

Analysts Presentation FY2018 Financial Results

Dato' Khairussaleh Ramli
Group Managing Director
RHB Banking Group
27 February 2019



AGENDA

Executive Summary

FY2018 Financial Results

Strategy Update

Summary and Outlook



Highlights of 2018 Performance (1/2)

Profitability

Year-on-year:

- Net profit up 18.2% to RM2,305.2 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 8.5% to RM4,942.3 million mainly underpinned by growth in loans and financing, and prudent management of funding cost
 - Non-fund based income grew 1.8% to RM1,863.3 million contributed largely by higher net foreign exchange gain and trading and investment income but moderated by lower fee income
- Operating expenses rose 5.4% to RM3,357.7 million driven by a rise in personnel costs and IT-related expenses. Cost-to-income ratio (CIR) improved further to 49.3% from 49.9% last year
- Allowances for ECL on loans and financing was 22.8% lower at RM322.4 million, primarily due to certain recoveries recorded in the current year and substantial impairment provision for O&G exposure in the previous year
- ROE of 10.3% compared with 8.7% for the same period last year

Quarter year-on-year:

- Net profit rose by 22.9% to RM565.4 million from the corresponding quarter last year mainly due to higher net fund based income and lower allowances for ECL on loans and other assets

Assets and Liabilities

- Gross loans and financing for the Group grew 5.5% Y-o-Y to RM168.9 billion driven by mortgage and SME
 - Total domestic loans grew 5.6% Y-o-Y
 - Total customer deposits increased 7.2% Y-o-Y to RM178.9 billion
 - Total CASA declined 8.1% Y-o-Y mainly from Singapore
 - CASA composition declined to 25.9% from 30.2% in Dec 2017
- Gross impaired loans (GIL) ratio improved to 2.06% compared with 2.53% as at 1 Jan 2018 (post-MFRS 9 restatement) and 2.23% as at 31 Dec 2017
- LLC ratio (including regulatory reserve) stood at 103.0% as at end-Dec 2018

Highlights of 2018 Performance (2/2)

Business Performance

- **Group Wholesale Banking** recorded a pre-tax profit of RM1,782.6 million, an increase of 2.7% Y-o-Y:
 - **Group Corporate & Investment Banking** pre-tax profit grew 4.1% to RM593.8 million on the back of higher net fund based and non-fund based income, partly offset by higher allowances for ECL on loans
 - **Group Treasury and Global Markets** recorded a 2.0% growth in pre-tax profit to RM1,188.7 million mainly due to higher net fund based income and higher foreign exchange gain
- **Retail Banking** pre-tax profit grew 4.4% Y-o-Y to RM1,002.7 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 1.3% to RM397.7 million mainly due to higher net fund based income, partly offset by higher operating expenses
- **Singapore** recorded a pre-tax profit of SGD42.0 million compared with a pre-tax loss of SGD102.3 million a year ago primarily due to significant reduction in allowances for ECL
- **Islamic Banking:**
 - Pre-tax profit increased by 20.7% Y-o-Y to RM579.2 million
 - Islamic Financing of RM52.3 billion as at Dec 2018 represents 34.2% 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

Capital

- **Strong capital position**
 - Group CET I ratio at 15.5%, Tier I ratio at 15.7% and total capital ratio at 18.8%
 - Bank entity CET I ratio at 13.3%, Tier I ratio at 13.5% and total capital ratio at 16.8%
 - Islamic CET 1 capital ratio has improved significantly to 13.2%, providing a comfortable base from which to grow assets without further capital injection

Dividend

- Proposed final dividend of 13.0 sen per share, dividend payout of 35.7% for FY2018
- Future dividend payouts to be at least 30% of net profit

RHB Banking Group Scorecard for 2018

Top Level Indicators	Target 2018	Actual FY2018	
ROE	9.0% - 10.0%	10.3%	✓
Loans Growth	3% - 4%	5.5%	✓
CASA Growth	4% - 5% (MY Retail & BBG)	-0.4%	x
Gross Impaired Loans Ratio	<2.2%	2.06%	✓
Cost to Income Ratio	<50%	49.3%	✓
Overseas Profit Contribution	+ve	3.0%	✓

AGENDA

Executive Summary

















FY2018 Financial Results

Strategy Update

Summary and Outlook



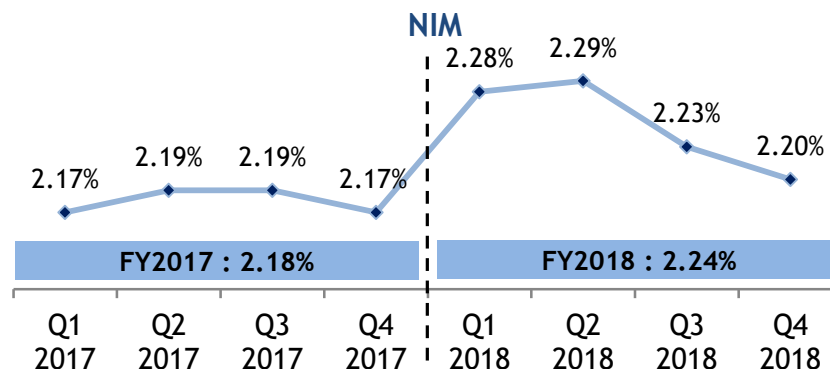
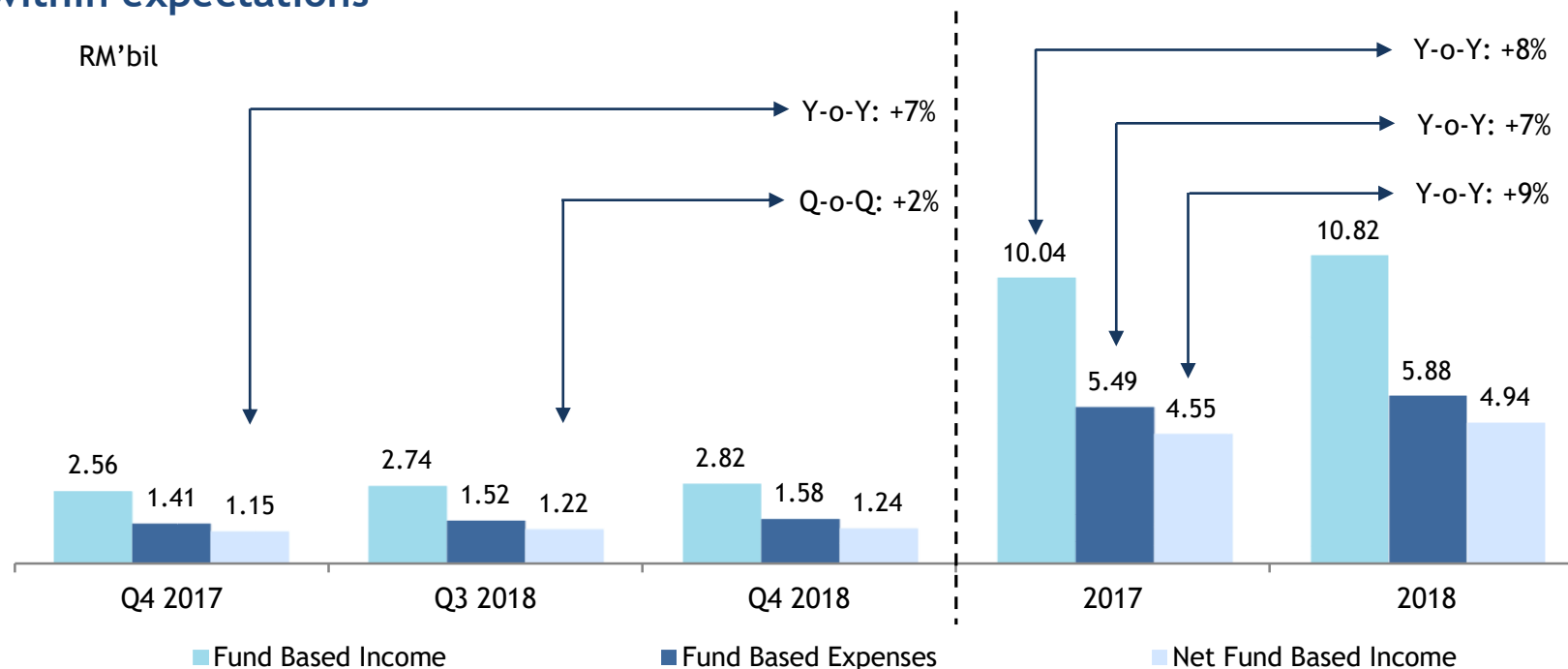
2018 performance supported by healthy income growth, strong cost management and lower allowances for ECL; CIR and GIL ratios improved further

