

RHB BANK BERHAD

Analysts Presentation

1st Quarter 2019 Financial Results

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RHB Banking Group
27 May 2019



Agenda

1. Executive Summary
2. 1st Quarter 2019 Financial Results
3. Strategy Update
4. Summary and Outlook



Executive Summary

Highlights of Q1 2019 Performance (1/2)

Profitability

Year-on-year:

- **Net profit** rose 6.7% to RM630.2 million:
 - Net fund based income declined 2.2% to RM1,208.4 million mainly due to higher funding cost vs the positive impact of OPR hike seen in Q1 2018
 - Non-fund based income grew 0.3% to RM534.0 million contributed largely by higher capital market related fee income and insurance underwriting surplus
 - Operating expenses decreased 1.9% to RM846.3 million as a result of lower personnel costs and IT-related expenses. Cost-to-income ratio (CIR) improved to 48.6% from 48.8% last year
 - Allowances for ECL was 36.4% lower at RM72.9 million, primarily due to higher writeback in losses for financial investments and financial assets and lower allowances for loan impairment
- **ROE** at 10.7% compared with 10.4% for the same period last year

Assets and Liabilities

- **Gross loans and financing** grew 5.6% Y-o-Y and 0.7% year-to-date to RM170.1 billion driven mainly by mortgage and SME
 - Domestic loans grew 5.1% Y-o-Y, ahead of the industry which grew 4.9%
- **Total customer deposits** rose 9.5% Y-o-Y to RM186.9 billion and 4.5% for the quarter
 - Total CASA dropped 8.1% Y-o-Y and 1.5% from December 2018
 - CASA composition at 24.5% from 25.9% in December 2018
- **Gross impaired loans (GIL)** ratio stood at 2.12% from 2.29% a year ago and 2.06% in December 2018
- **LLC ratio** (including regulatory reserve) stood at 106.3% as at end-March 2019

Highlights of Q1 2019 Performance (2/2)

Business Performance

- **Group Wholesale Banking** recorded a pre-tax profit of RM483.6 million, down 8.9% Y-o-Y:
 - **Group Corporate & Investment Banking** pre-tax profit declined 9.7% to RM155.3 million on the back of lower net fund based income and non-fund based income
 - **Group Treasury and Global Markets** recorded a 8.6% decrease in pre-tax profit to RM328.3 million mainly due to lower foreign exchange gain and derivatives
- **Retail Banking** pre-tax profit grew 6.5% Y-o-Y to RM250.3 million mainly due to higher net fund based income and lower operating expenses
- **Business Banking** pre-tax profit grew 17.5% to RM100.5 million mainly due to lower allowances for ECL on loans and financing
- **Singapore** recorded a pre-tax profit of SGD8.6 million, up 6.2% Y-o-Y attributed to higher write back of impairment losses on loans
- **Islamic Banking:**
 - Pre-tax profit increased by 4.3% Y-o-Y to RM155.2 million
 - Islamic Financing of RM54.4 billion as at March 2019 represents 35.3% of the Group's total domestic gross loans and financing, up from 31.5% a year ago
 - No. 3 in industry by financing assets

Capital and Liquidity

- **Strong capital position:**
 - Group CET I ratio at 15.7%, Tier I ratio at 15.8% and total capital ratio at 19.0%
 - Bank entity CET I ratio at 13.6%, Tier I ratio at 13.8% and total capital ratio at 17.2%
 - Healthy liquidity coverage ratio (LCR) at 155.3%

| Top Level Indicators | Target 2019 | Actual Q1 2019 |
|----------------------------|-----------------|---------------------|
| ROE | 10.5% | 10.7% ^{N1} |
| Loans Growth | 5.0% | 5.6% ^{N2} |
| CASA Growth | 5.0% (Group) | -8.1% ^{N2} |
| Gross Impaired Loans Ratio | <2.0% | 2.12% |
| Cost to Income Ratio | 49.0% | 48.6% |

















N1 : Annualised

N2 : Year-on-year growth



1st Quarter 2019 Financial Results

Resilient Q1 2019 performance supported by sound cost management and lower allowances for ECL; CIR and credit charge ratio improved

