

Analysts Presentation

3rd Quarter 2018 Financial Results

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RHB Banking Group
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AGENDA

Executive Summary

3rd Quarter 2018 Financial Results

Strategy Update

Summary and Outlook



Highlights of 9M 2018 Performance (1/2)

Profitability

Year-on-year:

- Net profit up 16.8% to a record RM1,739.8 million, mainly due to higher net fund based and non-fund based income, and lower allowances for expected credit losses (ECL)
 - Net fund based income rose 8.9% to RM3,700 million mainly underpinned by growth in loans and financing, and prudent management of funding cost
 - Non-fund based income grew 4.0% to RM1,370.0 million contributed largely by higher net foreign exchange gain and trading and investment income
- Operating expenses rose 6.4% to RM2,484.7 million driven by a rise in personnel costs and IT-related expenses. Cost-to-income ratio (CIR) improved further to 49.0% from 49.5% last year
- Allowances for ECL on loans and financing was 18.8% lower at RM245.7 million, primarily due to certain recoveries recorded in the current period and impairment provision for O&G exposure in the previous year
- ROE of 10.3% compared with 8.9% for the same period last year

Quarter year-on-year:

- Net profit rose by 18.4% to RM578.7 million from the corresponding quarter last year primarily due to higher net fund based and non-fund based income and lower allowances for ECL on loans and financing
- Gross loans and financing for the Group grew 4.0% Y-o-Y to RM164.3 billion driven by mortgage and SME
 - Total domestic loans grew 4.3% Y-o-Y
 - Total customer deposits increased 1.1% Y-o-Y to RM171.4 billion
 - Total CASA grew 1.2% Y-o-Y but declined 8.6% from December 2017 mainly from Singapore
 - CASA composition remained stable at 26.9% from a year ago but declined from 30.2% in December 2017
- Gross impaired loans (GIL) ratio inched up to 2.37% from 2.33% as at 30 June 2018 mainly attributed to a restructuring of debt involving conversion of a bond to loan, but lower than 2.38% as at 1 Jan 2018 (post-MFRS 9 restatement)
- Loan loss coverage ratio (including regulatory reserve) stood at 104.2% as at end-September 2018

Assets and Liabilities

Highlights of 9M 2018 Performance (2/2)

Business Performance

- **Group Wholesale Banking** recorded a pre-tax profit of RM1.4 billion, an increase of 7.3% Y-o-Y:
 - **Group Corporate & Investment Banking** pre-tax profit grew 8.3% to RM446.9 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 6.8% growth in pre-tax profit to RM923.3 million mainly due to higher net fund based income and non-fund based income
- **Retail Banking** pre-tax profit grew 6.6% Y-o-Y to RM758.0 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** pre-tax profit grew 5.3% to RM292.0 million mainly due to higher net fund based income and lower ECL on loans
- **Singapore** recorded a pre-tax profit of SGD36.5 million compared with a pre-tax loss of SGD39.0 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 15.8% Y-o-Y to RM416.5 million
 - Islamic Financing represents 32.6% 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 (RM48.3 billion as at end Sep 2018)

Capital

- **Strong capital position**
 - Group CET I ratio at 14.8%, Tier I ratio at 15.0% and total capital ratio at 18.0%
 - Bank entity CET I ratio at 12.7%, Tier I ratio at 12.9% and total capital ratio at 16.3%
 - Islamic CET 1 capital ratio has improved significantly to 13.5%, providing a comfortable base from which to grow assets without further capital injection

RHB Banking Group Scorecard for 2018

Top Level Indicators	Target 2018	Actual 9M 2018
ROE	9.0% - 10.0%	10.3% ^{N1}
Loans Growth	3% - 4%	4.0% ^{N2}
CASA Growth	4% - 5% (MY Retail & BBG)	3.8% ^{N2}
Gross Impaired Loans Ratio	<2.2%	2.37% ^{N3}
Cost to Income Ratio	<50%	49.0%
Overseas Profit Contribution	+ve	4.1%

N1 : Annualised

N2 : Year-on-year growth

N3 : 2.28% excluding effects of a restructured debt conversion from bond to loan

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9M 2018 profits rose Y-o-Y arising from both higher total income and lower allowances for expected credit losses; CIR improved and loan loss coverage ratio remained above 100%

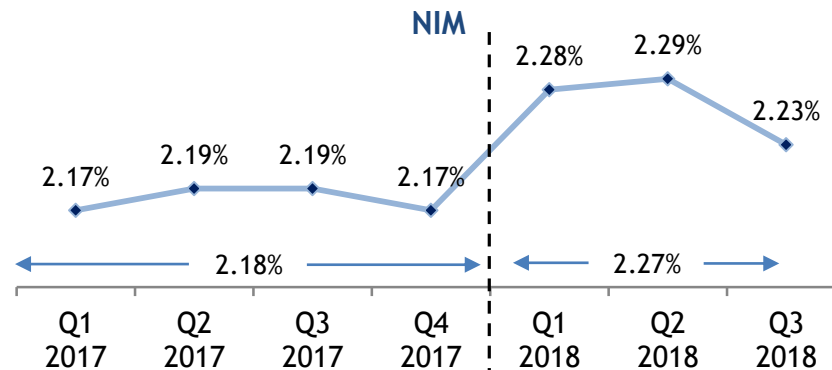
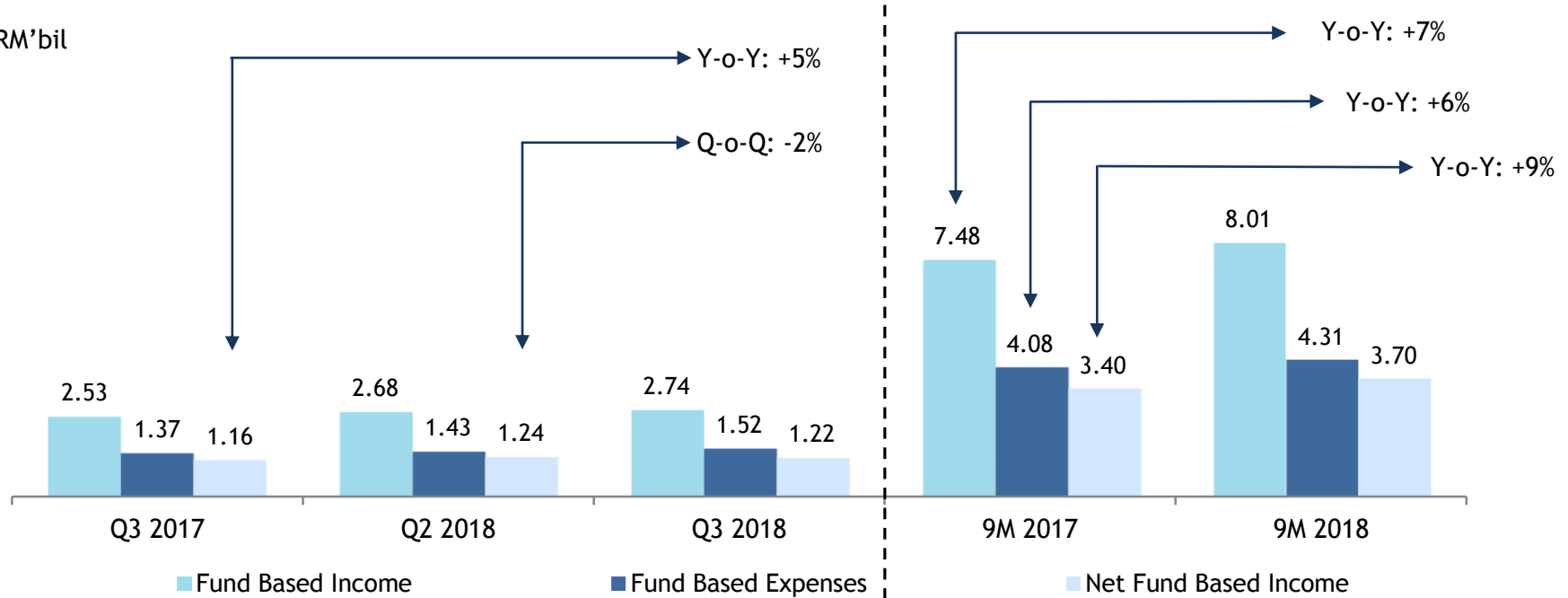
Financial Position		Financial Results		Key Financial Ratios	
Total Assets +3.2%  Sep 2018: RM237.5 bil Dec 2017: RM230.2 bil	Gross Loans +2.6%  Sep 2018: RM164.3 bil Dec 2017: RM160.1 bil	Total Income +7.5%  9M 2018: RM5.07 bil 9M 2017: RM4.72 bil	Operating Profit Before Allowances +8.6%  9M 2018: RM2.59 bil 9M 2017: RM2.38 bil	ROE ^{N1} +1.4%  9M 2018: 10.3% 9M 2017: 8.9%	Non-Fund Based/ Total Income -0.9%  9M 2018: 27.0% 9M 2017: 27.9%
Customer Deposits +2.7%  Sep 2018: RM171.4 bil Dec 2017: RM166.9 bil	CASA -8.6%  Sep 2018: RM46.1 bil Dec 2017: RM50.5 bil	Profit Before Tax +19.8%  9M 2018: RM2.34 bil 9M 2017: RM1.96 bil	Net Profit to Shareholders +16.8%  9M 2018: RM1.74 bil 9M 2017: RM1.49 bil	Cost to Income Ratio -0.5%  9M 2018: 49.0% 9M 2017: 49.5%	Gross Impaired Loans Ratio -0.01% ^{N3}  Sep 2018: 2.37% Dec 2017: 2.38% ^{N3} Dec 2017: 2.23%
Shareholders' Equity +6.6% ^{N3}  Sep 2018: RM23.4 bil Dec 2017: RM21.9 bil ^{N3} Dec 2017: RM23.1 bil	Net Assets Per Share +6.4% ^{N3}  Sep 2018: RM5.82 Dec 2017: RM5.47 ^{N3} Dec 2017: RM5.77	<i>N1 Annualised</i> <i>N2 Including Regulatory Reserve</i> <i>N3 Post MFRS 9 restated opening balance</i>		Credit Charge Ratio ^{N1} -0.06%  9M 2018: 0.20% 9M 2017: 0.26%	Loan Loss Coverage Ratio ^{N2} -2.0% ^{N3}  Sep 2018: 104.2% Dec 2017: 106.2% ^{N3} Dec 2017: 101.6%