Financial Position		Financial Results		Key Financial Ratios	
Total Assets +5.6%  2018: RM243.2 bil 2017: RM230.2 bil	Gross Loans +5.5%  2018: RM168.9 bil 2017: RM160.1 bil	Total Income +6.6%  2018: RM6.81 bil 2017: RM6.38 bil	Operating Profit Before Allowances +7.7%  2018: RM3.45 bil 2017: RM3.20 bil	ROE +1.6%  2018: 10.3% 2017: 8.7%	Non-Fund Based/ Total Income -1.3%  2018: 27.4% 2017: 28.7%
Customer Deposits +7.2%  2018: RM178.9 bil 2017: RM166.9 bil	CASA -8.1%  2018: RM46.4 bil 2017: RM50.5 bil	Profit Before Tax +21.9%  2018: RM3.12 bil 2017: RM2.56 bil	Net Profit to Shareholders +18.2%  2018: RM2.31 bil 2017: RM1.95 bil	Cost to Income Ratio -0.6%  2018: 49.3% 2017: 49.9%	Gross Impaired Loans Ratio -0.47%^{N2}  2018: 2.06% 2017: 2.53% ^{N2} 2017: 2.23%
Shareholders' Equity +7.8%^{N2}  2018: RM23.4 bil 2017: RM21.7 bil ^{N2} 2017: RM23.1 bil	Net Assets Per Share +7.8%^{N2}  2018: RM5.82 2017: RM5.40 ^{N2} 2017: RM5.77	N1 Including Regulatory Reserve N2 Post MFRS 9 restated opening balance		Credit Charge Ratio -0.07%  2018: 0.19% 2017: 0.26%	Loan Loss Coverage Ratio^{N1} +0.2%^{N2}  2018: 103.0% 2017: 102.8% ^{N2} 2017: 101.6%

Q4 profits driven by strong fund based income, with Y-o-Y increase further supported by lower ECL provision on loans and other assets; Q-o-Q profits down marginally from higher overheads and ECL provision on loans

RM' mil	Q4 2017	Q3 2018	Q4 2018	Q-o-Q %	Y-o-Y %	2017	2018	Y-o-Y %
Net Interest Income	892	890	898	1	1	3,522	3,656	4
Net Islamic Fund Base Income	264	329	344	5	31	1,032	1,287	25
Total Net Fund Based Income (A)	1,156	1,219	1,242	2	7	4,554	4,943	9
Other Operating Income	520	399	448	12	-14	1,784	1,722	-3
Islamic Non-Fund Based Income	-9	68	43	-38	>-100	46	141	>100
Total Non-Fund Based Income (B)	511	467	491	5	-4	1,830	1,863	2
Total Income (A+B)	1,667	1,686	1,733	3	4	6,384	6,806	7
Operating Expenses	-847	-825	-870	6	3	-3,184	-3,358	5
Operating Profit Before Allowances	820	861	863	0	5	3,200	3,448	8
Allowances for Loan Impairment	-115	-64	-77	18	-33	-417	-322	-23
Impairment Losses (Made)/ Written Back on Other Assets	-104	-17	13	>-100	>-100	-225	16	>-100
Impairment Losses (Made)/ Written Back on Other Non-Financial Assets	0	-	-23	-	>-100	0	-23	>-100
Profit Before Taxation	602	779	775	-1	29	2,558	3,119	22
Net Profit	460	579	565	-2	23	1,950	2,305	18

2018 net fund based income growth supported by loans growth and prudent management funding cost; NIM moderated further in Q4, with full year NIM remaining within expectations



2018 non-fund based income grew 1.8% Y-o-Y supported mainly by higher trading & investment income and net forex gain; Q-o-Q higher largely from higher fee income and insurance underwriting surplus

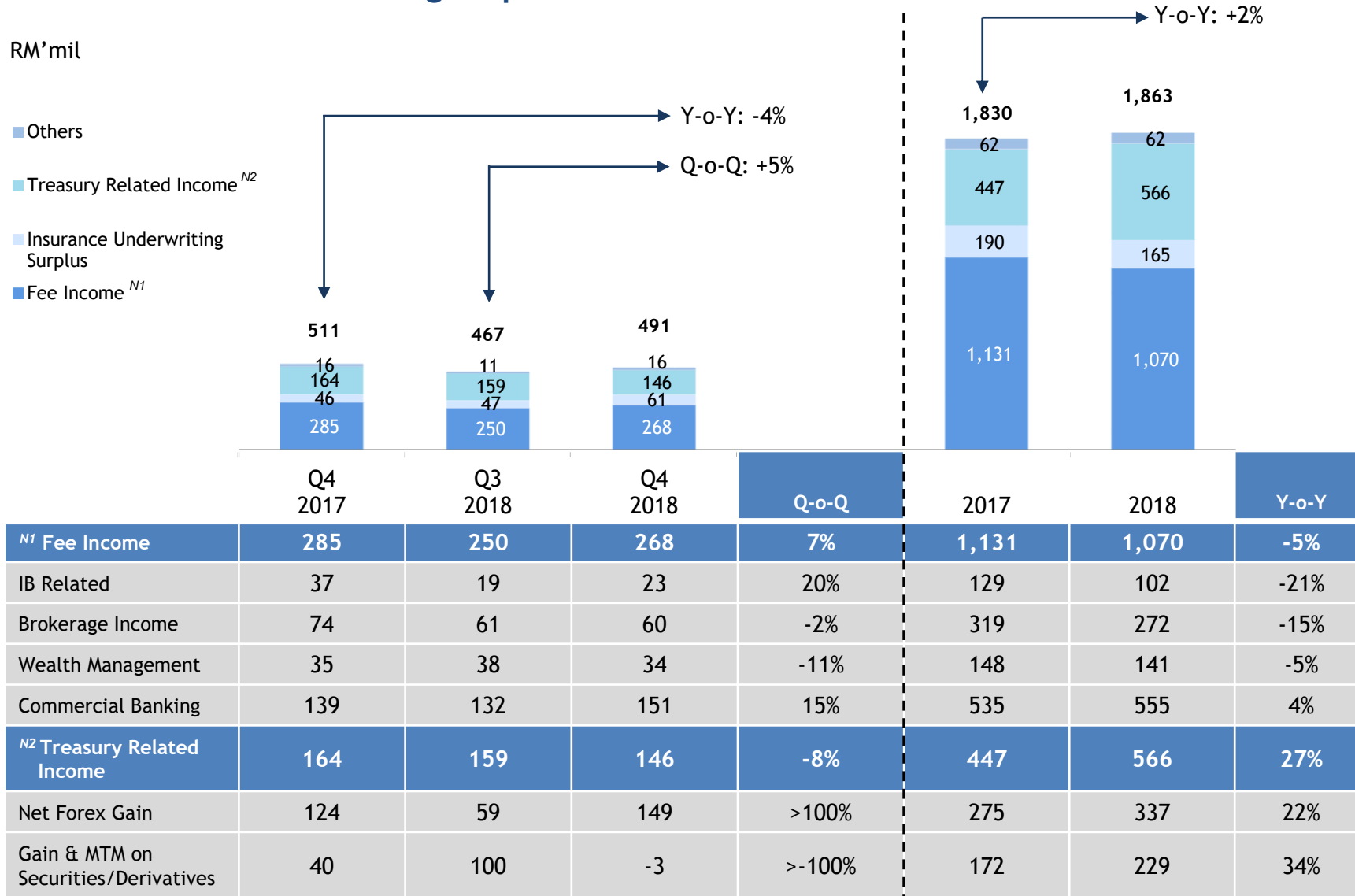
RM'mil

Others

Treasury Related Income ^{N2}

Insurance Underwriting Surplus

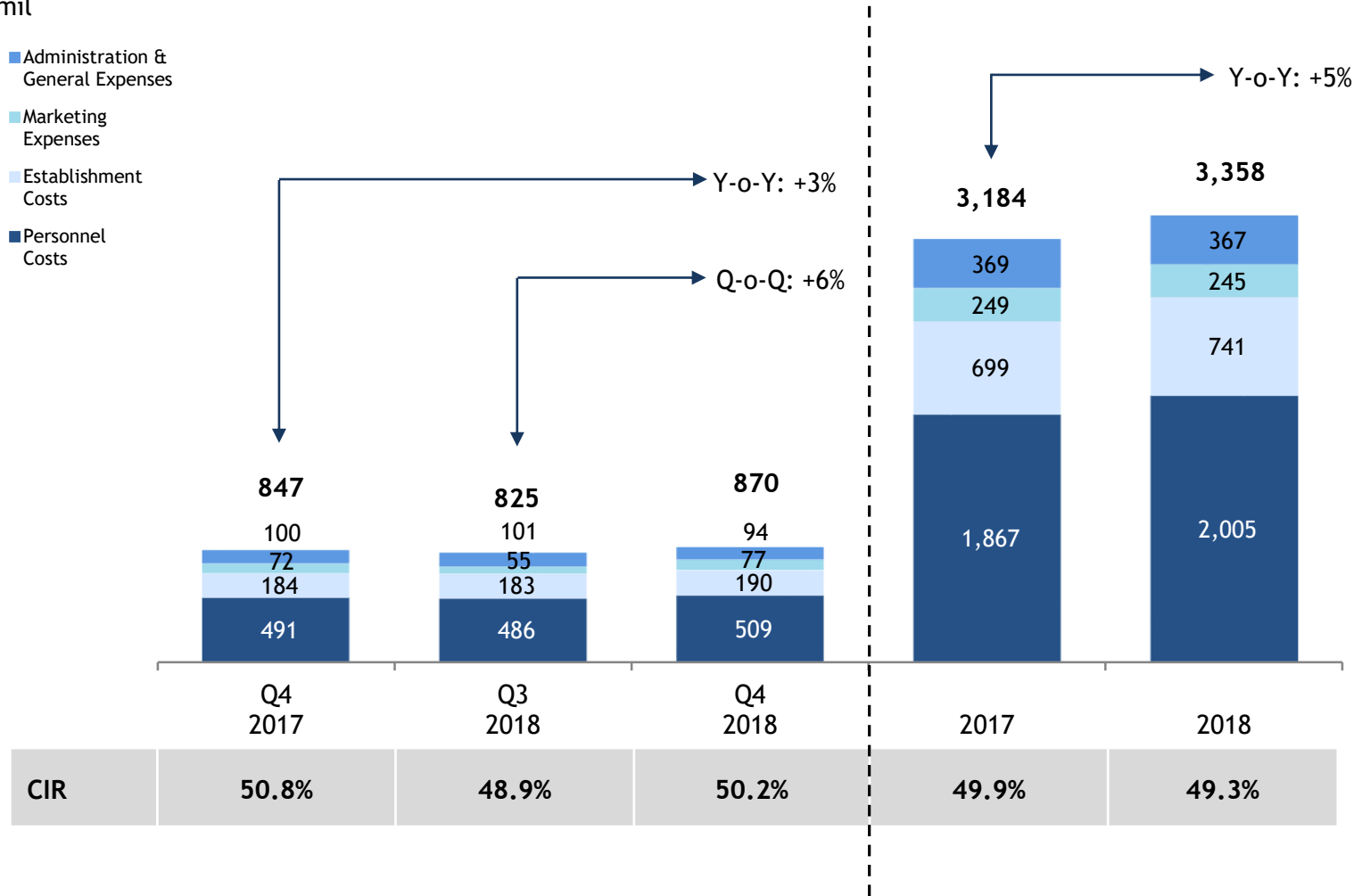
Fee Income ^{N1}



Operating expenses grew 5.4% Y-o-Y mainly from higher personnel and IT related expenses; Positive JAW maintained and CIR improved further to 49.3%

