,768</b>	<b>1,617</b>	<b>-9</b>	<b>3,132</b>	<b>3,385</b>	<b>8</b>
Operating Expenses	-783	-862	-799	-7	-1,543	-1,661	8
<b>Operating Profit Before Allowances</b>	<b>795</b>	<b>906</b>	<b>818</b>	<b>-10</b>	<b>1,589</b>	<b>1,724</b>	<b>9</b>
Allowances for Loan Impairment	-22	-104	-77	-26	-156	-181	16
Impairment Losses (Made)/ Written Back on Other Assets	-119	-11	32	>-100	-122	21	>-100
<b>Profit Before Taxation</b>	<b>654</b>	<b>792</b>	<b>773</b>	<b>-2</b>	<b>1,312</b>	<b>1,565</b>	<b>19</b>
<b>Net Profit</b>	<b>501</b>	<b>591</b>	<b>570</b>	<b>-3</b>	<b>1,001</b>	<b>1,161</b>	<b>16</b>

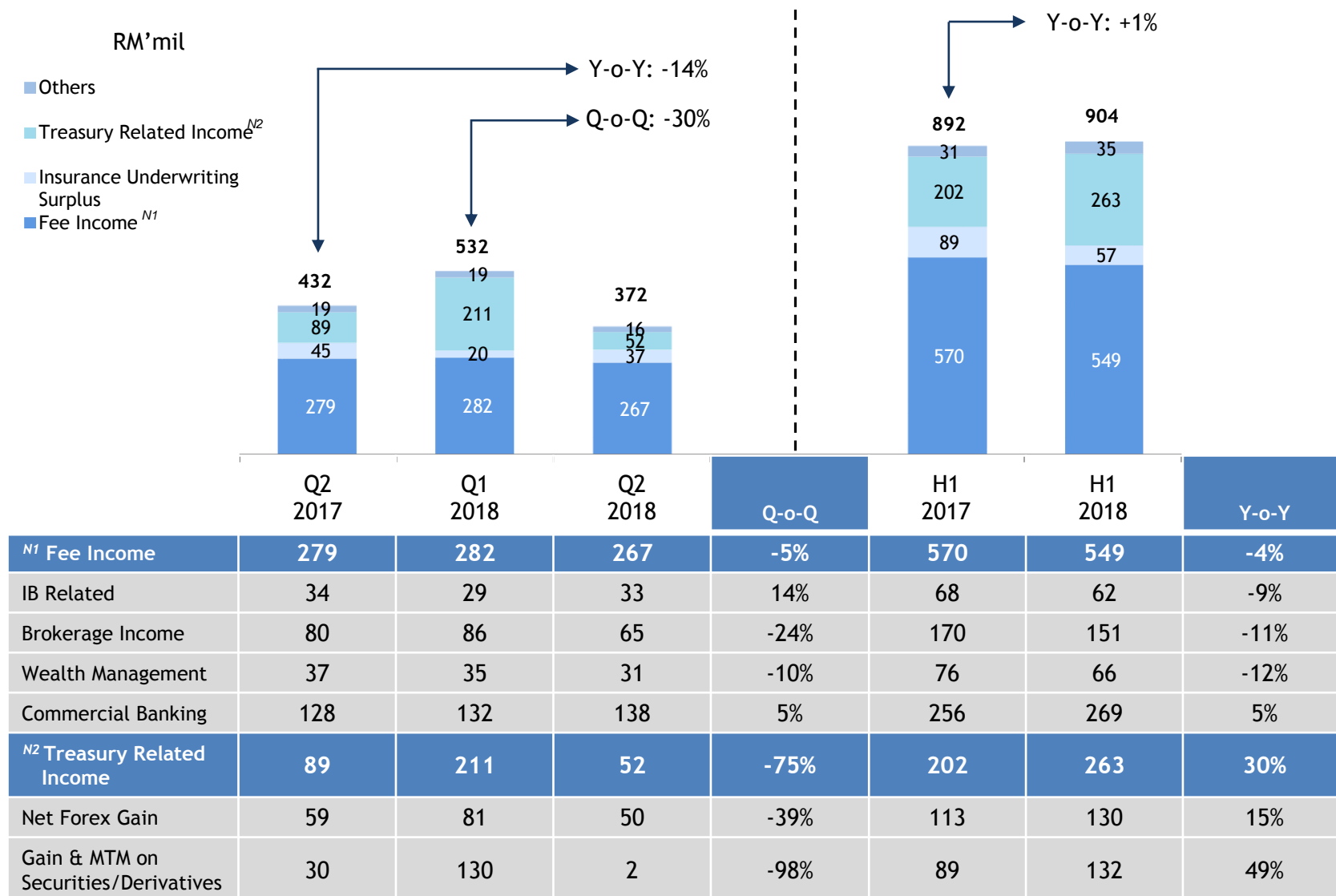


# Net fund based income growth supported by continuous funding and liquidity management; Margins showed further improvement Y-o-Y but remained stable against preceding quarter

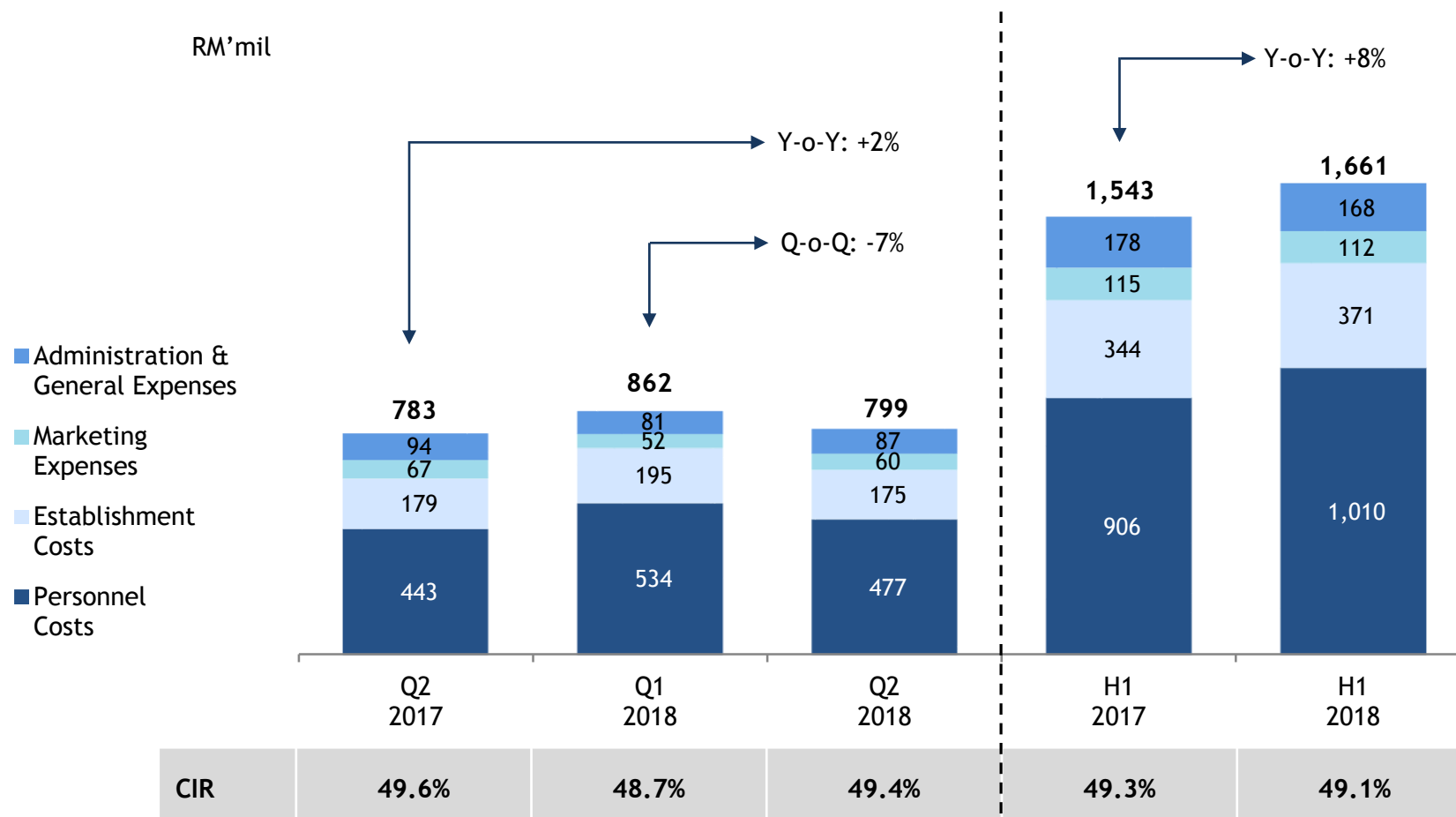
RM'bil



# Non-fund based income grew Y-o-Y supported by higher net forex gain, trading & investment income and commercial banking fee; Q-o-Q impacted mainly by lower forex gain, trading & investment income and brokerage income