Q3 2018 performance continued the year's momentum driven by higher non-fund based income and lower allowances for ECL on loans and other assets

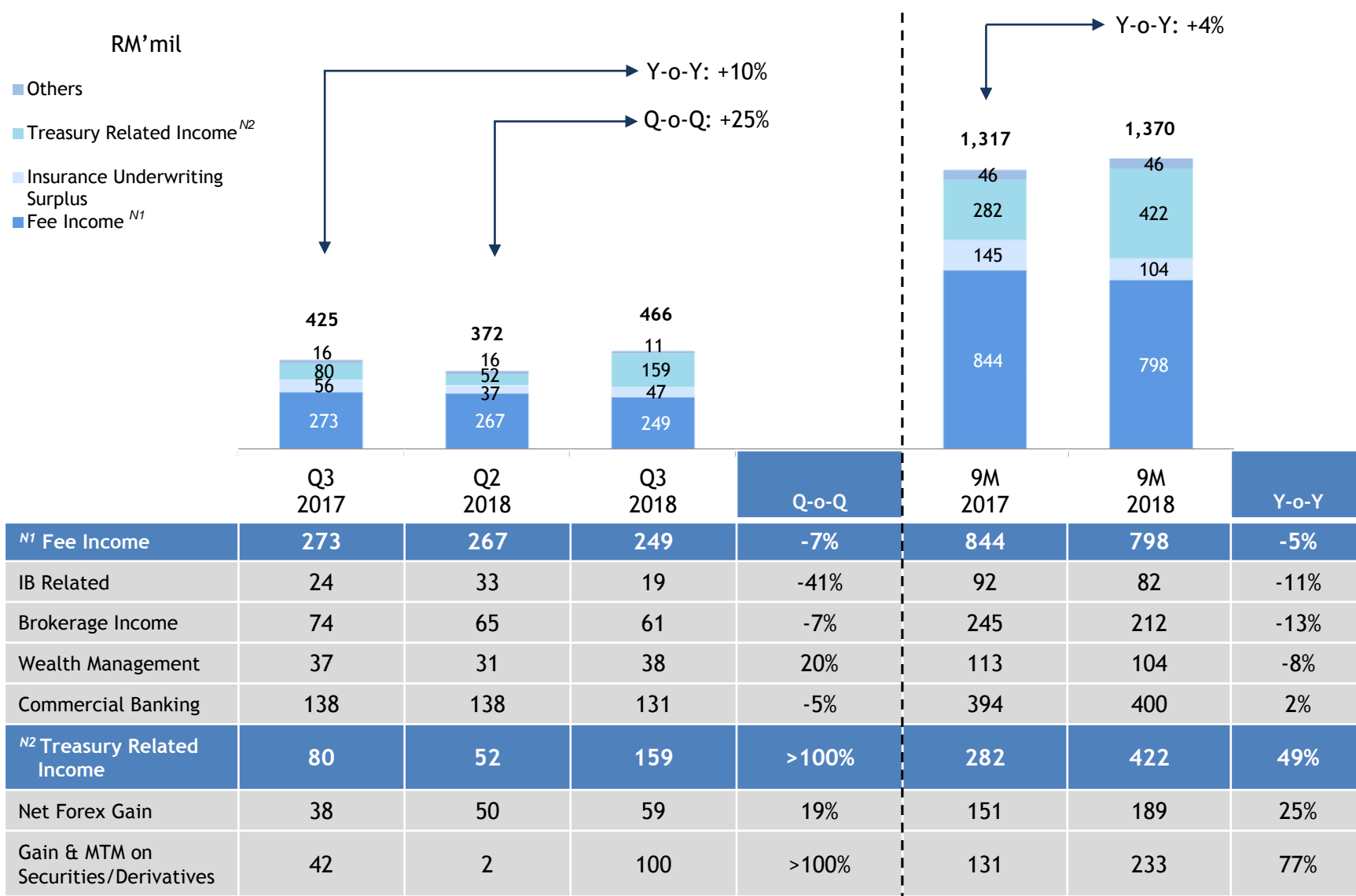
RM' mil	Q3 2017	Q2 2018	Q3 2018	Q-o-Q %	Y-o-Y %	9M 2017	9M 2018	Y-o-Y %
Net Interest Income	892	937	890	-5	0	2,630	2,758	5
Net Islamic Fund Base Income	266	308	329	7	24	768	942	23
Total Net Fund Based Income (A)	1,158	1,245	1,219	-2	5	3,398	3,700	9
Other Operating Income	414	309	398	29	-4	1,262	1,271	1
Islamic Non-Fund Based Income	11	63	68	8	>100	55	99	79
Total Non-Fund Based Income (B)	425	372	466	25	10	1,317	1,370	4
Total Income (A+B)	1,583	1,617	1,685	4	6	4,715	5,070	8
Operating Expenses	-792	-799	-824	3	4	-2,335	-2,484	6
Operating Profit Before Allowances	791	818	861	5	9	2,380	2,586	9
Allowances for Loan Impairment	-147	-77	-65	-16	-56	-303	-246	-19
Impairment Losses (Made)/ Written Back on Other Assets	0	32	-17	>-100	>-100	-121	4	>-100
Profit Before Taxation	644	773	779	1	21	1,956	2,344	20
Net Profit	489	570	579	1	18	1,490	1,740	17

9M 2018 net fund based income continued to grow; Re-pricing of deposits in Q3 moderated NIM downwards against preceding quarter, with year-to-date NIM remaining within expectations