RM'mil

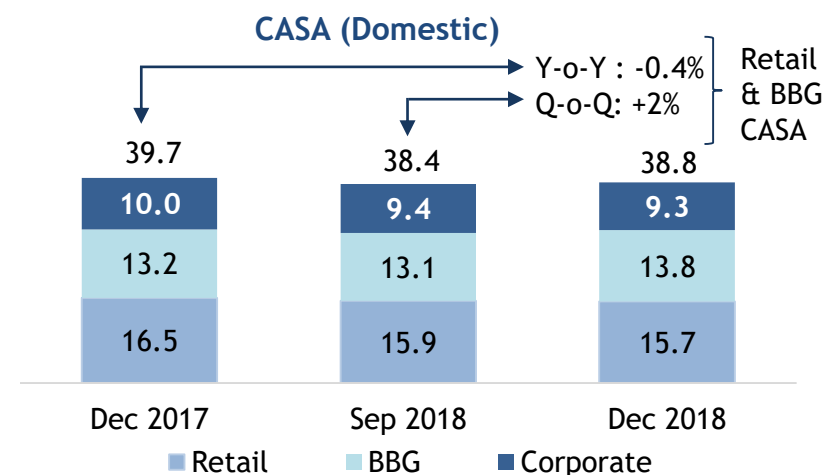
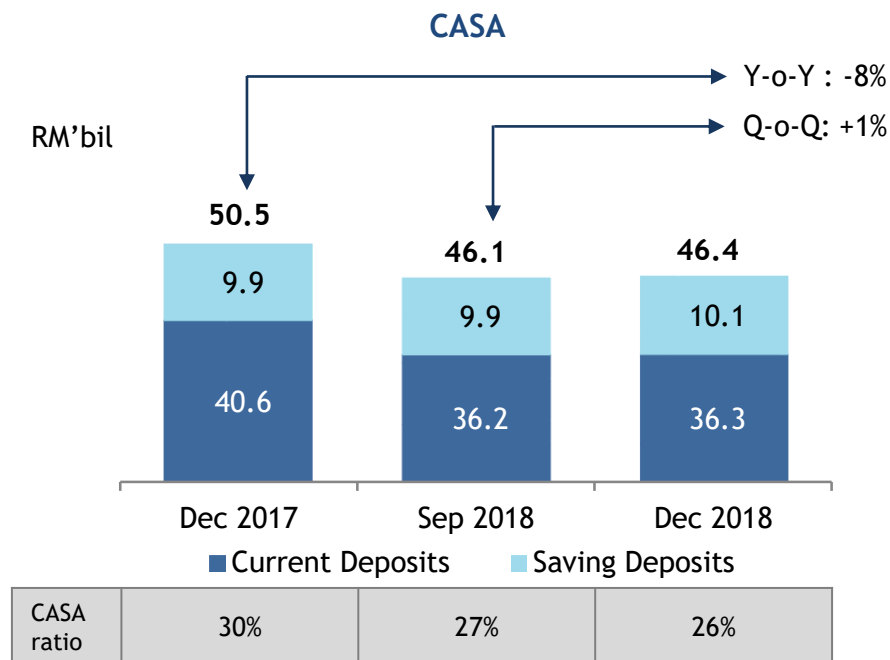
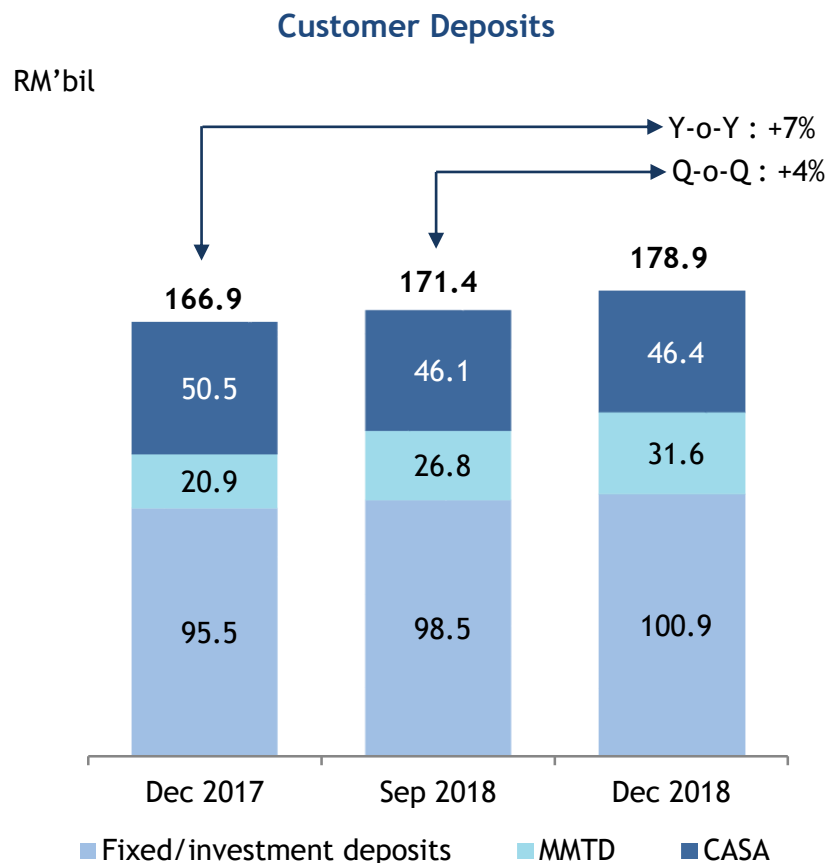
- Administration & General Expenses
- Marketing Expenses
- Establishment Costs
- Personnel Costs



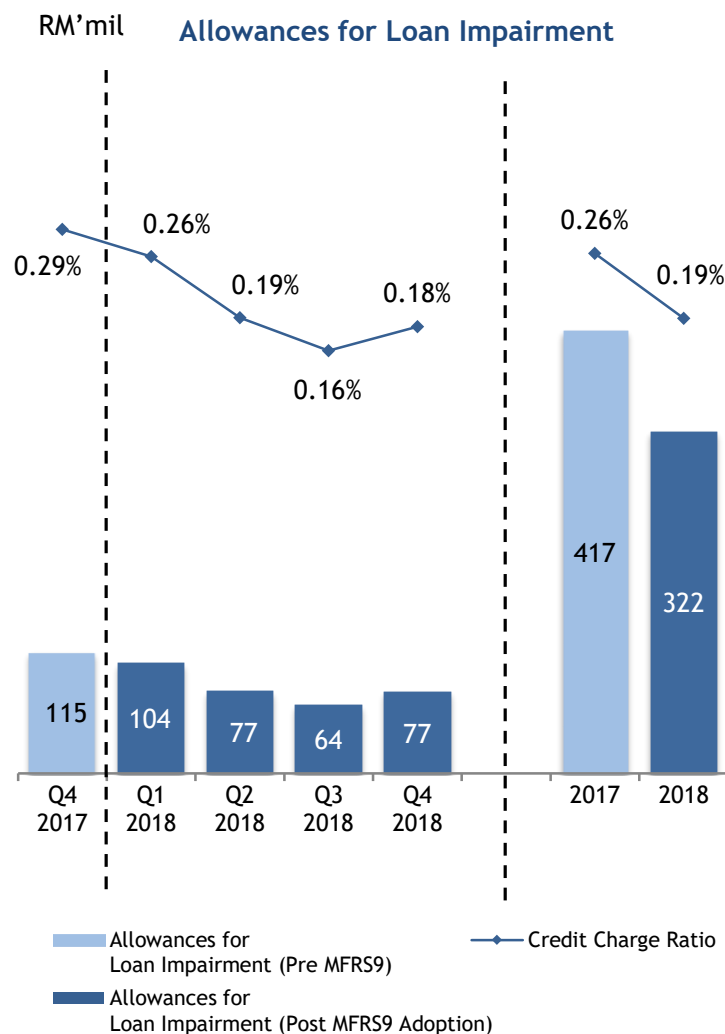
Loans grew 5.5% Y-o-Y mainly driven by mortgage and personal financing in Retail and a resilient SME growth in Business Banking, partially offset by large corporate repayments