Operating expenses grew 7.6% Y-o-Y mainly from higher personnel and IT related expenses; Q-o-Q saw a decline in overheads as expenses normalised from absence of one-off increases in personnel and IT costs in preceding quarter; CIR improved further to 49.1%

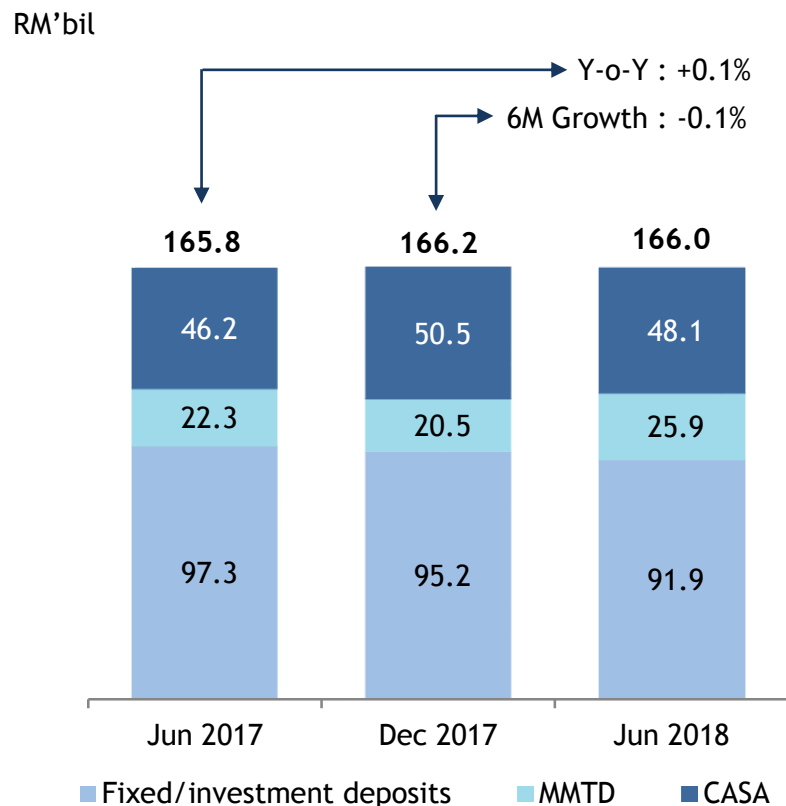


## Loans grew 3.1% Y-o-Y mainly driven by continued mortgage and SME growth partially offset by large corporate repayments and impact of stronger RM in Singapore

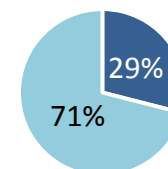
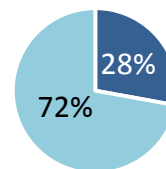
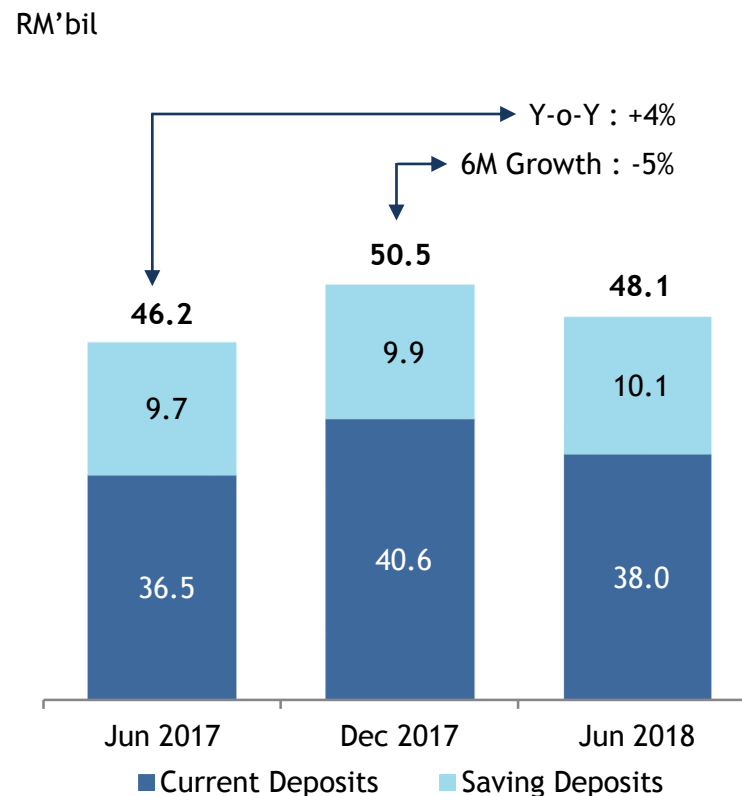
RM'mil						Composition	
	Jun 2018	Dec 2017	YTD %	Jun 2017	YoY %	Jun 2018 %	Dec 2017 %
<b>GROUP RETAIL</b>	<b>80,544</b>	<b>76,266</b>	<b>5.6</b>	<b>71,722</b>	<b>12.3</b>	<b>50</b>	<b>48</b>
Mortgage	50,498	46,920	7.6	43,372	16.4	31	29
Commercial Property Financing	4,792	4,694	2.1	4,605	4.1	3	3
Securities	7,727	7,882	-2.0	7,774	-0.6	5	5
Auto Finance	8,248	8,066	2.3	8,067	2.2	5	5
Unsecured Business	8,533	7,932	7.6	7,103	20.1	5	5
Others	746	772	-3.4	801	-6.9	0	0
<b>GROUP BUSINESS BANKING</b>	<b>24,596</b>	<b>23,906</b>	<b>2.9</b>	<b>22,901</b>	<b>7.4</b>	<b>15</b>	<b>15</b>
SME	22,682	22,146	2.4	20,961	8.2	14	14
Commercial	1,914	1,760	8.7	1,940	-1.3	1	1
<b>GROUP WHOLESALE BANKING</b>	<b>41,190</b>	<b>44,634</b>	<b>-7.5</b>	<b>45,447</b>	<b>-9.0</b>	<b>26</b>	<b>28</b>
<b>TOTAL RHB DOMESTIC</b>	<b>146,330</b>	<b>144,806</b>	<b>1.1</b>	<b>140,070</b>	<b>4.5</b>	<b>91</b>	<b>90</b>
<b>OVERSEAS OPERATIONS</b>	<b>15,029</b>	<b>15,318</b>	<b>-1.9</b>	<b>16,503</b>	<b>-8.9</b>	<b>9</b>	<b>10</b>
Singapore	11,132	11,456	-2.8	12,586	-11.6	7	7
Others	3,897	3,862	0.9	3,917	-0.5	2	2
<b>TOTAL RHB GROUP</b>	<b>161,359</b>	<b>160,124</b>	<b>0.8</b>	<b>156,573</b>	<b>3.1</b>	<b>100</b>	<b>100</b>

**Marginal increase in total deposits as we managed overall liquidity while CASA grew 4.2% Y-o-Y; CASA ratio remained healthy at 29.0% although balance was lower compared to end of 2017**