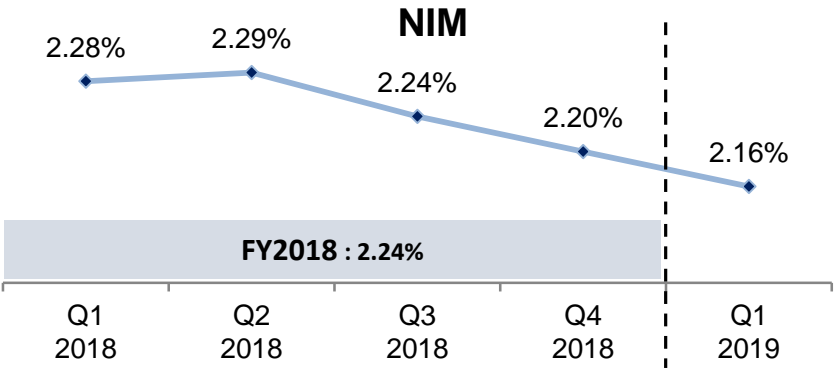
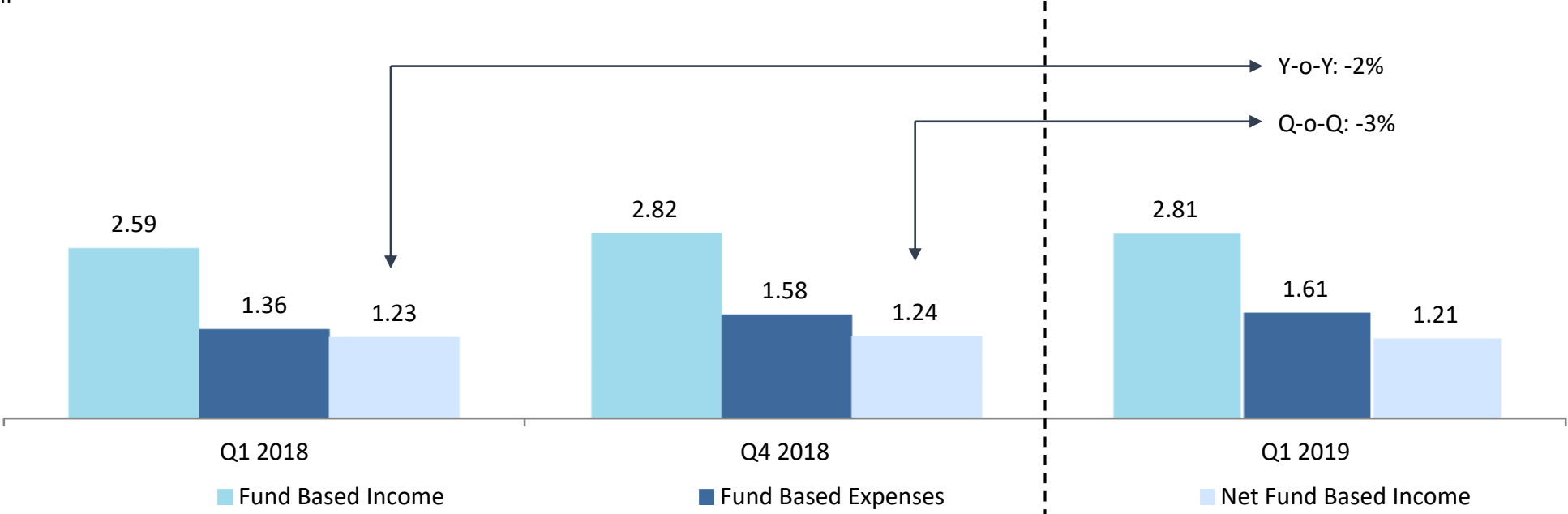
| Financial Position | | Financial Results | | Key Financial Ratios | |
|---|---|--|---|---|---|
| Total Assets +2.5%  Mar 2019: RM249.3 bil Dec 2018: RM243.2 bil | Gross Loans +0.7%  Mar 2019: RM170.1 bil Dec 2018: RM168.9 bil | Total Income -1.5%  Q1 2019: RM1.74 bil Q1 2018: RM1.77 bil | Operating Profit Before Allowances -1.1%  Q1 2019: RM896.1 mil Q1 2018: RM906.4 mil | ROE +0.3%  Q1 2019: 10.7% Q1 2018: 10.4% | Non-Fund Based/ Total Income +0.5%  Q1 2019: 30.6% Q1 2018: 30.1% |
| Customer Deposits +4.5%  Mar 2019: RM186.9 bil Dec 2018: RM178.9 bil | CASA -1.5%  Mar 2019: RM45.7 bil Dec 2018: RM46.4 bil | Profit Before Tax +3.9%  Q1 2019: RM823.2 mil Q1 2018: RM791.9 mil | Net Profit to Shareholders +6.7%  Q1 2019: RM630.2 mil Q1 2018: RM590.8 mil | Cost to Income Ratio -0.2%  Q1 2019: 48.6% Q1 2018: 48.8% | Gross Impaired Loans Ratio +0.06%  Mar 2019: 2.12% Dec 2018: 2.06% |
| Shareholders' Equity +4.4%  Mar 2019: RM24.4 bil Dec 2018: RM23.4 bil | Net Assets Per Share +4.4%  Mar 2019: RM6.08 Dec 2018: RM5.82 | <i>N1 Including Regulatory Reserve</i> | | Credit Charge Ratio -0.04%  Q1 2019: 0.22% Q1 2018: 0.26% | Loan Loss Coverage Ratio ^{N1} +3.3%  Mar 2019: 106.3% Dec 2018: 103.0% |