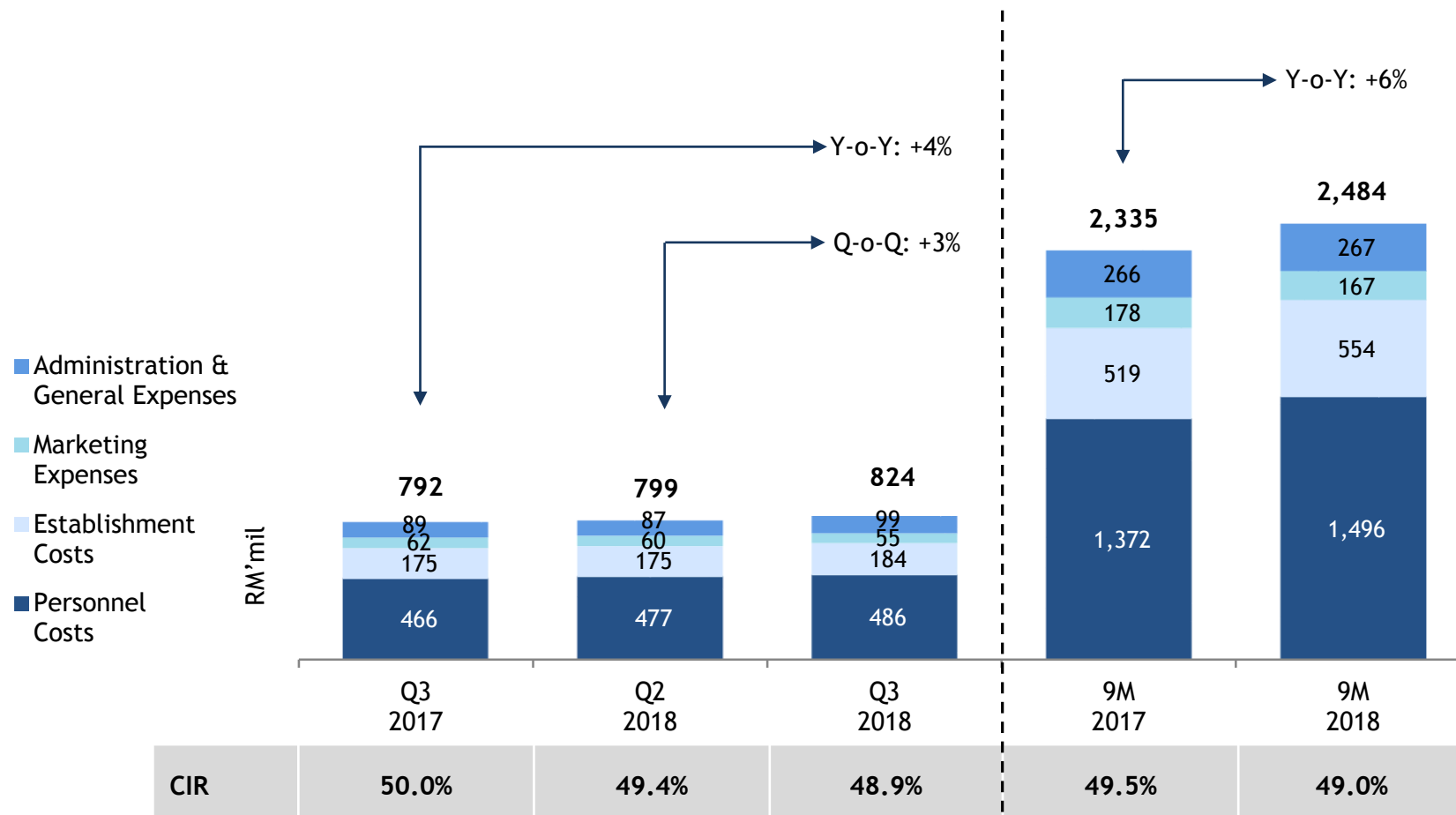
RM'bil



Non-fund based income grew Y-o-Y supported mainly by higher trading & investment income and net forex gain; Q-o-Q higher largely from trading & investment income and a recovery in insurance underwriting surplus



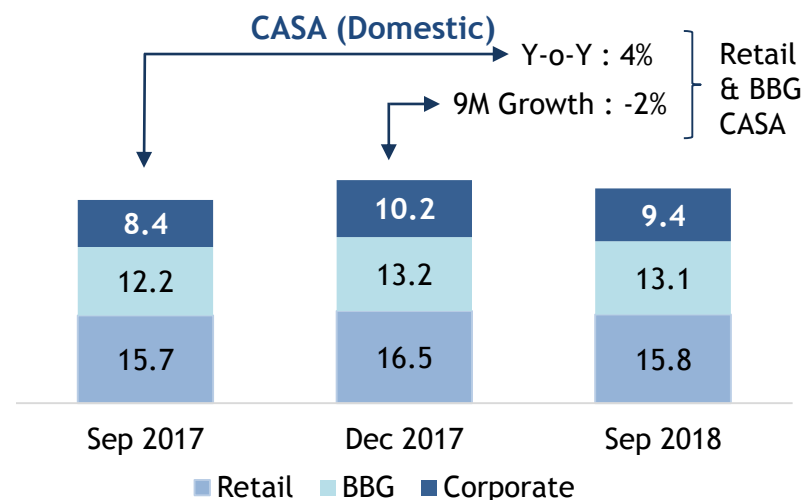
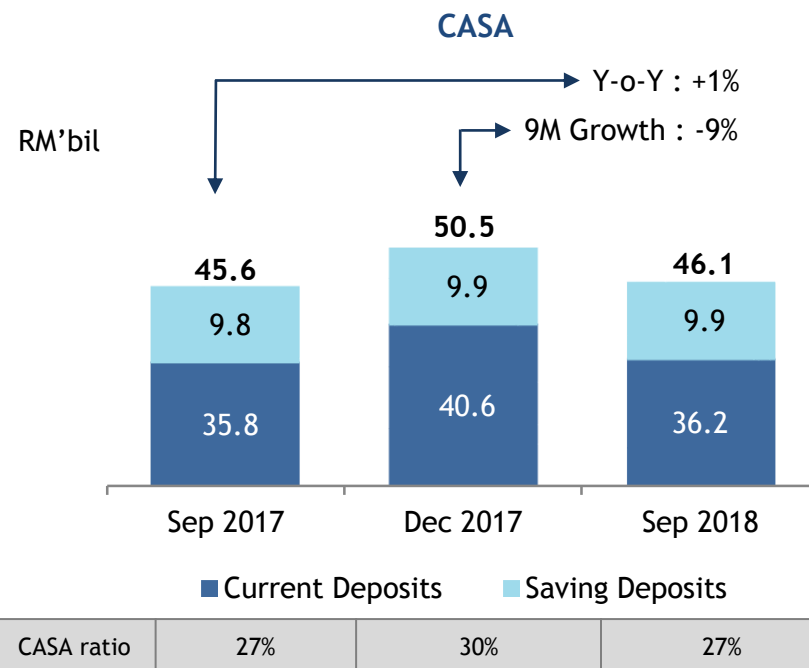
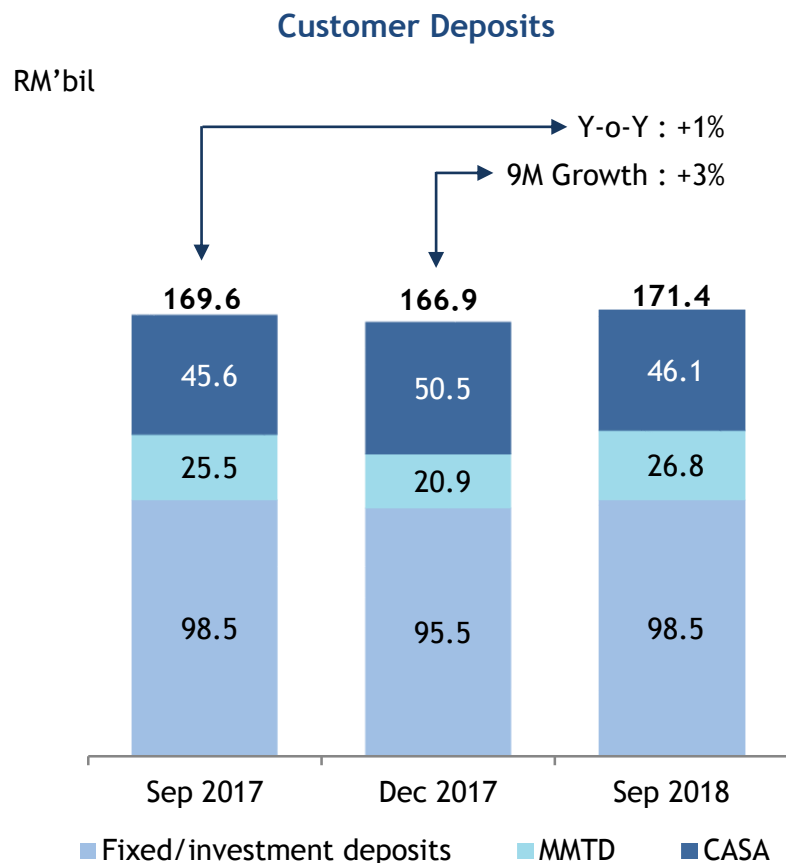
Operating expenses grew 6.4% Y-o-Y mainly from higher personnel and IT related expenses; Positive JAW maintained and CIR improved further to 49.0%