**Customer Deposits**

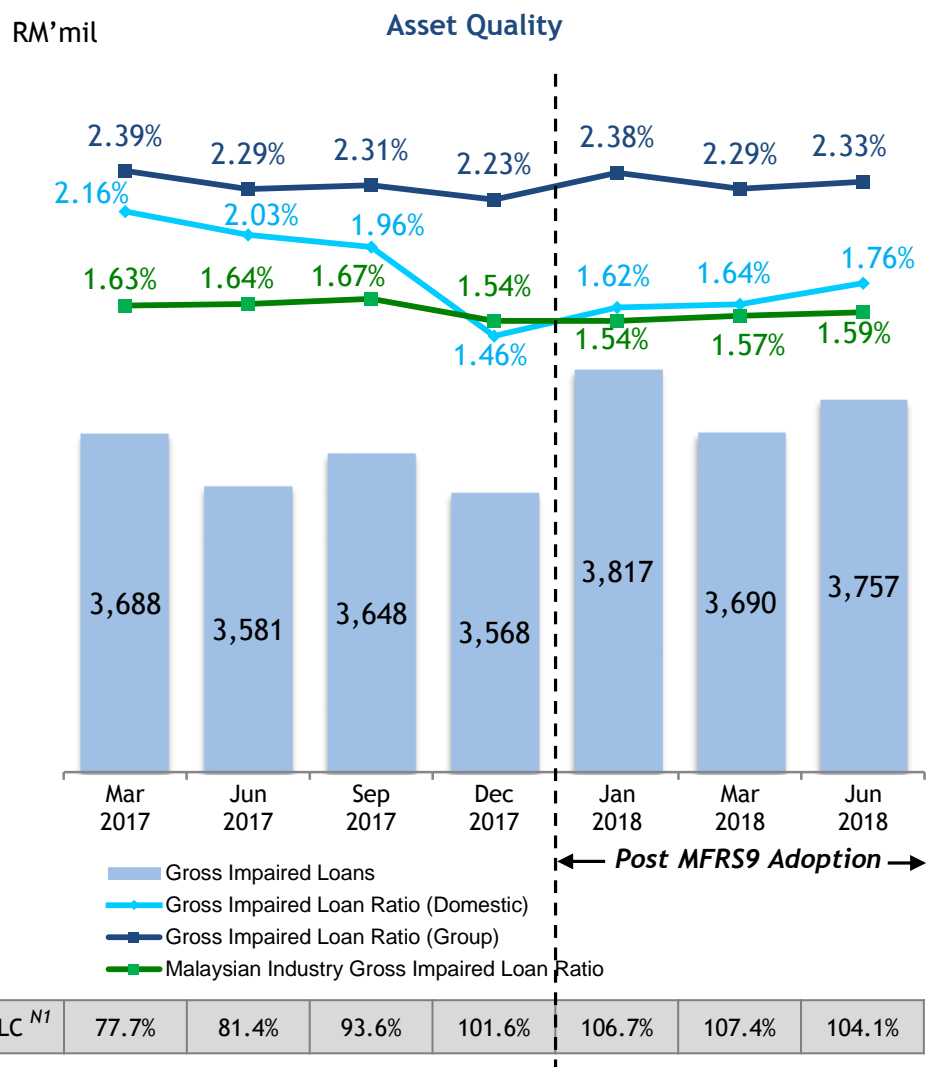
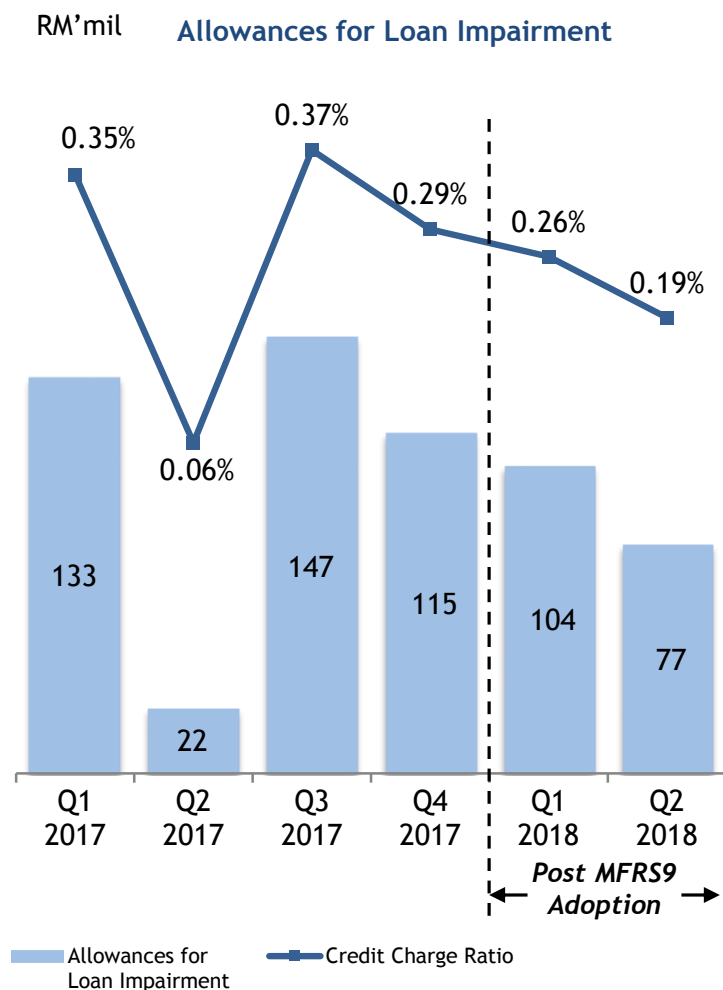


**CASA**



■ CASA ■ Non CASA

# Allowances for loan impairment moderated further and credit charge ratio improved; Uptick in gross impaired loans ratio; Loan loss coverage maintained above 100%\*<sup>N1</sup>

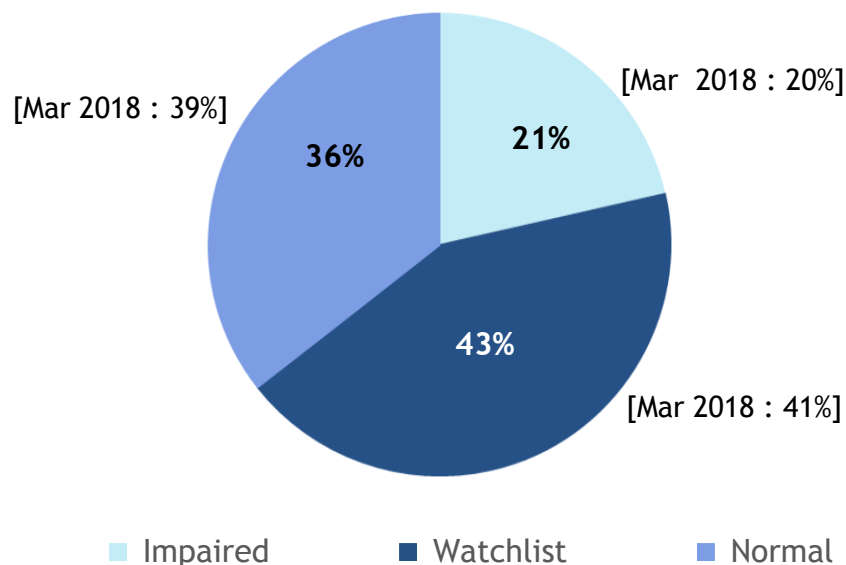


<sup>N1</sup>: Inclusive of 1.0% regulatory reserve

## O&G Exposure (Loans + Bonds) closely managed and continued to declined

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
Jun 2018	3.3	2.0%	1.6	1.0%	4.9	3.0%
Mar 2018	3.3	2.0%	1.7	1.1%	5.0	3.1%