RM'mil	Dec 2017	Dec 2018	YoY %	Composition	
				Dec 2017 %	Dec 2018 %
GROUP RETAIL	76,266	84,643	11.0	47	50
Mortgage	46,920	53,492	14.0	29	32
Commercial Property Financing	4,694	4,827	2.8	3	3
Securities	7,882	8,128	3.1	5	5
Auto Finance	8,066	8,364	3.7	5	5
Unsecured Business	7,932	9,120	15.0	5	5
Others	772	712	-7.8	0	0
GROUP BUSINESS BANKING	23,906	25,274	5.7	15	15
SME	22,146	23,020	3.9	14	14
Commercial	1,760	2,254	28.1	1	1
GROUP WHOLESALE BANKING	44,634	43,001	-3.7	28	26
TOTAL RHB DOMESTIC	144,806	152,918	5.6	90	91
OVERSEAS OPERATIONS	15,318	15,961	4.2	10	9
Singapore	11,456	11,894	3.8	7	7
Others	3,862	4,067	5.3	3	2
TOTAL RHB GROUP	160,124	168,879	5.5	100	100

Total deposits grew by 7.2% Y-o-Y supported by MMTD and fixed deposits growth; CASA ratio at 25.9%

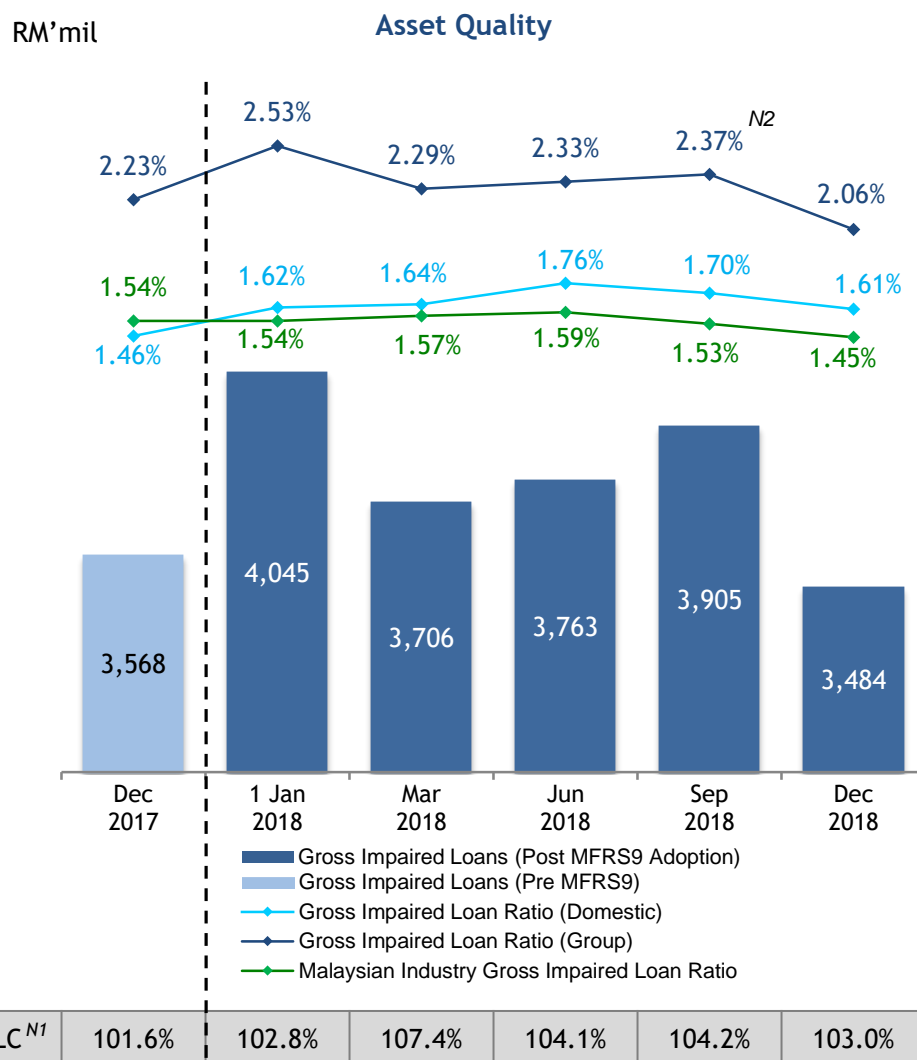


Credit charge ratio saw a slight uptick in Q4 but recorded a significant improvement for the full year; GIL ratio improved in Q4 primarily from reclassification / recoveries of certain accounts



N1: Inclusive of 1.0% regulatory reserve

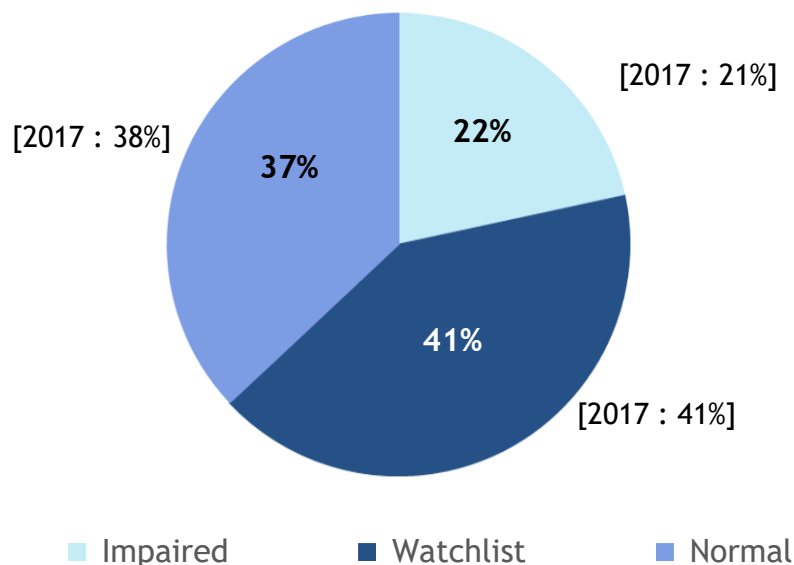
N2: Inclusive of the conversion of an impaired bond into loans. Excluding the said restructured account, GIL is at 2.28%



O&G Exposure (Loans + Bonds) continued to decline to below 3% of total portfolio

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
2018	3.3	1.9%	1.5	0.9%	4.8	2.8%
2017	3.4	2.1%	1.7	1.1%	5.1	3.2%

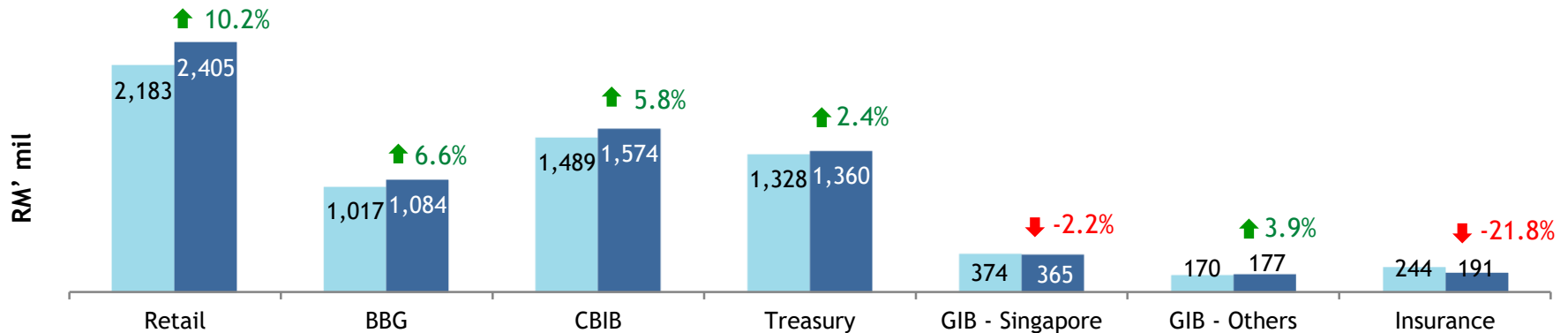
Oil & Gas Exposure



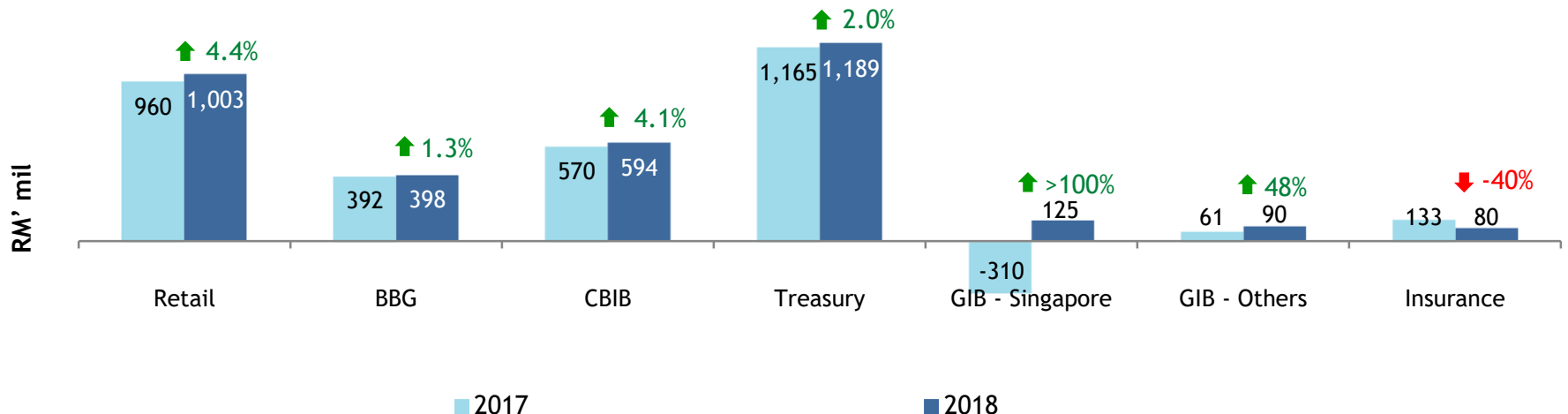
Country	% of Loans Outstanding
Malaysia	78%
Singapore	21%
Thailand	1%