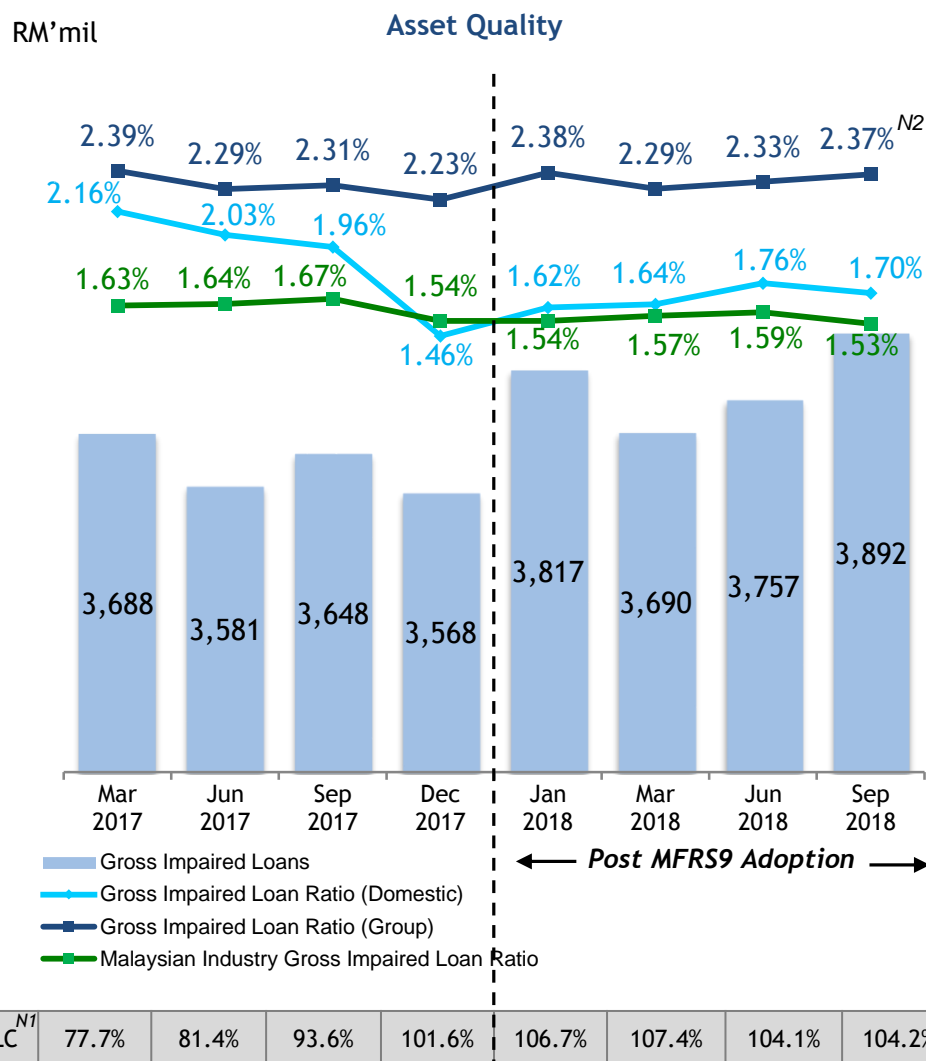
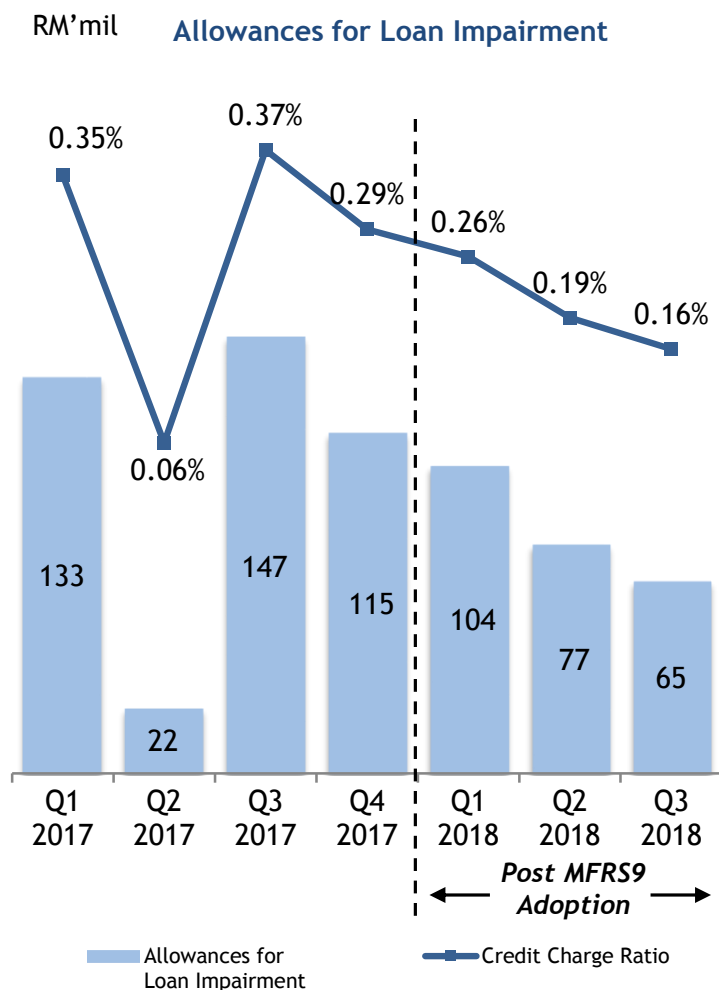
Loans grew 4.0% Y-o-Y mainly driven by continued mortgage and SME growth partially offset by large corporate repayments and impact of stronger RM in Singapore

RM'mil	Sep 2018	Dec 2017	YTD %	Sep 2017	YoY %	Composition	
						Sep 2018 %	Dec 2017 %
GROUP RETAIL	82,747	76,266	8.5	73,605	12.4	50	47
Mortgage	52,039	46,920	10.9	44,987	15.7	32	29
Commercial Property Financing	4,805	4,694	2.4	4,626	3.9	3	3
Securities	7,897	7,882	0.2	7,752	1.9	5	5
Auto Finance	8,375	8,066	3.8	8,025	4.4	5	5
Unsecured Business	8,902	7,932	12.2	7,446	19.6	5	5
Others	729	772	-5.6	769	-5.2	0	0
GROUP BUSINESS BANKING	24,948	23,906	4.4	23,419	6.5	15	15
SME	22,777	22,146	2.8	21,439	6.2	14	14
Commercial	2,171	1,760	23.4	1,980	9.6	1	1
GROUP WHOLESALE BANKING	40,712	44,634	-8.8	45,221	-10.0	25	28
TOTAL RHB DOMESTIC	148,407	144,806	2.5	142,245	4.3	90	90
OVERSEAS OPERATIONS	15,905	15,318	3.8	15,779	0.8	10	10
Singapore	11,768	11,456	2.7	11,909	-1.2	7	7
Others	4,137	3,862	7.1	3,870	6.9	3	3
TOTAL RHB GROUP	164,312	160,124	2.6	158,024	4.0	100	100

Marginal increase in total deposits Y-o-Y; CASA ratio remained at 26.9% compared with a year ago; Domestic Retail & BBG CASA grew 3.8% Y-o-Y



Credit charge ratio continued to improve; Uptick in GIL ratio in Q3 mainly due to restructuring of debt through conversion of a bond to loan; LLC maintained above 100%^{N1}



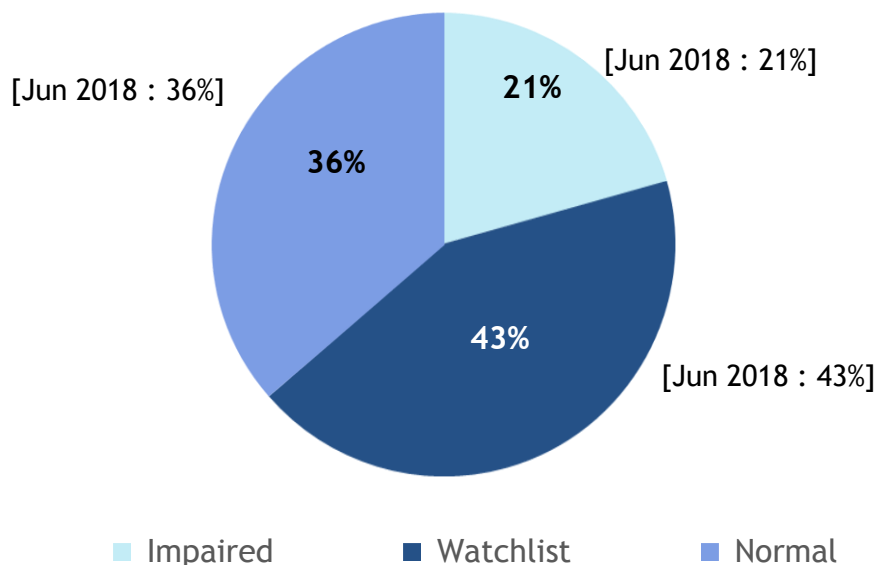
N1: Inclusive of 1.0% regulatory reserve