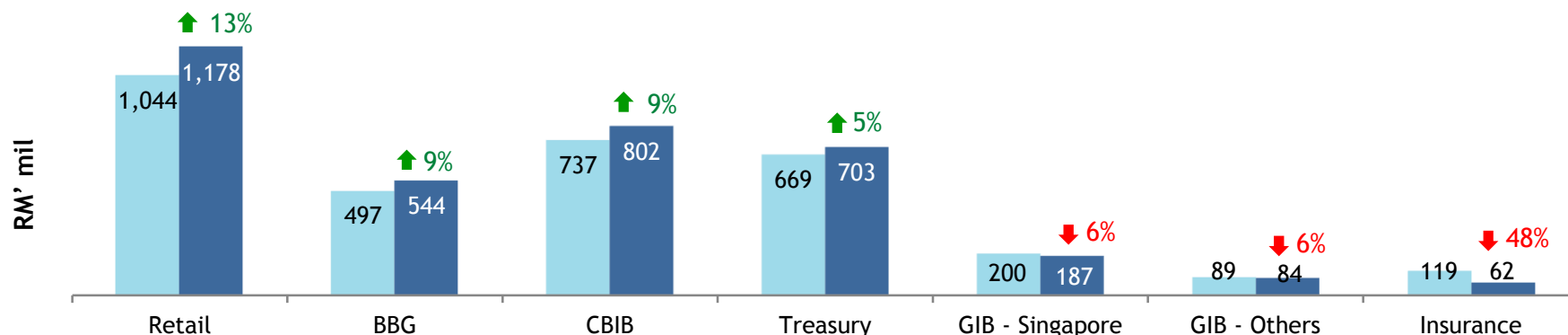
### Oil & Gas Exposure



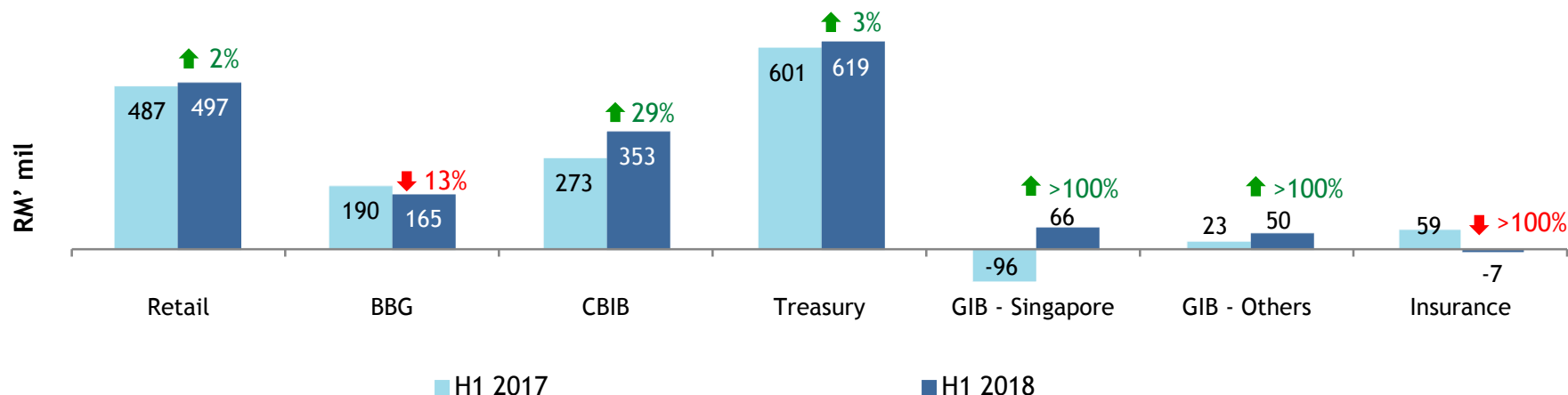
Country	% of Loans Outstanding
Malaysia	77%
Singapore	22%
Thailand	1%

Revenue increased across all domestic segments except Insurance; Higher profit from CBIB's net fund based & non-fund based income and Treasury's net fund based income; Singapore improved from lower allowances for expected credit losses