2018 saw positive profit contribution from all business segments with Singapore achieving a healthy turnaround mainly from lower allowances for ECL; Insurance profit impacted by higher claims

Revenue

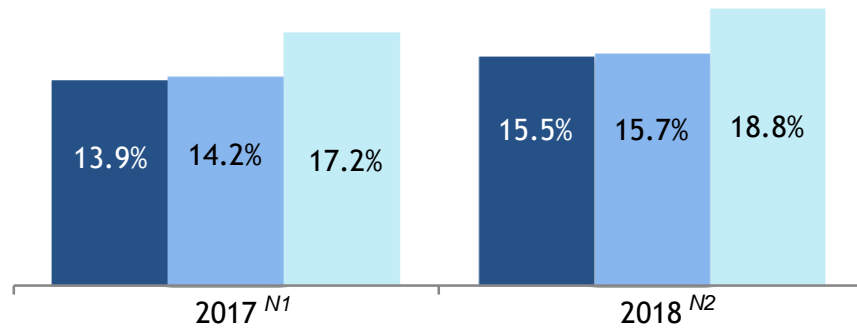


Pre-tax Profit



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

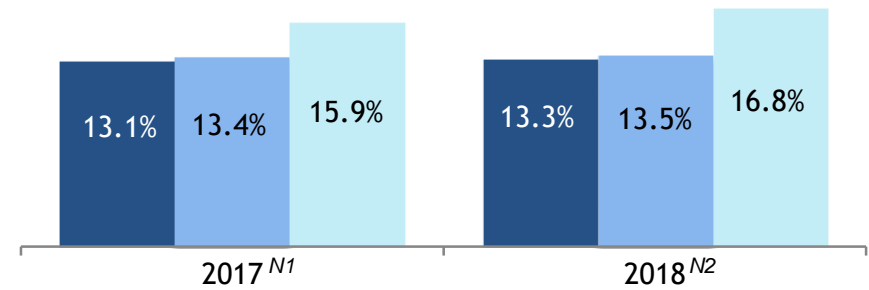
RHB Bank Group



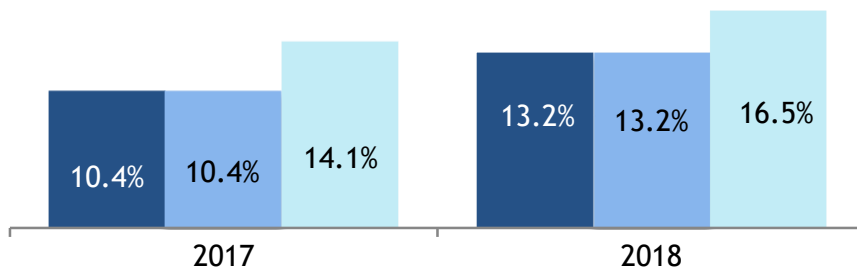
N1 Ratios are after FY2017 final dividend

N2 Ratios are after FY2018 proposed final dividend

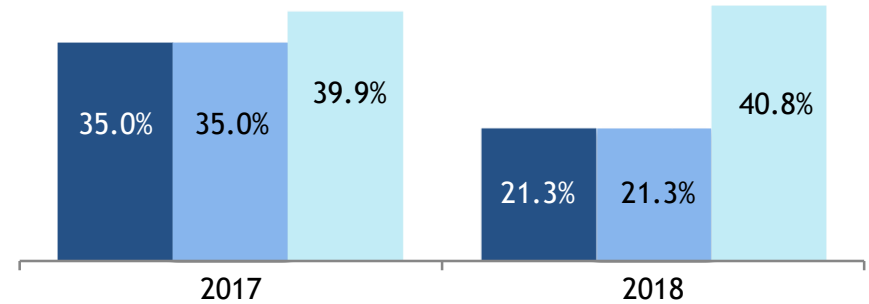
RHB Bank



RHB Islamic Bank



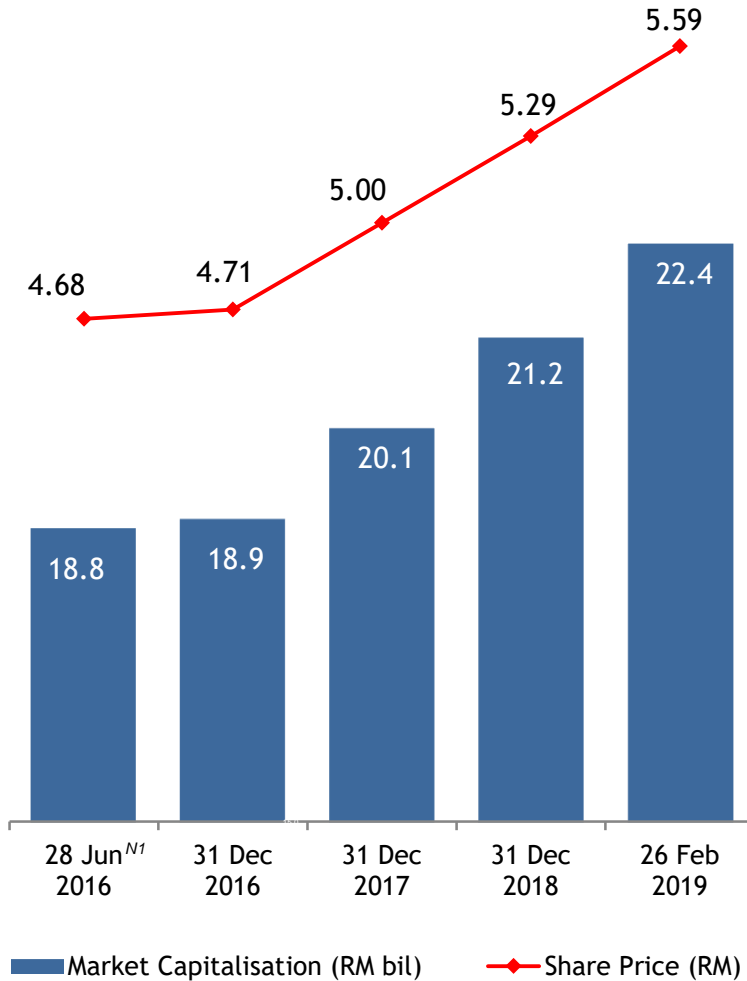
RHB Investment Bank



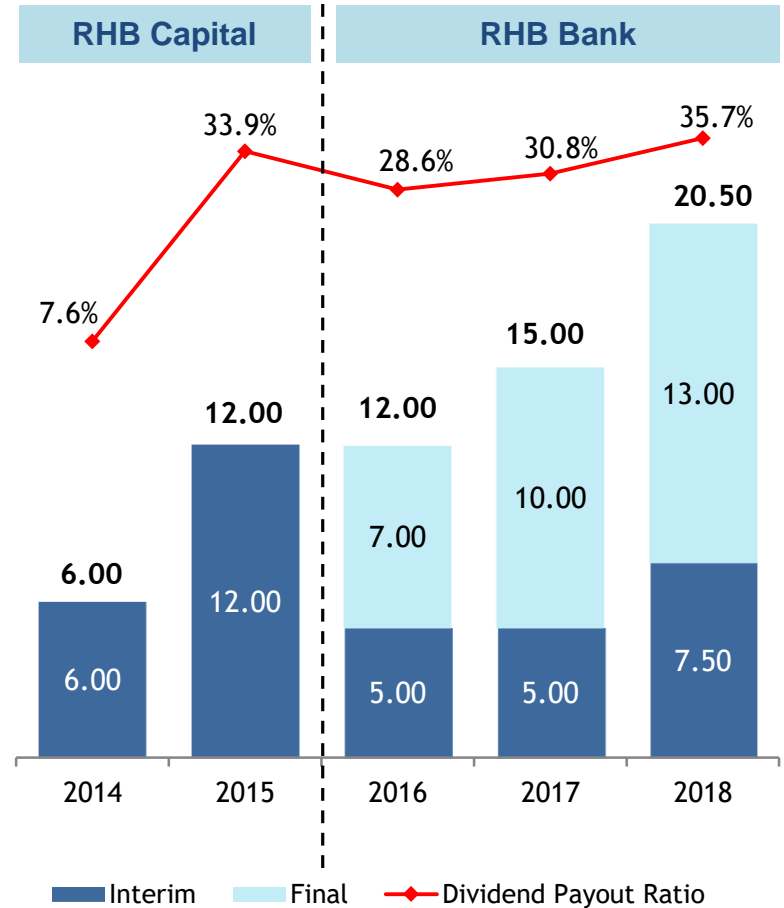
■ CET 1 Capital ■ Tier 1 Capital ■ Total Capital