N2: Inclusive of the conversion of an impaired bond into loans. Excluding the said restructured account, GIL is at 2.28%

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

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
Sep 2018	3.3	2.0%	1.5	0.9%	4.8	2.9%
Jun 2018	3.3	2.0%	1.6	1.0%	4.9	3.0%

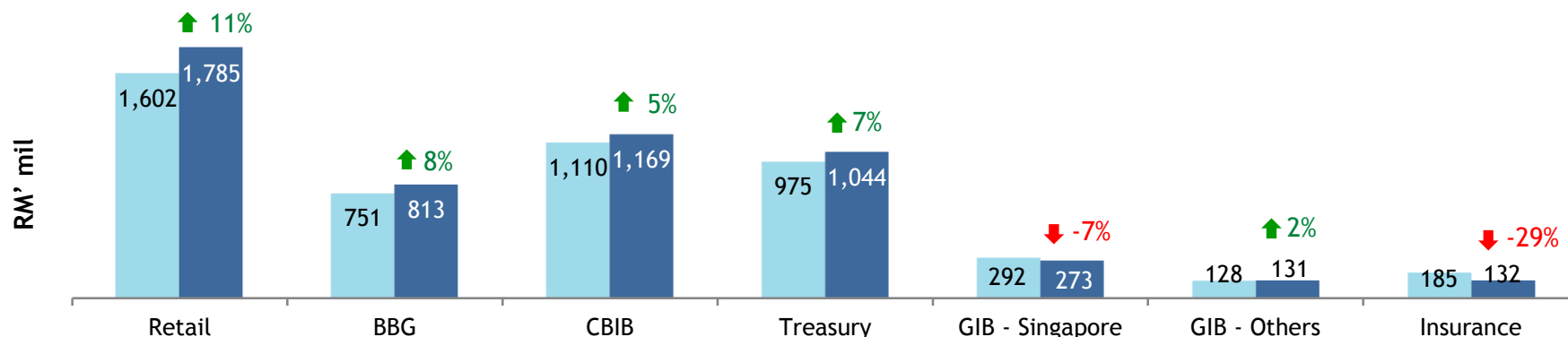
Oil & Gas Exposure



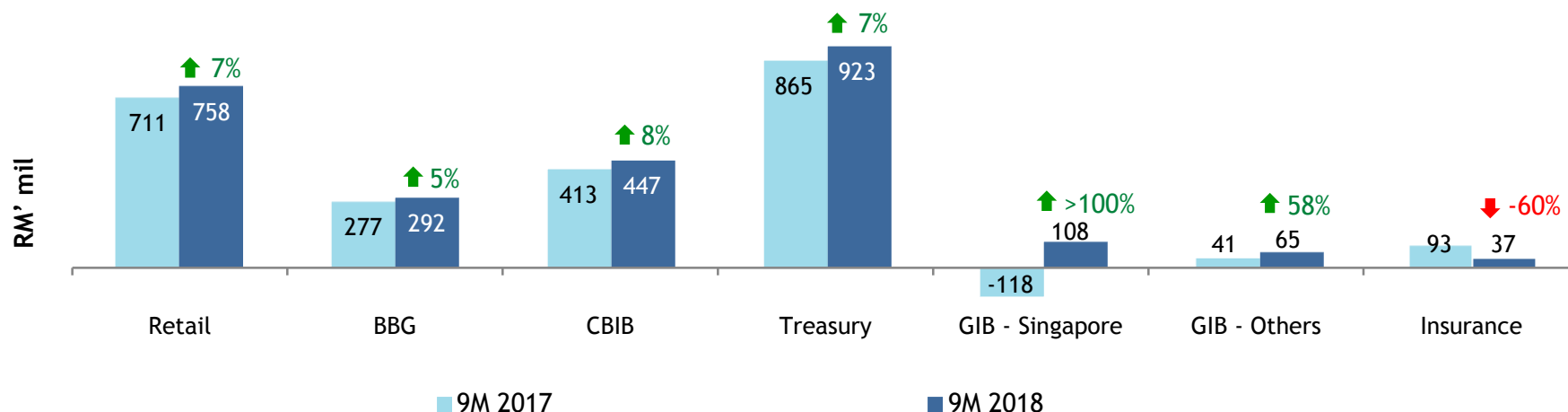
Country	% of Loans Outstanding
Malaysia	78%
Singapore	21%
Thailand	1%

9M 2018 revenue and pre-tax profit increased Y-o-Y across all domestic segments except Insurance; Singapore continued to improve from lower allowances for expected credit losses

Revenue

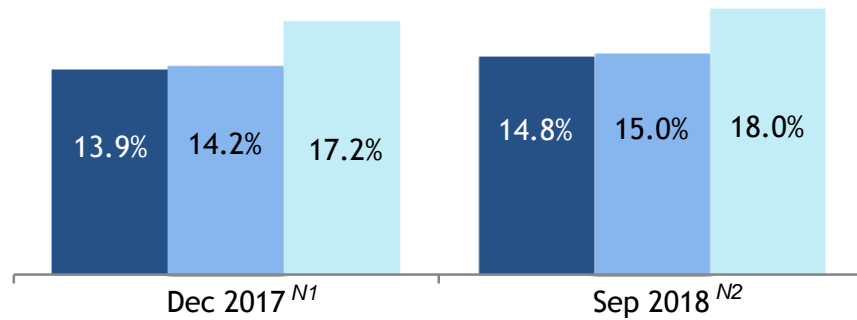


Pre-tax Profit



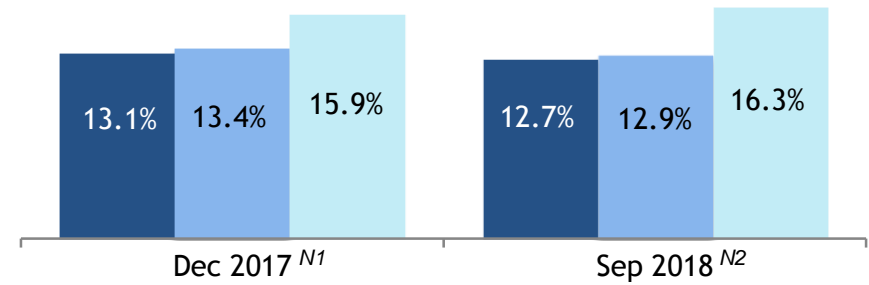
Strong capital position for the Group and key banking subsidiaries; Islamic Bank capital ratio improved from transition to an IRB entity

RHB Bank Group

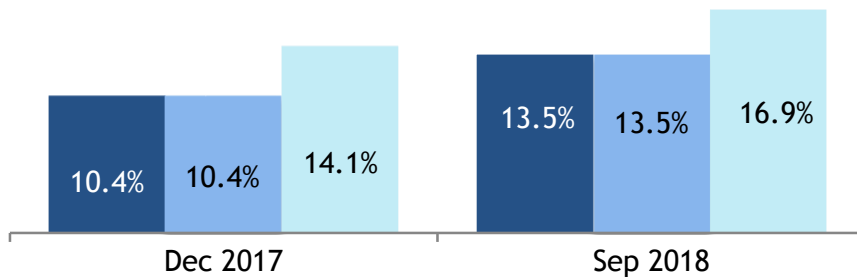


*N1 Ratios are after FY2017 final dividend
N2 Ratios are after FY2018 interim dividend*