Higher profit Y-o-Y from lower operating expenses and ECL allowances, partly offset by lower net fund based income due to the positive impact of OPR hike in Q1 2018; Q-o-Q profit grew mainly from higher non-fund based income and lower operating expenses

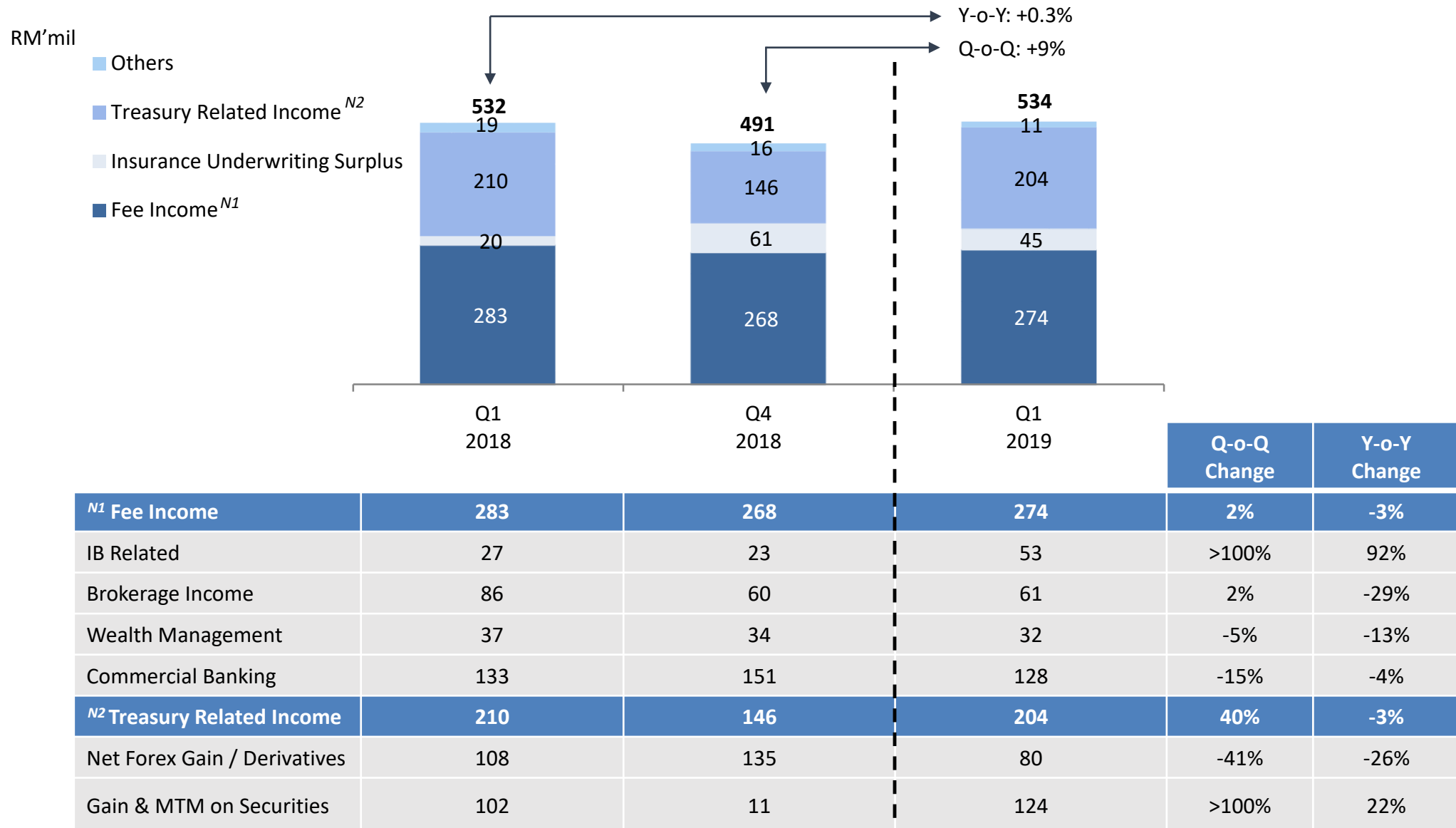
| RM' mil | Q1 2018 | Q4 2018 | Q1 2019 | Q-o-Q Change % | Y-o-Y Change % |
|--|------------|------------|--------------|----------------------|----------------------|
| Net Interest Income | 930 | 898 | 880 | -2 | -5 |
| Net Islamic Fund Based Income | 306 | 344 | 328 | -5 | 7 |
| Total Net Fund Based Income (A) | 1,236 | 1,242 | 1,208 | -3 | -2 |
| Total Non-Fund Based Income (B) | 533 | 491 | 534 | 9 | 0 |
| Total Income (A+B) | 1,769 | 1,733 | 1,742 | 1 | -1 |
| Operating Expenses | -862 | -870 | -846 | -3 | -2 |
| Operating Profit Before Allowances | 906 | 863 | 896 | 4 | -1 |
| Allowances for Loan Impairment | -104 | -77 | -92 | 20 | -11 |
| Impairment Losses (Made)/ Written Back on Other Financial Assets | -11 | 13 | 19 | 54 | >100 |
| Impairment Losses (Made)/ Written Back on Other Non-Financial Assets | 0 | -23 | 0 | -100 | - |
| Profit Before Taxation | 792 | 775 | 823 | 6 | 4 |
| Net Profit | 591 | 565 | 630 | 11 | 7 |