Final cash dividend of 13 sen per share proposed, with a higher payout of 35.7% (2017: 30.8%); Future dividend payouts will be at least 30% of net profit

Market Capitalisation



Dividend Per Share (sen)



N1: Listing of RHB Bank shares at opening price of RM4.68

AGENDA

Executive Summary

FY2018 Financial Results

Strategy Update

Summary and Outlook



FIT22 Key Highlights

Fund our Journey



- **Affluent** : Grew number of Premier customers by 32% to 60.6k customers as at Dec 2018 from 45.9k in Dec 2017, of which 34% are SME owners. Total AUM of Premier customers grew by 23% to RM29.3 bil in the same period
- **SME** : Grew Business Banking loans by 5.7% as at Dec 2018 to RM25.3 bil driven by a 11.2% growth in Retail SME. Grew Business Banking deposits by 15.8% to RM25.7 bil
- **Large Cap** : Increased fee income market share from 13.2% in Dec 2017 to 23.4% in 2018, and maintained interest income market share at 6.3%. Average product holding ratio increased from 5.6 in 2017 to 6.2 in 2018
- **Mid Cap** : Increased fee income market share from 19.1% in Dec 2017 to 27.8% in 2018, however interest income market share declined from 13.3% to 12.3% due to loan repayments
- **Retail deposits** : Grew retail deposits by 10.3% to RM52.5 bil in 2018, mainly from fixed deposits
- **Rebalance financing portfolio** : Retail and SME make up 72% of total domestic financing portfolio as at Dec 2018 from 69% in 2017, in line with the strategy to have greater proportion of Retail and SME loans (2022 target of 75%)

Invest to Win



- **Analytics and big data** : Revenue from analytics use cases of RM34.1 mil as at Dec 2018
- **Key IT projects** : Continued focus on capability building by investing in new technology. Rolled out FLASH (our new Retail loan origination system – phase 1 for mortgage), CREST (new Corporate and Business Banking loan origination system), New Transaction Banking System and the next phase of MUREX

Transform the Organisation



- **Customer experience transformation and digital products** : Revenue from new digital experience and products of RM13.5 mil as at Dec 2018
- **AGILE** : Implemented the Agile Leap for **SME and Retail (Deposit and Mortgage)** in 2018 to enable faster speed to market, enhance customer-centricity and develop a high performance culture. The scale up will continue in 2019 to other business and functional units within Retail Banking and Business and Transaction Banking as well as Group Technology Services

AGENDA

Executive Summary

FY2018 Financial Results

Strategy Update

Summary and Outlook



Economic Outlook

- Malaysia's GDP is expected to grow by 4.6% in 2019
- Growth is anticipated to be driven mainly from resilience in private sector consumption and a recovery in the commodity output
- Downside risks still emanate from escalating trade tensions, and volatility in financial markets
- BNM is expected to keep OPR unchanged at 3.25% for the rest of 2019
- With sound fundamentals, the banking sector is expected to remain resilient despite challenging economic conditions with growth expected to be driven by the consumer and business segments
- Capital Market activities expected to improve with large IPOs and low interest rates

RHB Banking Group Scorecard for 2019

Top Level Indicators	Actual FY2018	Target 2019
ROE	10.3%	10.5%
Loans Growth	5.5%	5.0%
CASA Growth	-0.4% (MY Retail & BBG)	5.0% (Group)
Gross Impaired Loans Ratio	2.06%	<2.0%
Cost to Income Ratio	49.3%	49.0%

Concluding Remarks

- The Group recorded highest profit ever in 2018
- Results demonstrate the Group's strengths and resilience operating under challenging environment and good progress in FIT22 implementation
- Loans and financing continued to be driven by growth in mortgages and SME
- NIM moderated in the second half but well within expectation for the full year
- RHB fundamentals are strong - high capital levels, healthy liquidity position, adequate coverage for our loan losses and benign credit charge ratio. Asset quality improved.
- Execution of FIT22 strategy remains the focus and anchored on three priorities namely strengthening Malaysia as the core, targeting key segments to win in and building a winning operating model through the AGILE way of working, digitalisation and customer journeys
- Dividend policy of at least 30% payout in the future
- For 2019, the Group remains cautious operating under continued challenging global economic environment, but committed to delivering better performance and operational efficiency

THANK YOU

www.rhbgroup.com

INVESTOR RELATIONS CONTACT:

Haryati Yahya

Head, Investor Relations

+(603) 9280 2489

haryati.yahya@rhbgroupp.com



This material is prepared for general circulation. Any recommendation or view contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific audience. The content furthermore is believed to be correct at the time of the issue of this document, and is not and should not be construed as an offer or a solicitation of any offer to buy or sell any securities. Nor does this document purport to contain all the information a prospective investor may require. Presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

APPENDIX

Accolades and recognition

Key Business Highlights



Notable Awards & Recognition 2018



ASEAN Corporate Governance Awards
Top 30 ASEAN PLCs



- **HR Excellence Awards 2018**
- HR Leader of the Year (En Jamaluddin Bakri)
- Excellence in HR Team Collaboration
- Excellence in Recruitment
- Excellence in Talent Management
- Excellence in CSR Strategy



Customer Experience In Financial Services Summit And Awards 2018
Best CX Business Model (Winner)



10th Annual Global CSR Summit & Awards and the Global Good Governance Awards 2018

- Platinum Award for the Best Governed & Most Transparent Company
- Bronze Award for the Best Community Programme for companies with market capitalisation of more than USD1 Billion



Digital Banker Awards
Excellence in SME Banking



Putra Brand Awards
People's Brand Choice in the Banking, Investment & Insurance category



THE ASIAN BANKER
Best Trade Finance Bank in Malaysia 2018



The Asset Triple A Islamic Finance Awards 2018
Best Retail Sukuk



Thomson Reuters Lipper Fund Awards 2018 (Malaysia)

- Bond MYR - Malaysia Islamic (3 years)
- Bond MYR - Malaysia Islamic (5 years)
- Bond MYR - Malaysia Islamic (10 years)
- Mixed Asset MYR Conservative - Malaysia Pension (10 years)
- Best Bond Award - Malaysia Pension



- **Asian Banking & Finance Wholesale Banking Awards**
- Domestic Technology And Operations Bank Of The Year



RHB Investment Bank won 2 awards at the Bursa Excellence Awards 2017

- 2017 Best Retail Equities Participating Organisation - Champion
- 2017 Best Retail Derivatives Trading Participant - Champion

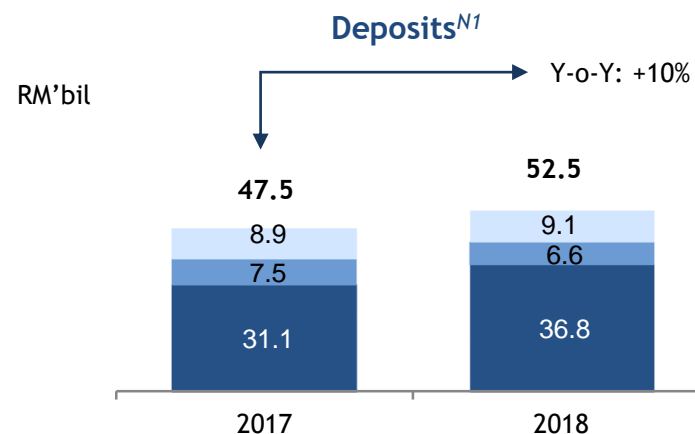
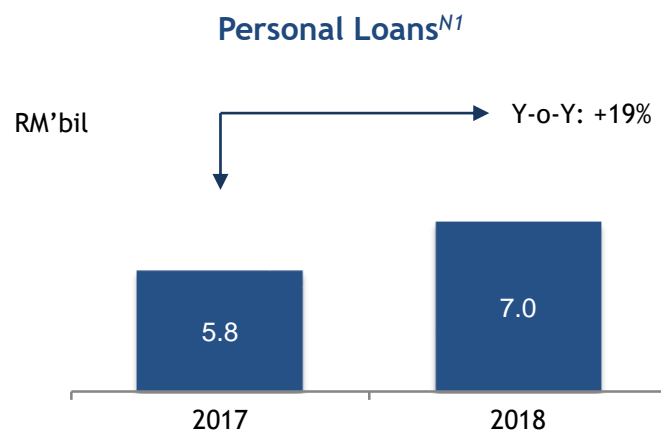
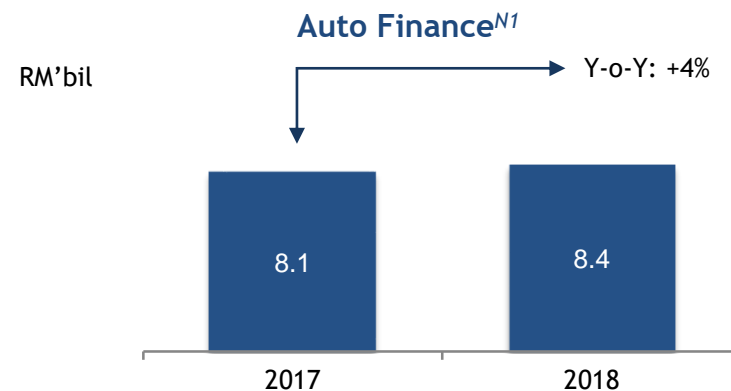
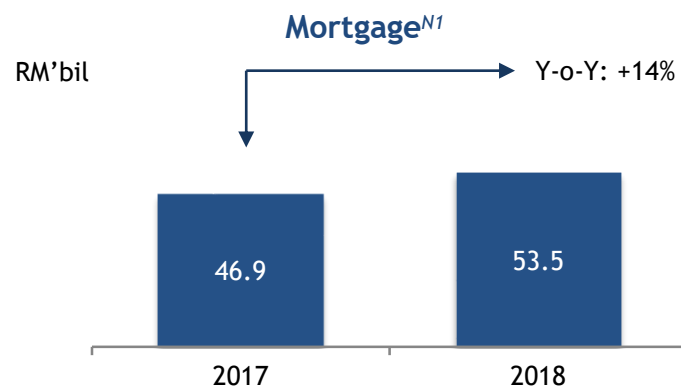
APPENDIX