## Revenue

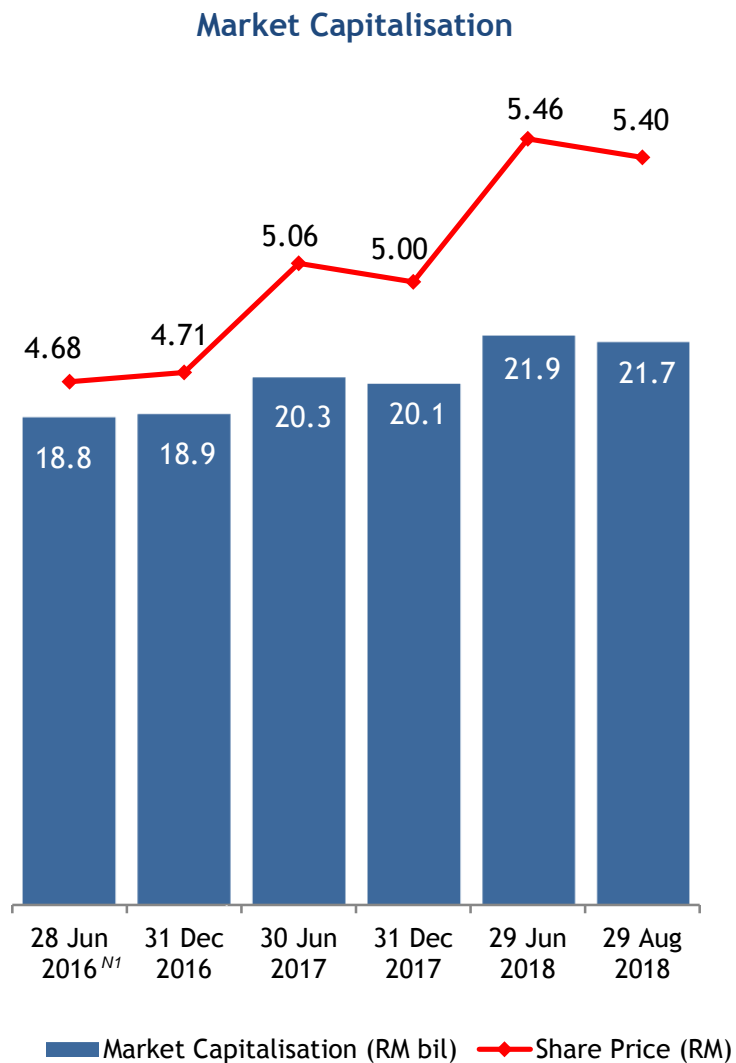


## Pre-tax Profit

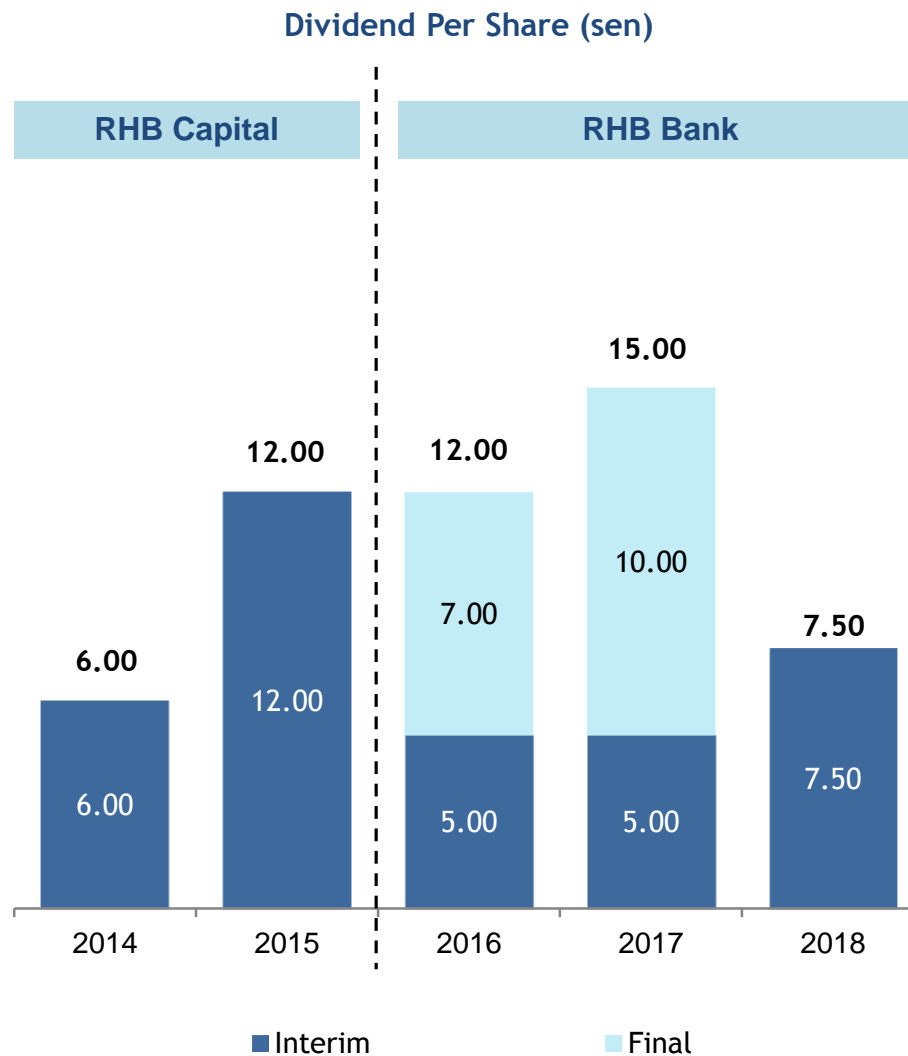




## Interim cash dividend of 7.5 sen per share declared

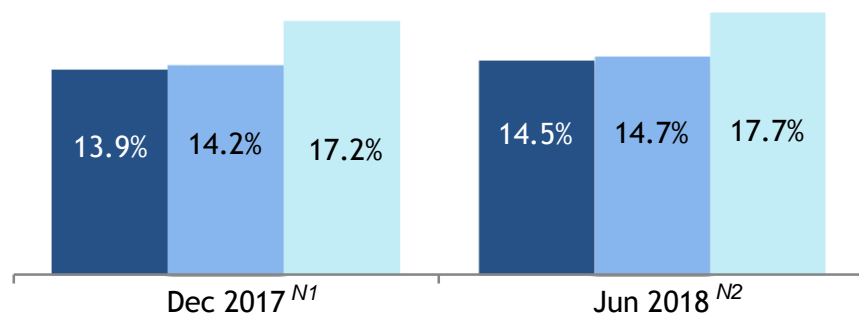


<sup>N1</sup>: Listing of RHB Bank shares at opening price of RM4.68



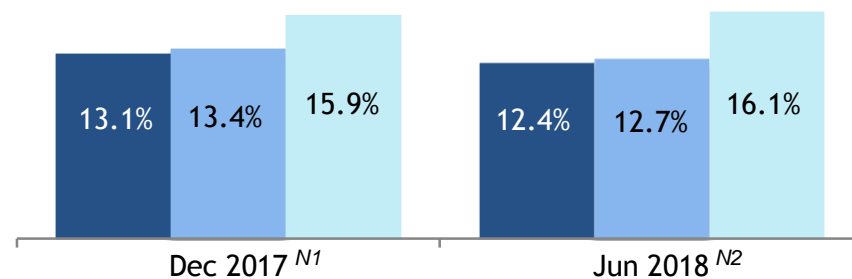
# Strong capital position for the Group and key banking subsidiaries

## RHB Bank Group

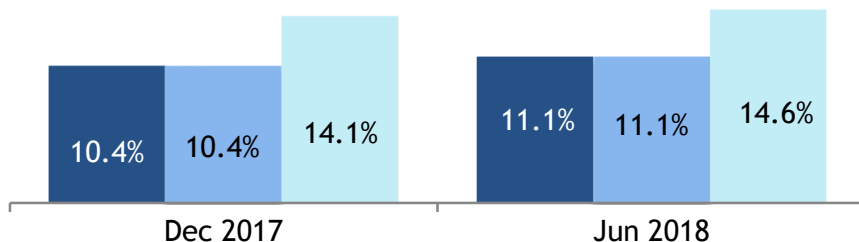


*N1 Ratios are after FY2017 final dividend*  
*N2 Ratios are after FY2018 interim dividend*

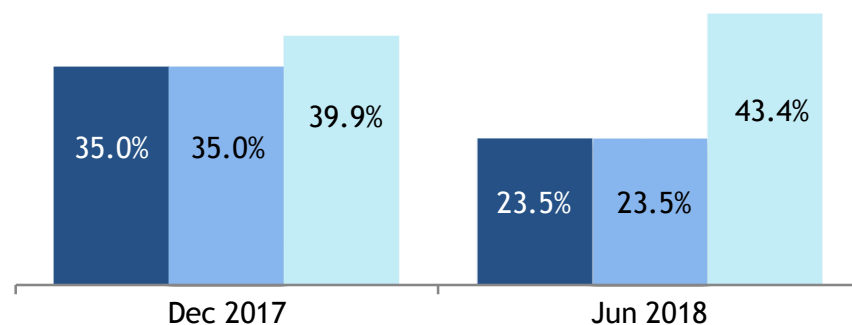
## RHB Bank



## RHB Islamic Bank



## RHB Investment Bank



■ CET 1 Capital    ■ Tier 1 Capital    ■ Total Capital

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# FIT22 Key Highlights

## Fund our Journey



- **Affluent** : Grew number of Premier customers by 5.7% in H1 2018 to 48.5k customers, of which 38% are SME owners. Total AUM of Premier customers grew by 4.4% to RM26.0 bil
- **SME** : Grew Business Banking loans by 2.9% in H1 2018 to RM24.6 bil driven by a 5.1% growth in Retail SME. Grew Business Banking deposits by 5.8% to RM23.5 bil
- **Large Cap** : Average product holding increased from 5.6 in 2017 to 6.1 in H1 2018 with 12 deals mandated or completed in the first 6 months of 2018
- **Mid Cap** : Penetrated new accounts and increased wallet share for some existing clients with 20 new mandates in H1 2018, compared to 35 deals closed in 2017
- **Retail deposits** : Grew retail deposits by 5.4% to RM50.1 bil in H1 2018 vs. industry growth of 3.5%, mainly from fixed deposits. Our Retail deposit market share stood at 7.2%
- **Rebalance financing portfolio** : Retail and SME make up 70.3% of total financing portfolio in H1 2018, in line with the strategy to have greater proportion of Retail and SME loans

## Invest to Win



- **Analytics and big data** : Revenue from analytics use cases of RM5.0 mil in H1 2018
- **Key IT projects** : Continued focus on capability building by investing in new technology. We have rolled out FLASH (our new Retail loan origination system – phase 1 for mortgage), CREST (new Corp and BBG loan origination system), New Transaction Banking System and the next phase of MUREX

## Transform the Organisation



- **Customer journey and digital solutions** : Launched SME online financing, RHB Insurance App and Mortgage Referral App. Partnership with Kakitangan and Financio to offer SME ecosystem
- **AGILE @ scale** : Completed the organisational design and ready to pilot target operating model for the AGILE Way of Working (in Q4 2018). This is to enable faster speed to market, enhance customer-centricity and develop a high performance culture

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# Economic Outlook

- Malaysia is expected to register a moderate GDP expansion of 5.0% in 2018, against 5.9% growth registered in 2017
- Growth is expected to be led by an acceleration in private sector consumption while exports, private investment and public spending are anticipated to grow at a slower pace
- On the external front, potential risks may come in the form of trade protectionism and rising interest rates in the US
- Overall, the banking sector's fundamentals remain sound with healthy asset quality, strong capital position and ample liquidity

## Concluding Remarks

- The Group delivered sustained performance in H1 2018, continuing our solid start to the year
- Loans and financing continued to be driven by growth in mortgages and SME
- Prudent management of funding cost and impact of OPR hike in January 2018 resulted in further improvement to NIM
- Our fundamentals continued to be strong as reflected in our robust capital levels, healthy liquidity position, adequate coverage for our loan losses and benign credit charge ratio
- The Group remains focused on its five-year strategy, FIT22, which aims at enhancing performance, building scale and delivering service excellence. Digital enhancements and the AGILE way of working will feature prominently in the implementation of the strategy
- Barring unforeseen circumstances, the Group expects to achieve better performance this year

# RHB Banking Group Revised Scorecard for 2018

Top Level Indicators	Original Target 2018	Revised Target 2018
ROE	9.0% - 10.0%	9.0% - 10.0%
Loans Growth	6%	3% - 4%
CASA Growth	10%	4% - 5% (MY Retail & BBG)
Gross Impaired Loans Ratio	<2.2%	<2.2%
Cost to Income Ratio	<50%	<50%
Overseas Profit Contribution	+ve	+ve