RHB Bank

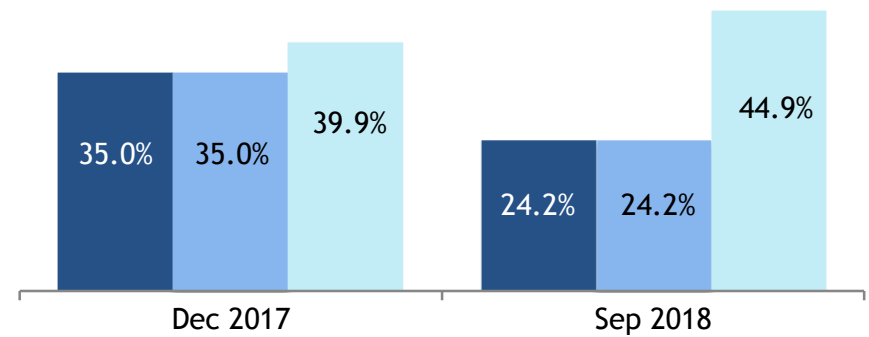


RHB Islamic Bank



■ CET 1 Capital ■ Tier 1 Capital ■ Total Capital

RHB Investment Bank



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FIT22 Key Highlights

Fund our Journey



- **Affluent** : YTD Sep 2018 grew number of Premier customers by 15.7% to 53.1k customers from 45.9k in Dec 2017, of which 37% are SME owners. Total AUM of Premier customers grew by 11.2% to RM27.7 bil in the same period
- **SME** : Grew Business Banking loans by 4.4% as at Sep 2018 to RM25.0 bil driven by a 8.5% growth in Retail SME. Grew Business Banking deposits by 10.8% to RM24.6 bil
- **Large Cap** : Increased fee income market share from 13.2% in Dec 2017 to 23.5% in Sep 2018, and interest income market share from 6.3% to 6.8%
- **Mid Cap** : Increased fee income market share from 19.1% in Dec 2017 to 25.7% in Sep 2018, and interest income market share from 11.9% to 12.4%
- **Retail deposits** : Grew retail deposits by 7.4% to RM51.0 bil as at Sep 2018 vs. industry growth of 4.1%, mainly from fixed deposits
- **Rebalance financing portfolio** : Retail and SME make up 72.6% of total domestic financing portfolio as at Sep 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 RM5.9 mil as at Sep 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** : Revenue from customer journey mapping of RM6.6 mil as at Sep 2018
- **AGILE @ scale** : Completed the organisational design and pilot target operating model for the AGILE Way of Working for SME and Retail (Deposits and Mortgage) to enable faster speed to market, enhance customer-centricity and develop a high performance culture

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Economic Outlook

- Malaysia's GDP is expected to moderate to 4.6% in 2018 from 5.9% in 2017
- Growth is anticipated to be driven mainly from resilience in private sector consumption
- Downside risks still emanate from escalating trade tensions, and volatility in financial markets and oil prices
- BNM is expected to keep OPR unchanged at 3.25% for the rest of the year and into 2019
- With sound fundamentals, the banking sector remained resilient despite heightened stress with growth expected to be driven by the consumer segment

Concluding Remarks

- The Group continued to deliver strong performance in the first nine months of 2018
- Loans and financing continued to be driven by growth in mortgages and SME
- Effect on re-pricing of deposits has taken place as expected, as seen in the moderation of NIM
- We continued to have robust capital levels, healthy liquidity position, adequate coverage for our loan losses and benign credit charge ratio while closely monitoring asset quality
- 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

THANK YOU

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TOGETHER WE PROGRESS

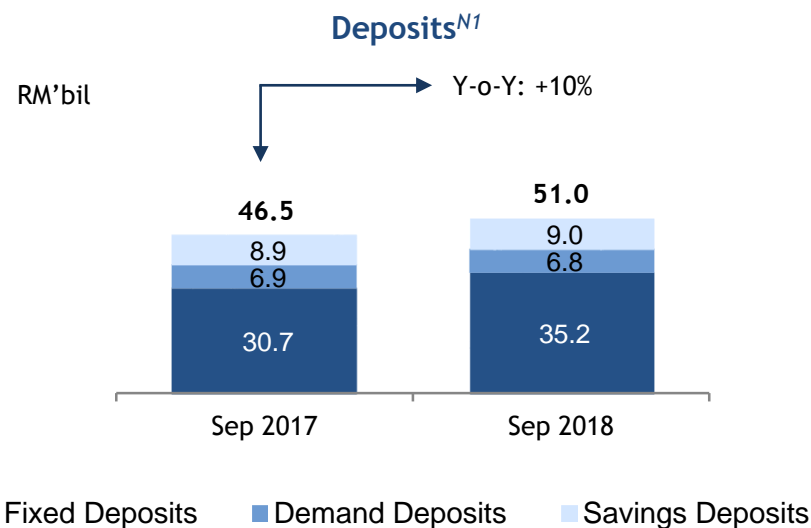
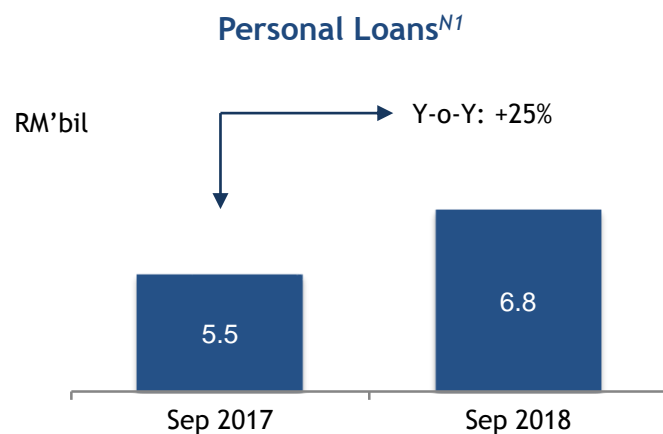
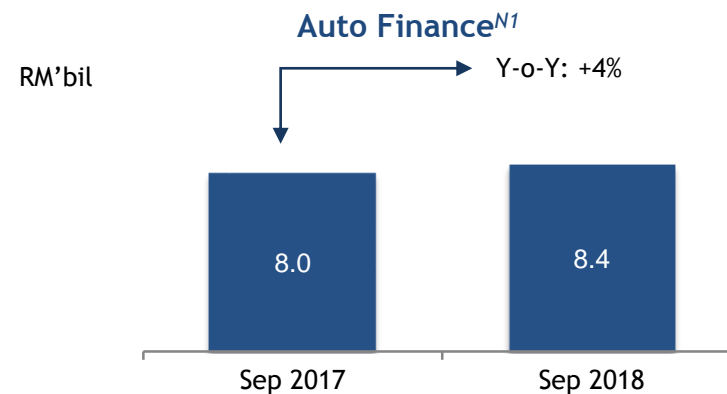
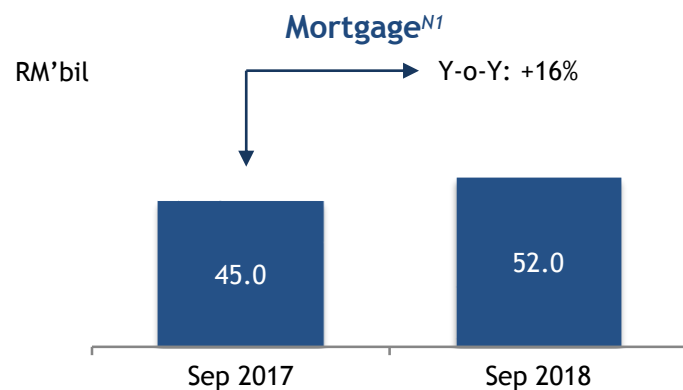


APPENDIX

Key Business Highlights



Retail Banking



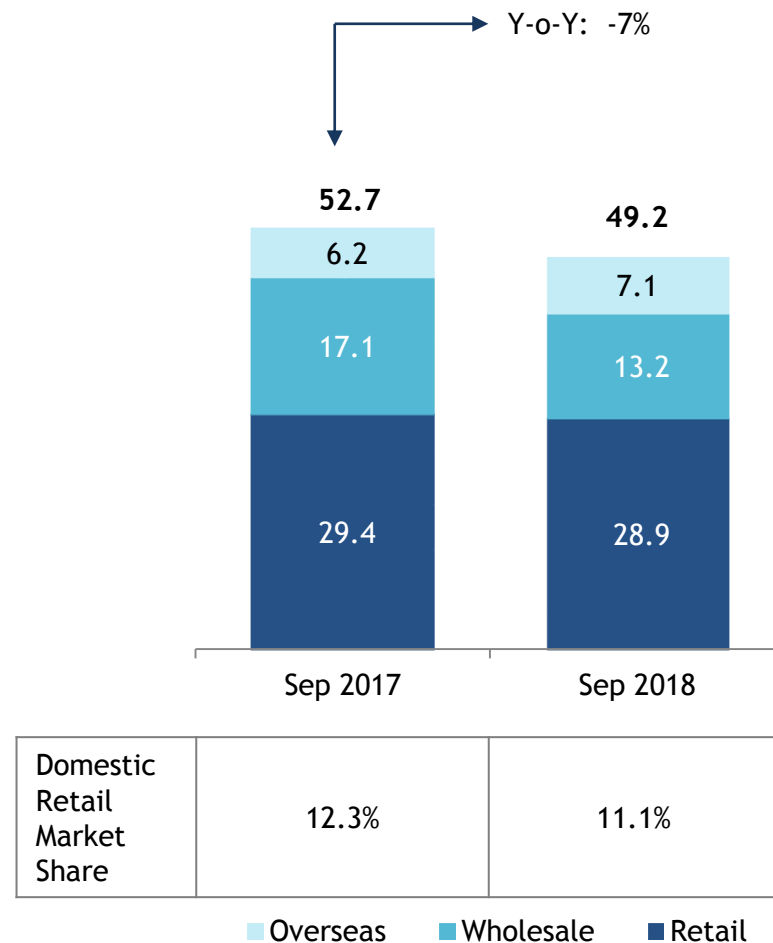
N1: Domestic only

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




	YTD Sep 2018	
	Ranking	Market Share
Equity: - By value - By volume	5 th 3 rd	7.2% 11.4%
Debt Capital Markets: - MYR sukuk - Total MYR bonds (Conventional & Islamic bonds)	3 rd 4 th	21.0% 16.6%
Mergers & Acquisitions: - by value - by deal count	1 st 3 rd	24.7% 7 deals
Equity Capital Markets	2 nd	17.0%