Accolades and recognition

Key Business Highlights



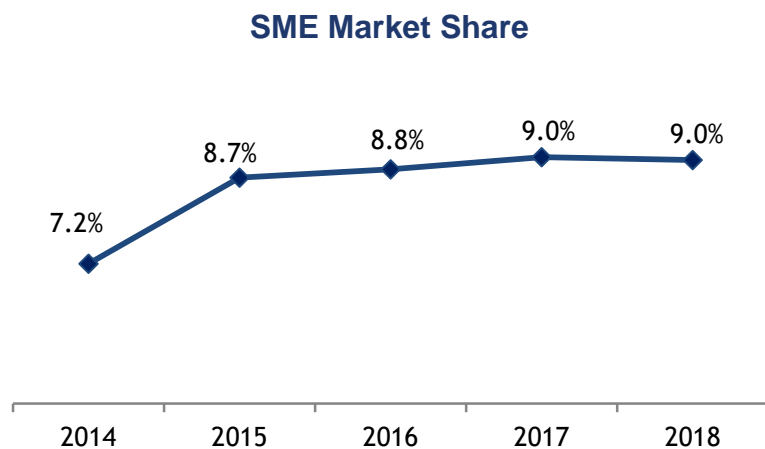
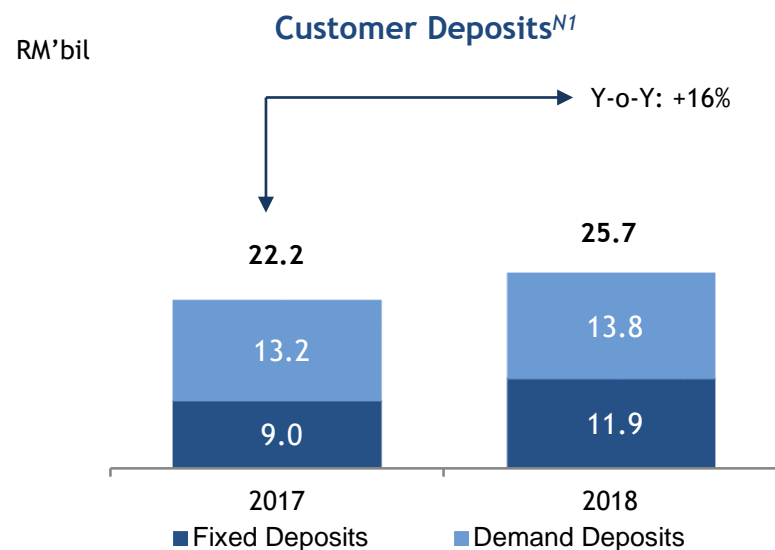
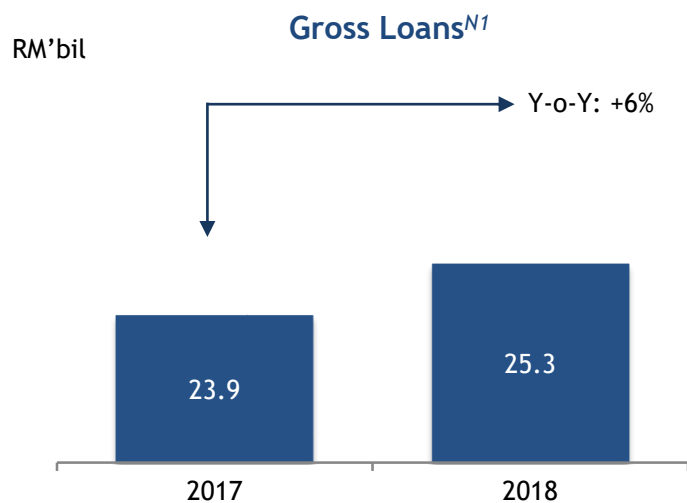
Retail Banking



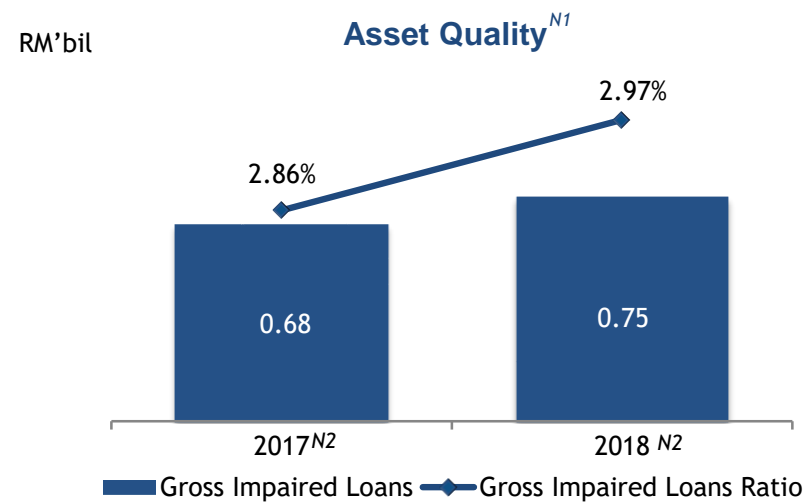
N1: Domestic only

■ Fixed Deposits ■ Demand Deposits ■ Savings Deposits

Business Banking



N1: Domestic only
N2: After MFRS 9 adoption

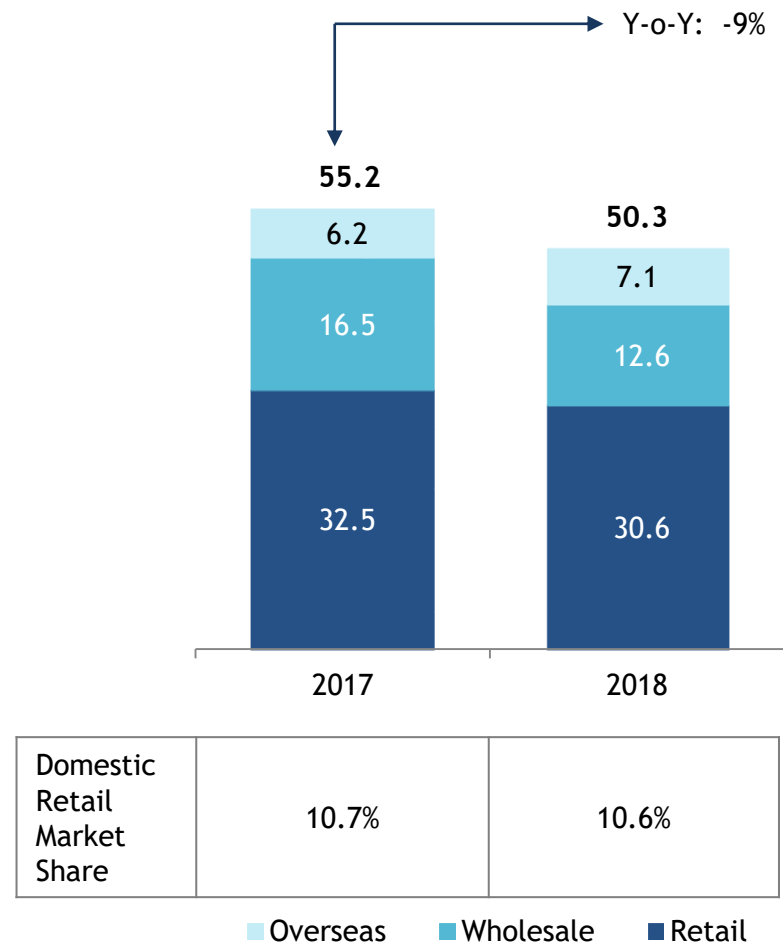


Investment Banking - Market Positions & Asset Management

	2018	
	Ranking	Market Share
Equity: - By value - By volume	5 th 3 rd	7.4% 11.7%
Debt Capital Markets: - MYR sukuk - Total MYR bonds (Conventional & Islamic bonds)	2 nd 4 th	21.2% 16.8%
Mergers & Acquisitions: - by value - by deal count	2 nd 1 st	16.7% 11 deals
Equity Capital Markets	2 nd	14.4%

RM'bil

Asset Under Management



Investment Banking - Major Transactions

M&A



Air Asia Group Berhad ("AAGB")
 RM4,647.0 mil
 Disposal of AAGB's aircraft leasing operations
Principal Adviser and Joint Financial Adviser



CVC Asia Pacific (Singapore) Pte Ltd
 RM930.0 mil
 Acquisition of entire equity interest in Munchy Food Industries Sdn. Bhd.
Financial Adviser



Sunway REIT
 RM550.0 mil
 Acquisition of lands and buildings from Sunway Destiny Sdn Bhd, wholly-owned subsidiary of Sunway Bhd
Sole Principal Adviser

DCM



Edra Energy Sdn Bhd
 RM5.085 bil issuance out of RM5.28 bil
 Sukuk Wakalah Programme
Joint Lead Manager