Net fund based income declined 2.2% Y-o-Y due to higher funding cost and normalisation of the OPR hike a year ago; NIM compression is in line with expectations

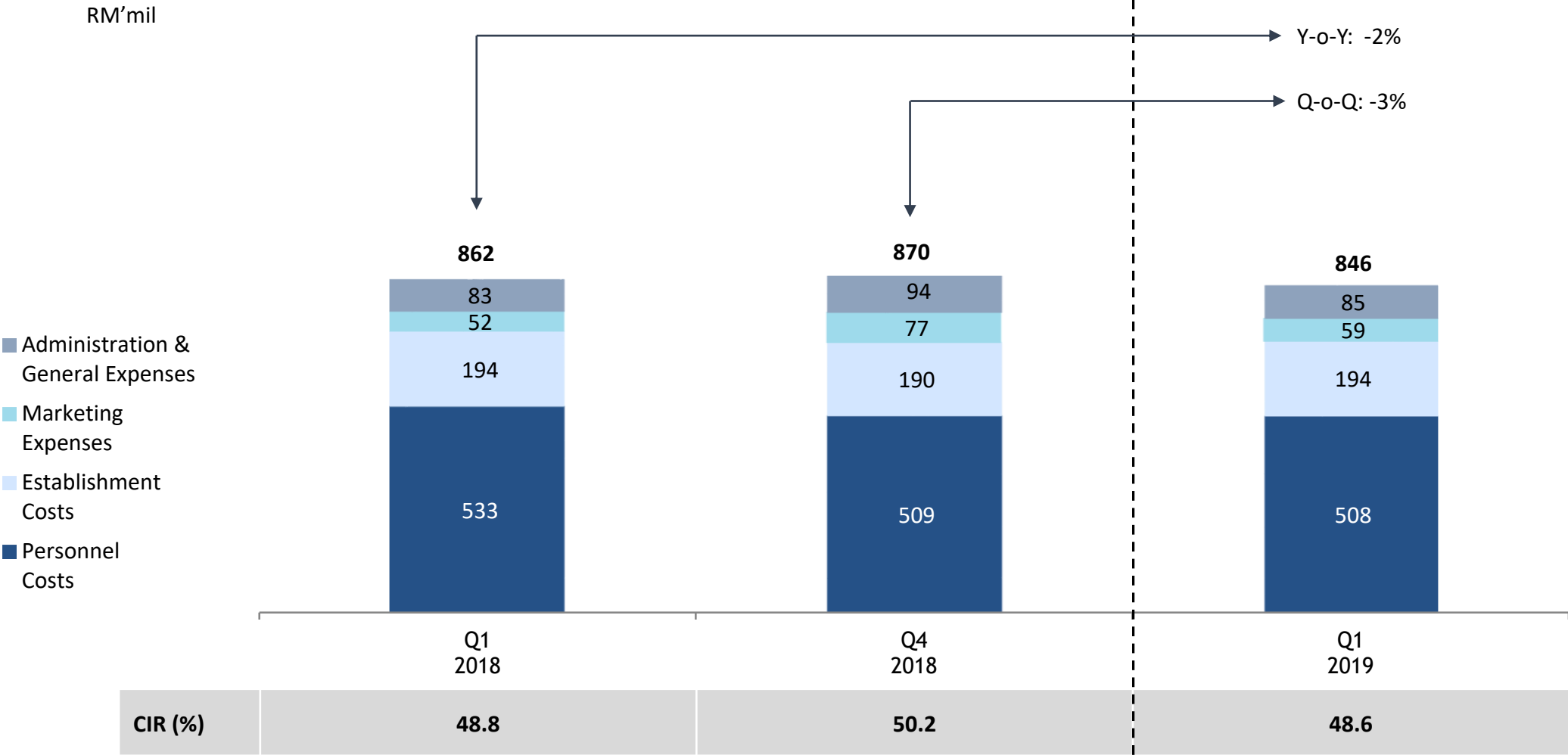
RM'bil



Non-fund based income remained stable Y-o-Y