N1 : Annualised

N2 : Year-on-year growth



# THANK YOU

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

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**TOGETHER WE PROGRESS**

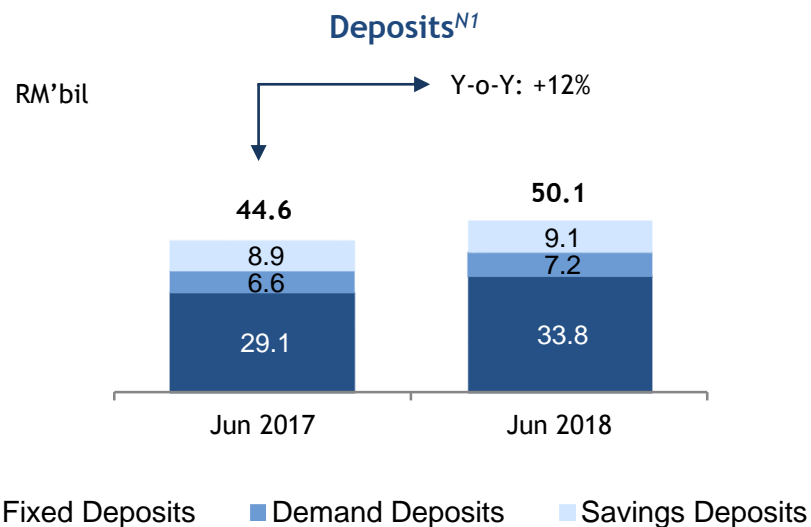
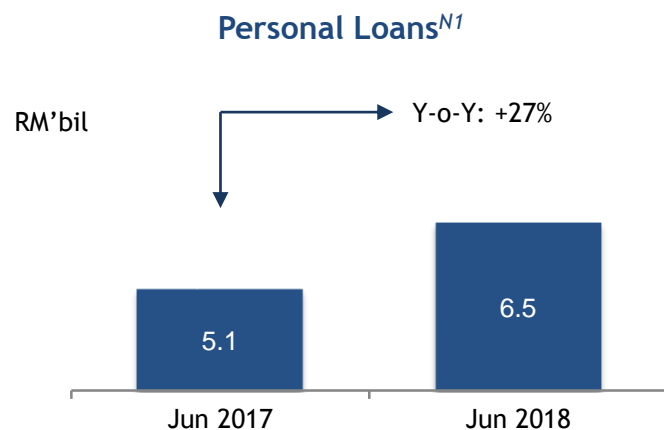
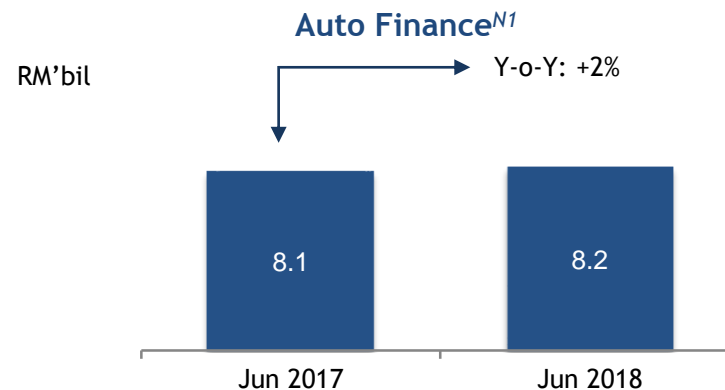
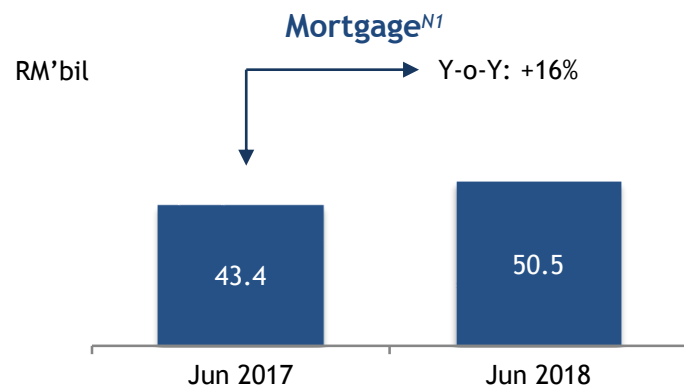


# APPENDIX

## Key Business Highlights



# Retail Banking



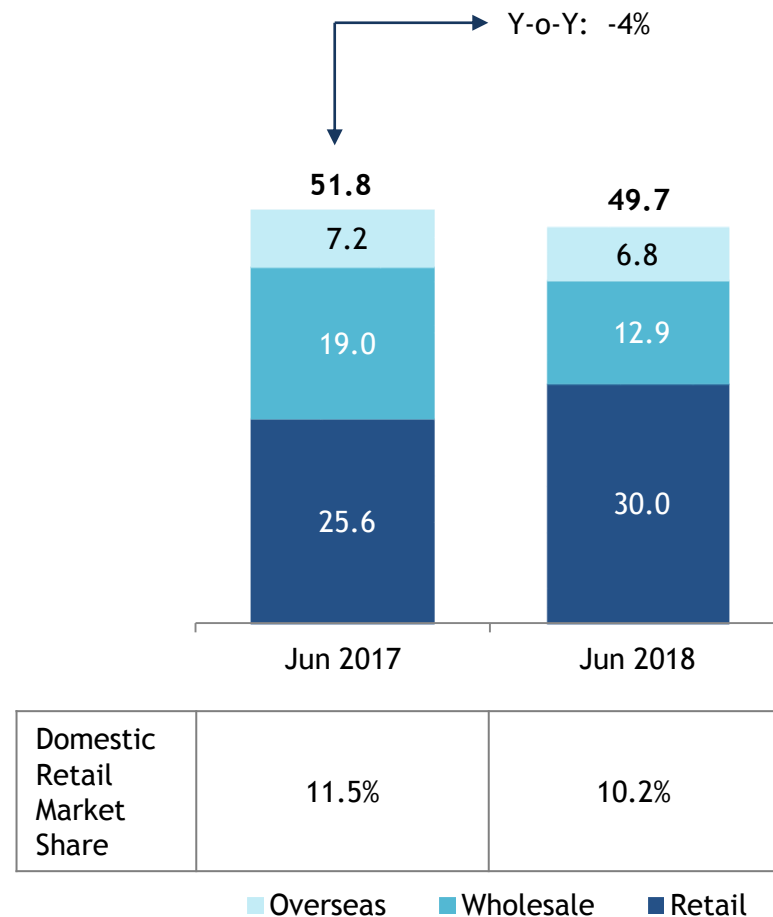
N1: Domestic only

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










	YTD Jun 2018	
	Ranking	Market Share
Equity: - By value - By volume	5 <sup>th</sup> 3 <sup>rd</sup>	7.2% 11.4%
Debt Capital Markets: - MYR sukuk - Total MYR bonds (Conventional & Islamic bonds)	3 <sup>rd</sup> 3 <sup>rd</sup>	21.3% 18.1%
Mergers & Acquisitions: - by value - by deal count	1 <sup>st</sup> 1 <sup>st</sup>	48.3% 7 deals
Equity Capital Markets	2 <sup>nd</sup>	23.0%