Serba Dinamik Holdings Berhad
 RM800.0 mil issuance out of RM1.5 bil
 Sukuk Wakalah Programmes
Sole Principal Adviser, Sole Lead Arranger & Joint Lead Manager



PNB Merdeka Ventures Sdn. Berhad
 RM2.0 bil
 Sukuk Murabahah Programme
Joint Lead Arranger & Joint Lead Manager

ECM



SP Setia Berhad
 RM2,261.0 mil
 Rights Issue
Joint Underwriter

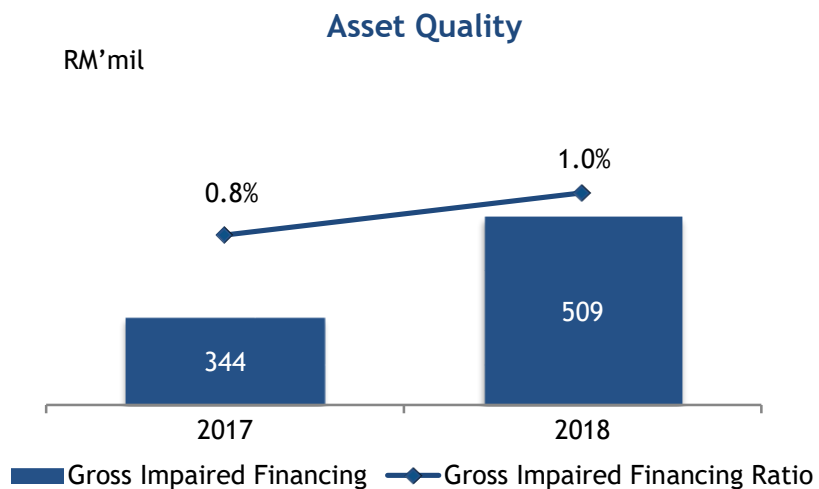
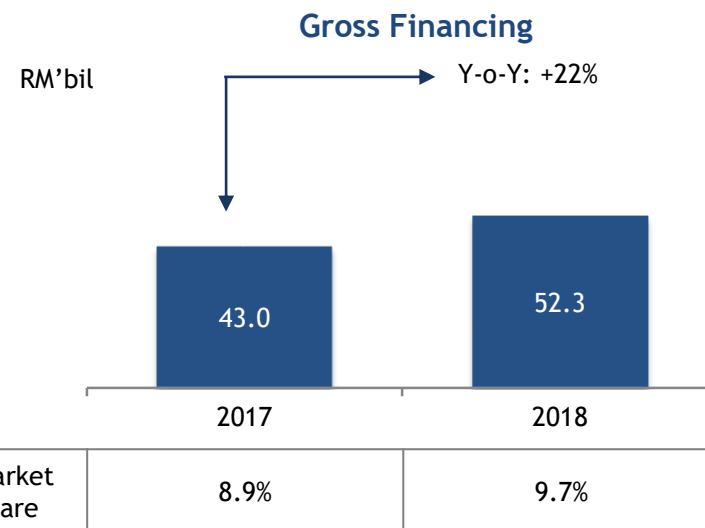
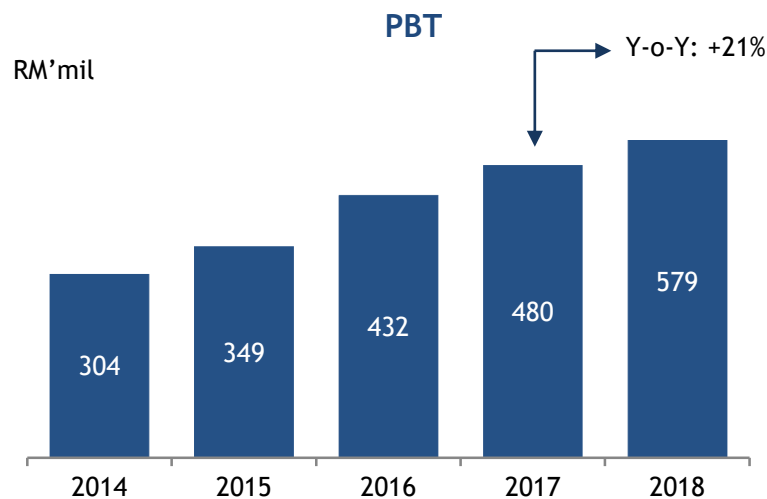


Serba Dinamik Holdings Berhad
 RM427.2 mil
 Primary Placement
Sole Principal Adviser & Sole Placement Agent

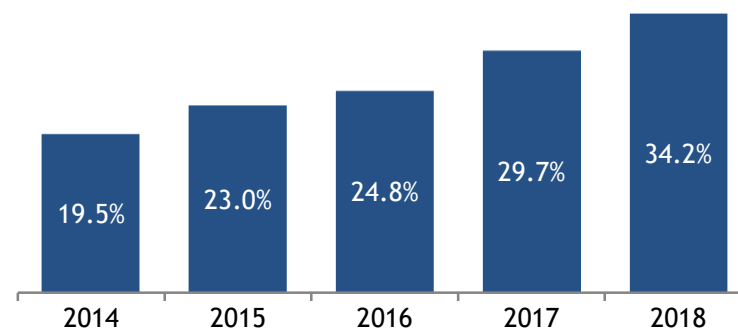


Wegmans Holdings Berhad
 RM43.50 mil
 Listing on ACE Market of Bursa Securities
Sole Principal Adviser, Sponsor, Sole Underwriter & Sole Placement Agent

Islamic Banking



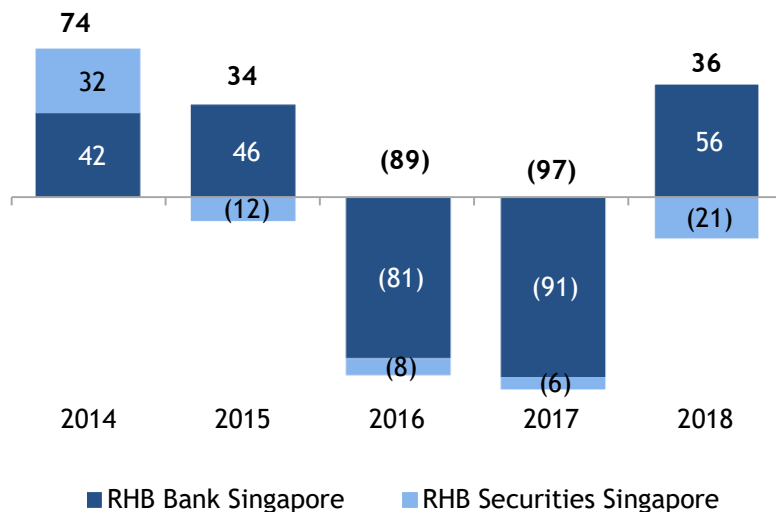
**Gross Financing/
Total Gross Financing (Domestic)**



RHB Singapore

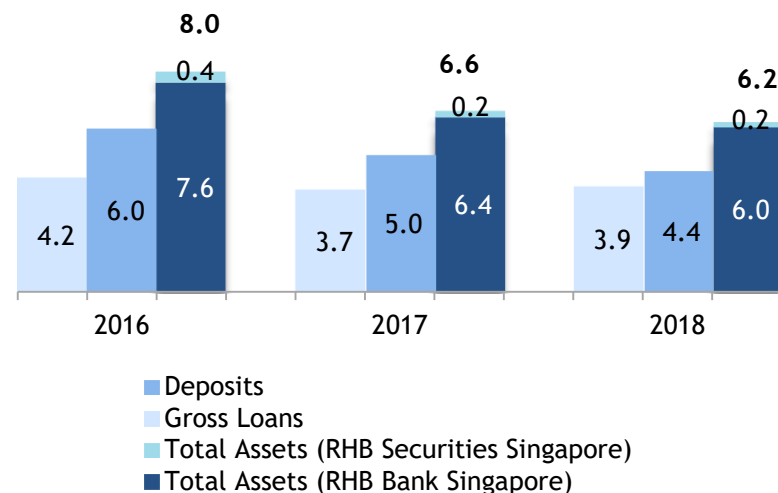
PBT

SGD'mil

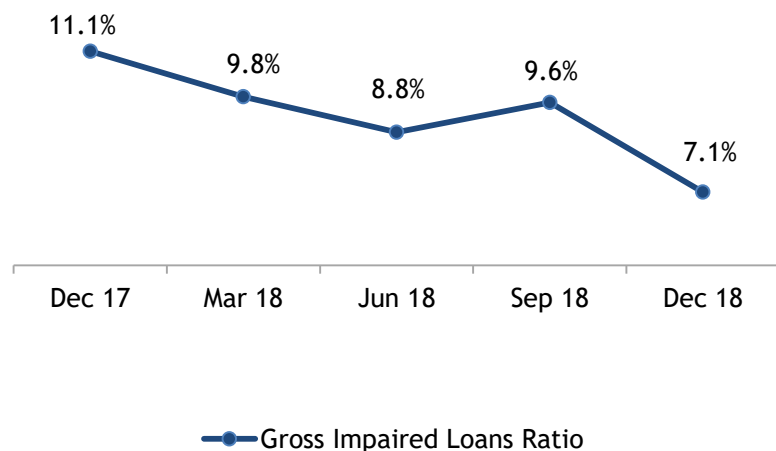


SGD'bil

Loans, Deposits & Total Assets



Gross Impaired Loans Ratio



Credit Charge Ratio