RM'bil

Asset Under Management



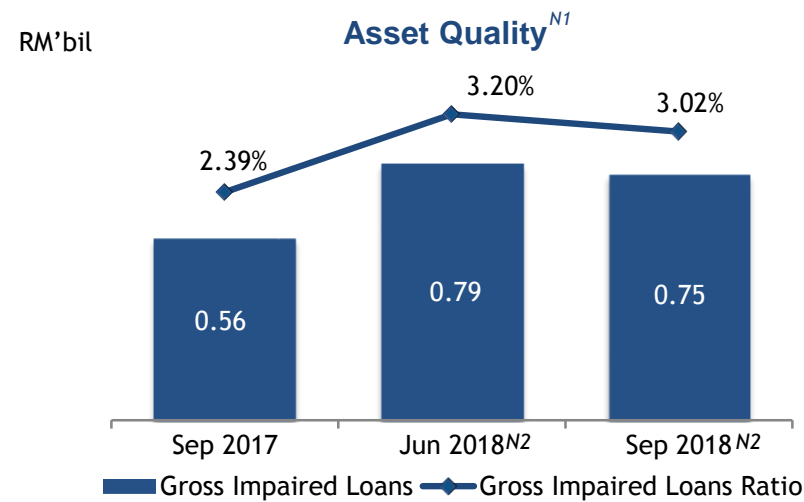
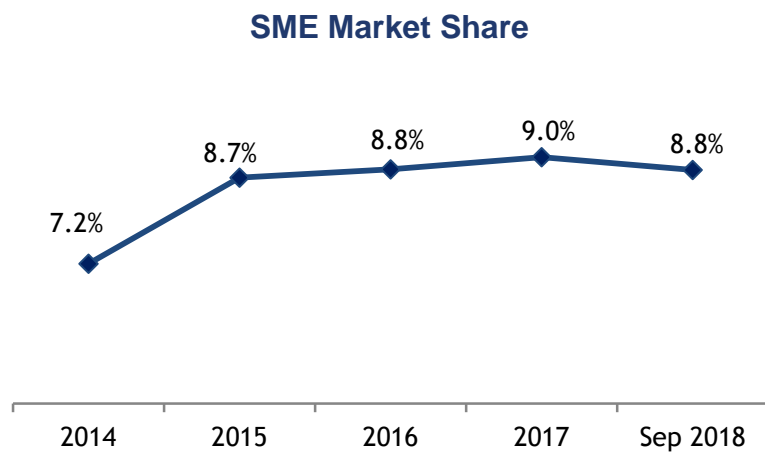
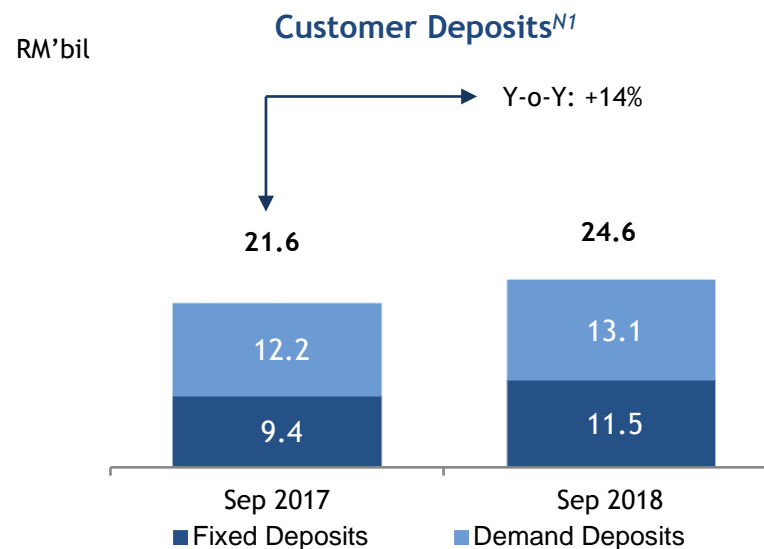
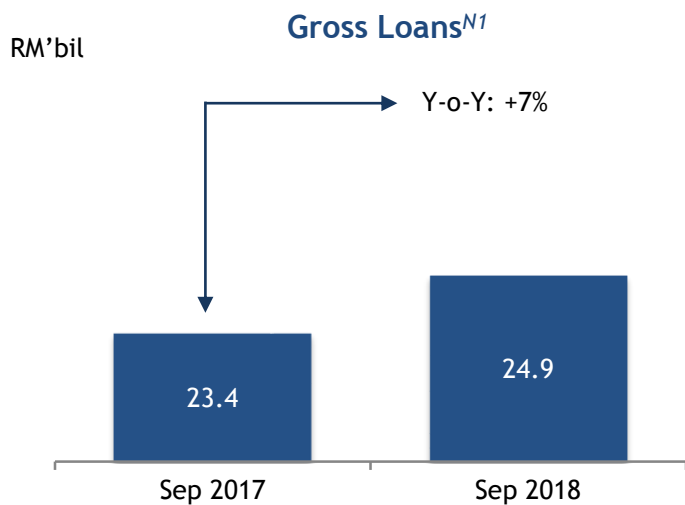
Investment Banking - Market Position (2/2)

YTD Sep 2018	Ranking	Market Share	DCM	
Debt Capital Markets: - MYR sukuk - Total MYR bonds (Conventional & Islamic bonds)	3 rd	21.0%		GENM Capital Berhad RM2.6 bil issuance out of RM3.0 bil Medium Term Note Programme <i>Joint Lead Manager</i>
	4 th	16.6%		Serba Dinamik Holdings Berhad RM800.0 mil issuance out of RM1.5 bil Sukuk Wakalah Programmes <i>Sole Principal Adviser, Sole Lead Arranger & Joint Lead Manager</i>
Mergers & Acquisitions: - by value * - by deal count	1 st	24.7%		IOI Properties Group Berhad RM1.2 bil issuance out of RM3.0 bil Sukuk Murabahah Programme <i>Joint Lead Manager</i>
	3 rd	7 deals		
Equity Capital Markets	2 nd	17.0%		

*Excluding Zhejiang Ant Small, Schneider Electric & Guoco Group Ltd

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>		SP Setia Berhad RM2,261.0 mil Rights Issue <i>Joint Underwriter</i>
	CVC Asia Pacific (Singapore) Pte Ltd RM930.0 mil Acquisition of entire equity interest in Munchy Food Industries Sdn. Bhd. <i>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>		Priceworth International Bhd RM102.4 mil Rights Issue <i>Principal Adviser, Joint Managing Underwriter & Joint Underwriter</i>