RM'bil

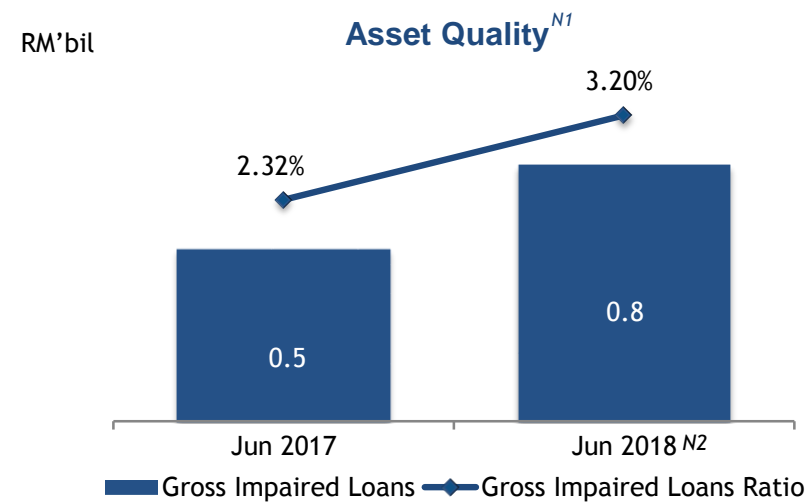
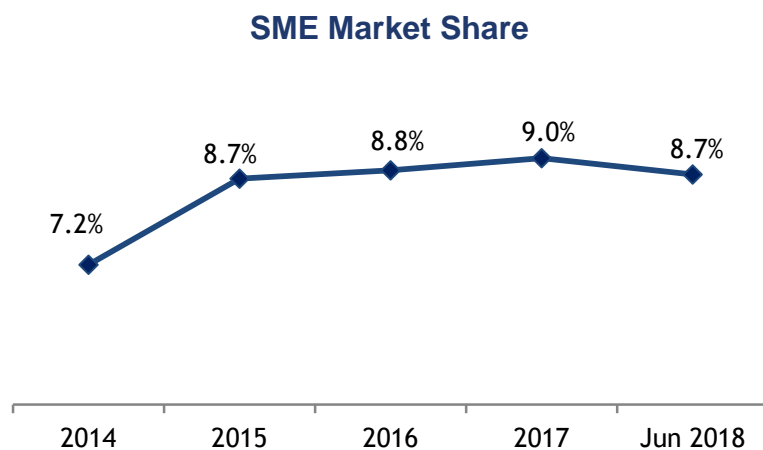
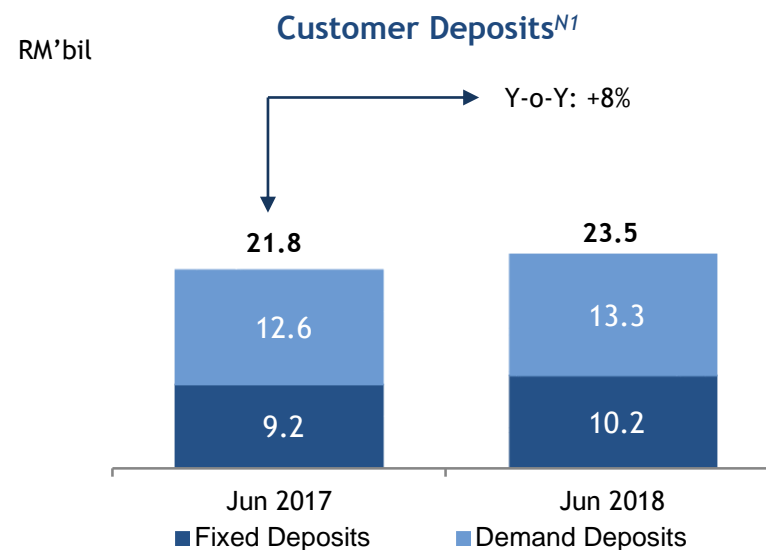
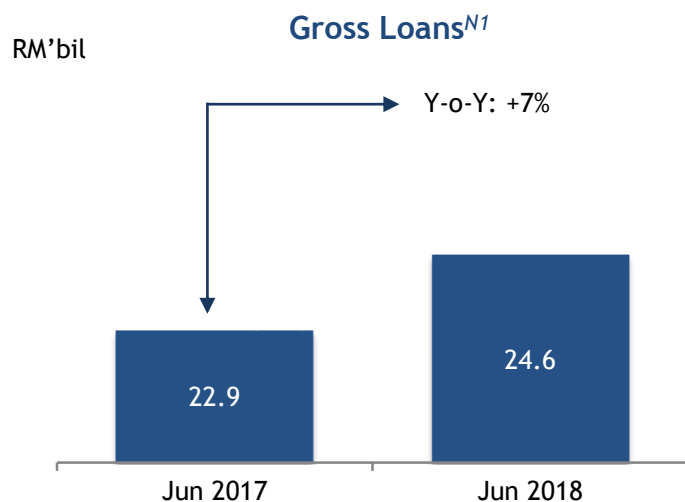
Asset Under Management



# Investment Banking - Market Position (2/2)

YTD June 2018	Ranking	Market Share	DCM	
Debt Capital Markets: - MYR sukuk	3 <sup>rd</sup>	21.3%		<b>Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)</b> RM3.0 bil issuance out of RM25.0 bil ICP/IMTN Programme <i>Joint Lead Manager &amp; Joint Lead Arranger</i>
- Total MYR bonds (Conventional & Islamic bonds)	3 <sup>rd</sup>	18.1%		
Mergers & Acquisitions: - by value	1 <sup>st</sup>	48.3%		<b>MBSB Bank Berhad</b> RM2.295 bil Structured Covered Sukuk Murabahah Facility <i>Joint Principal Adviser, Joint Lead Manager &amp; Joint Lead Arranger</i>
- by deal count	1 <sup>st</sup>	7 deals		
Equity Capital Markets	2 <sup>nd</sup>	23.0%		
M&A			ECM	
	<b>Air Asia Group Berhad (“AAGB”)</b> RM4,647.0 mil Disposal of AAGB’s aircraft leasing operations <i>Principal Adviser and Joint Financial Adviser</i>			<b>Serba Dinamik Holdings Berhad</b> RM427.2 mil Primary Placement <i>Sole Principal Adviser &amp; Sole Placement Agent</i>
	<b>CVC Asia Pacific (Singapore) Pte Ltd</b> RM930.0 mil Acquisition of entire equity interest in Munchy Food Industries Sdn. Bhd. <i>Financial Adviser</i>			<b>Wegmans Holdings Berhad</b> RM43.50 mil Listing on ACE Market of Bursa Securities <i>Sole Principal Adviser, Sponsor, Sole Underwriter &amp; Sole Placement Agent</i>
	<b>UMW Holdings Bhd</b> 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>			<b>Hibiscus Petroleum Berhad</b> RM40.76 mil Private Placement <i>Sole Principal Adviser &amp; Sole Placement Agent</i>