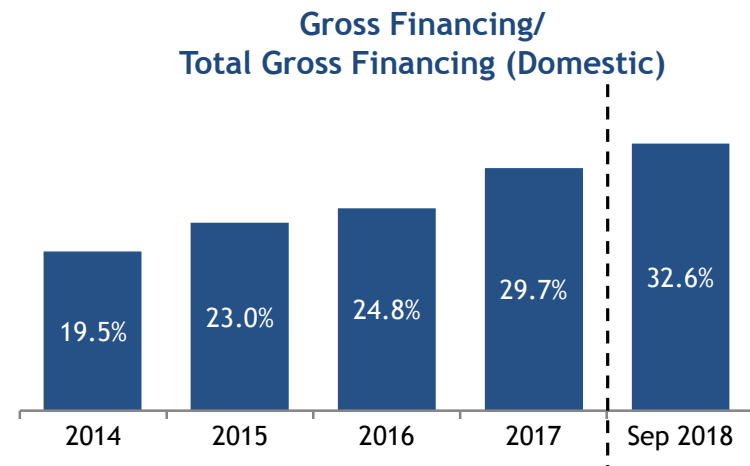
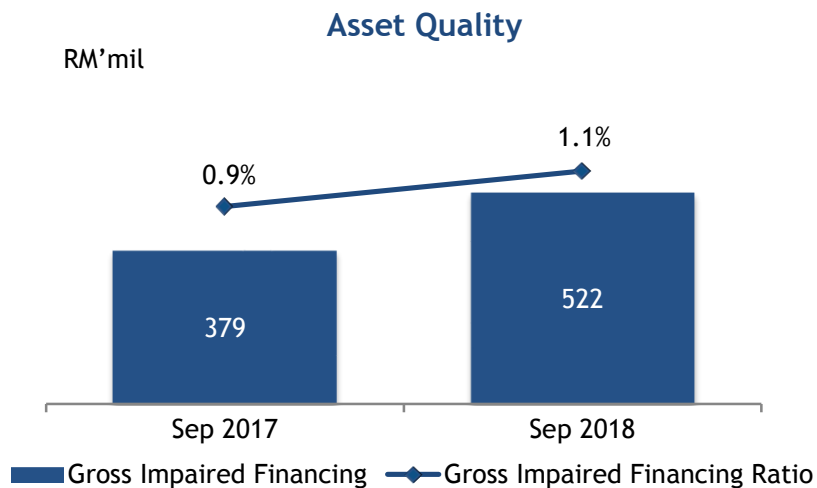
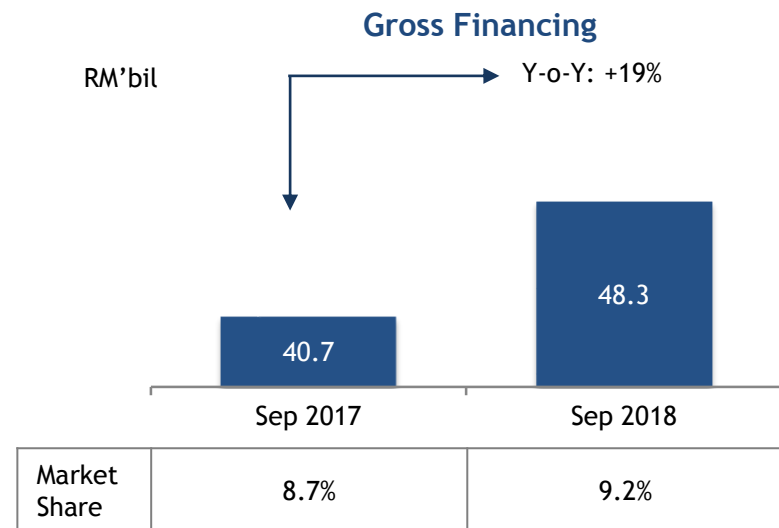
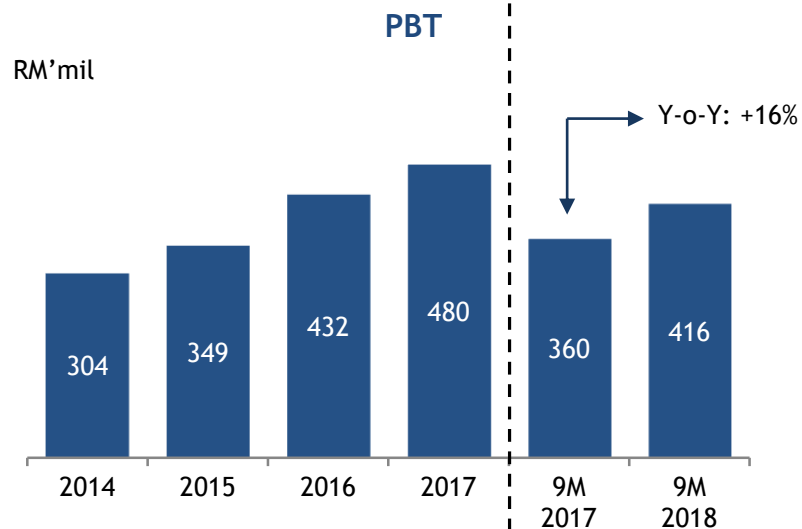
Business Banking



N1: Domestic only

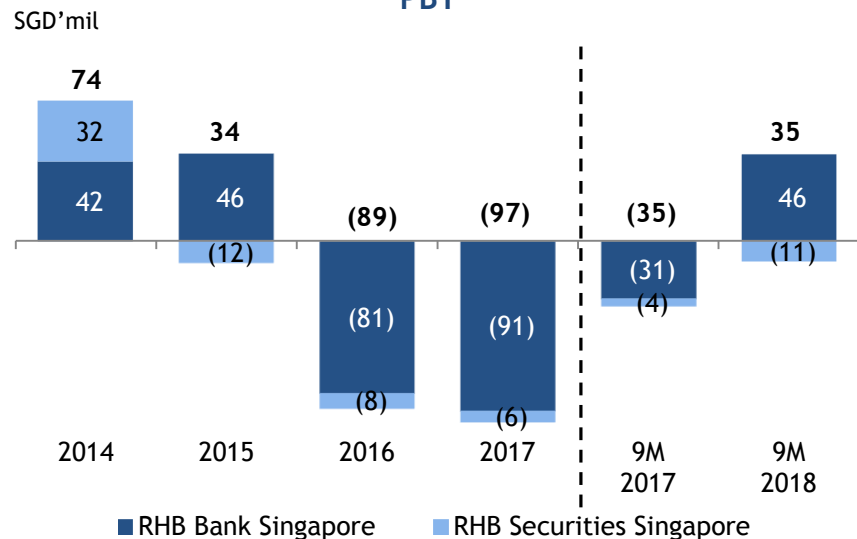
N2: After MFRS 9 adoption

Islamic Banking

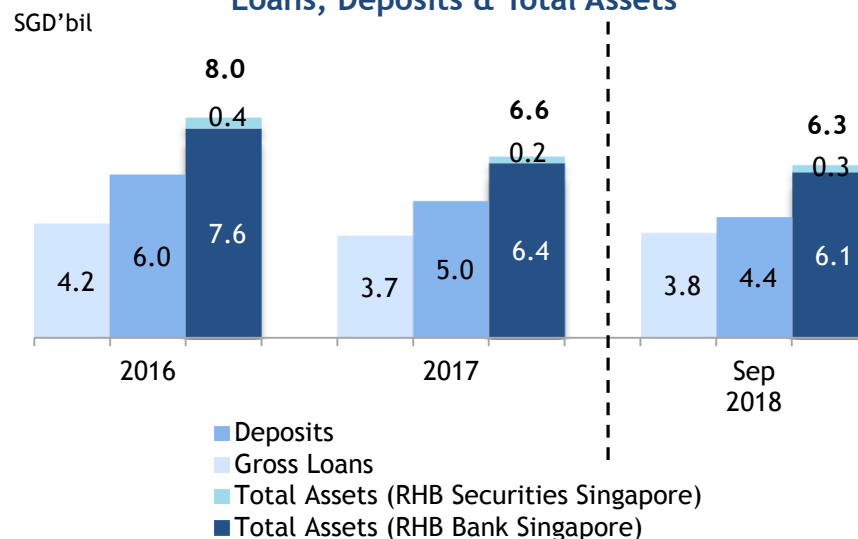


RHB Singapore

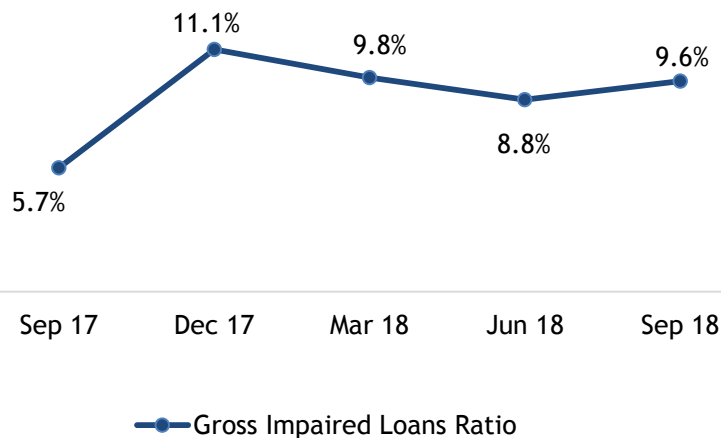
PBT



Loans, Deposits & Total Assets



Gross Impaired Loans Ratio



Credit Charge Ratio