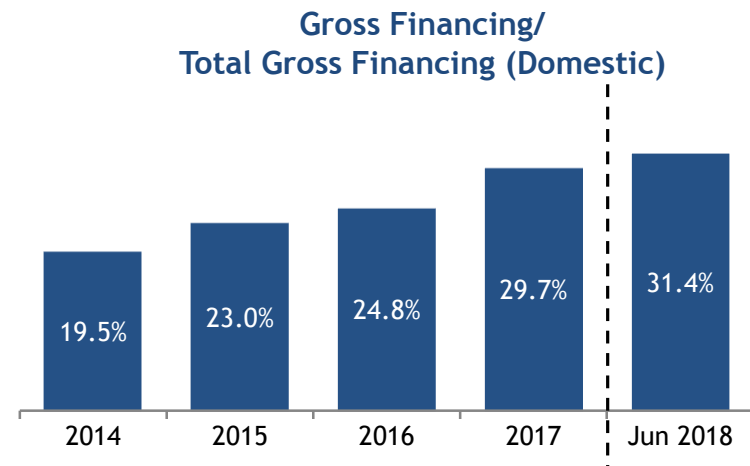
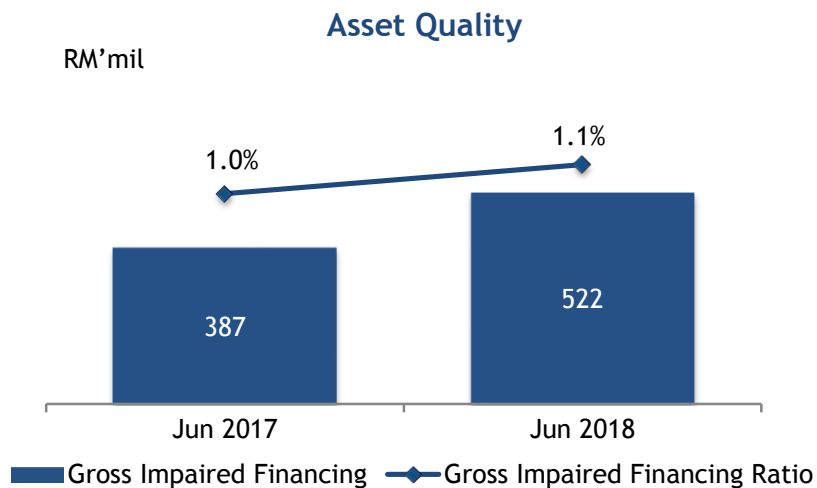
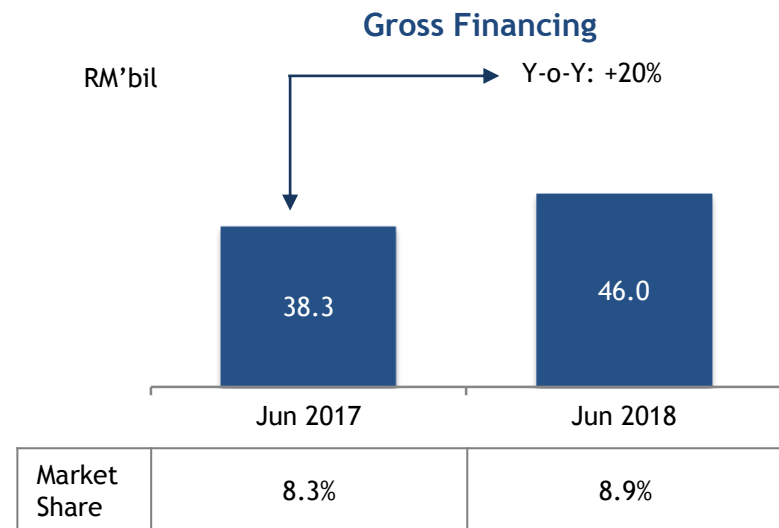
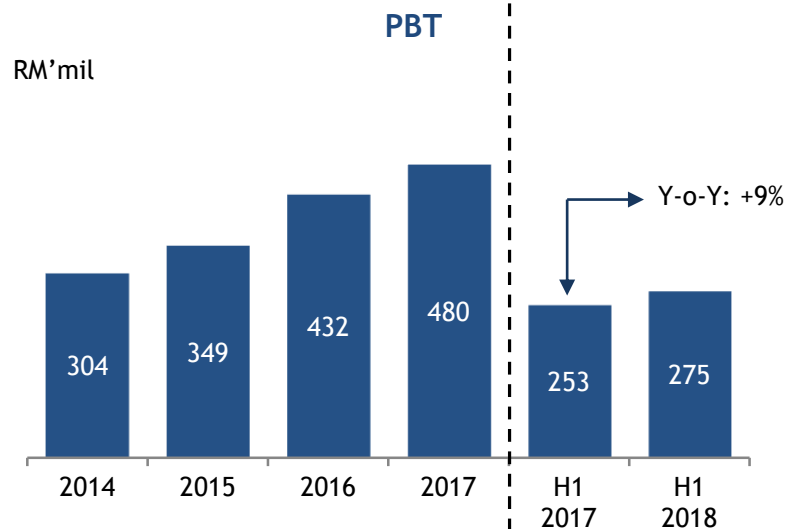
# Business Banking



N1: Domestic only

N2: After MFRS 9 adoption

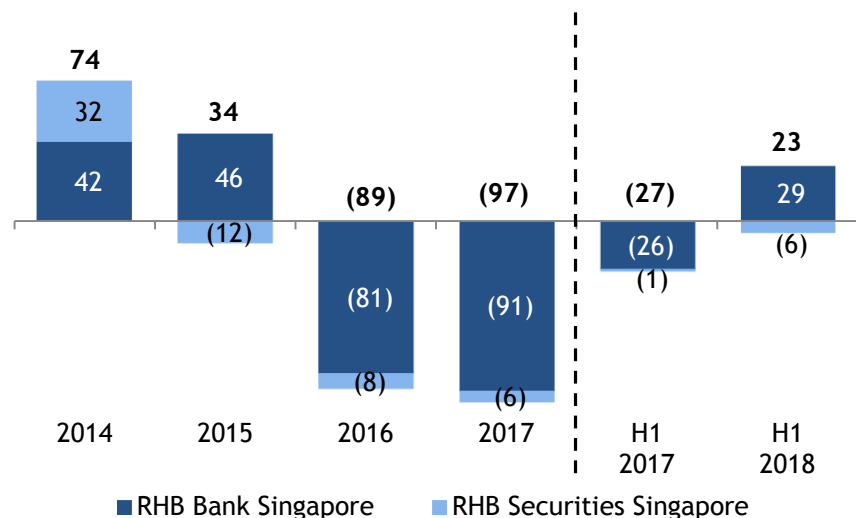
# Islamic Banking



# RHB Singapore

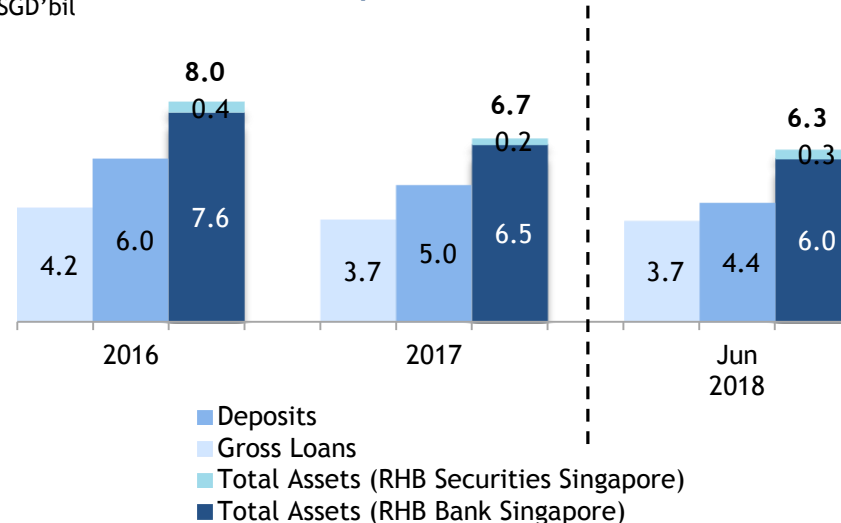
SGD'mil

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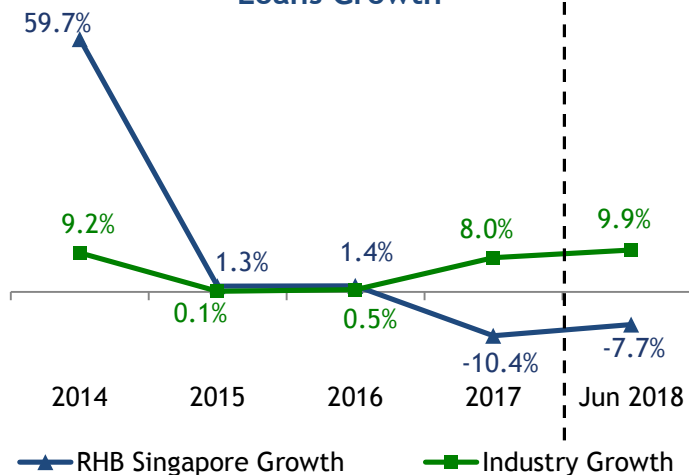


SGD'bil

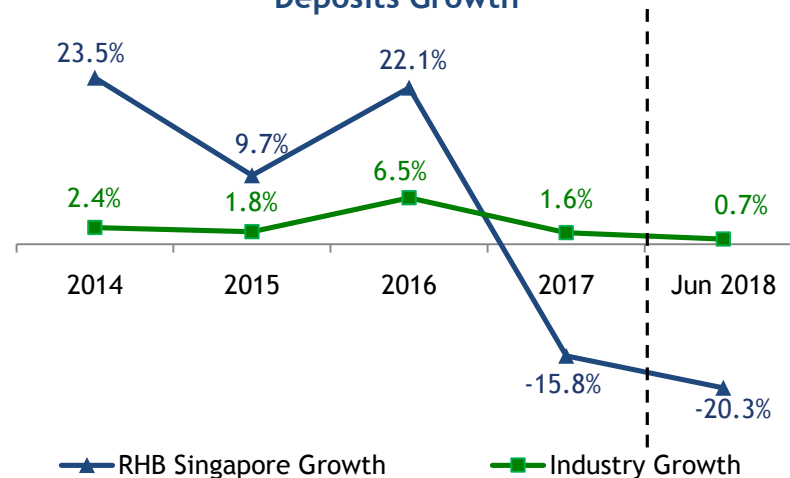
Loans, Deposits & Total Assets



Loans Growth<sup>N1</sup>



Deposits Growth<sup>N1</sup>



N1 : YoY growth