contributed mainly from growth in IB related fee income and insurance underwriting surplus; Better Q-o-Q mainly from higher IB related fee income and trading & investment income



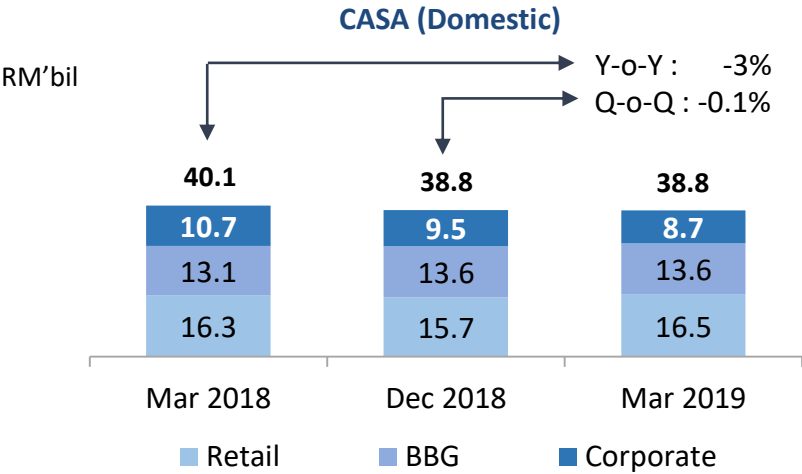
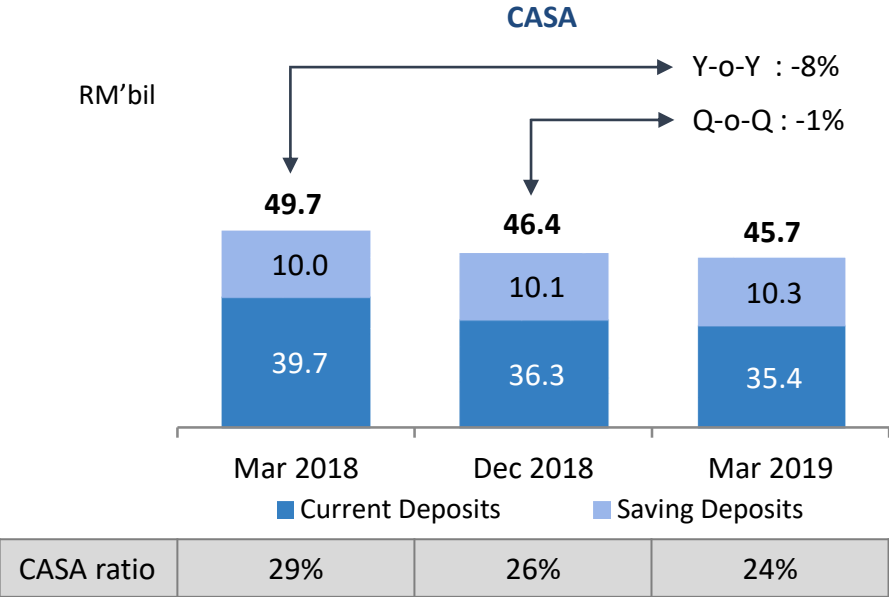
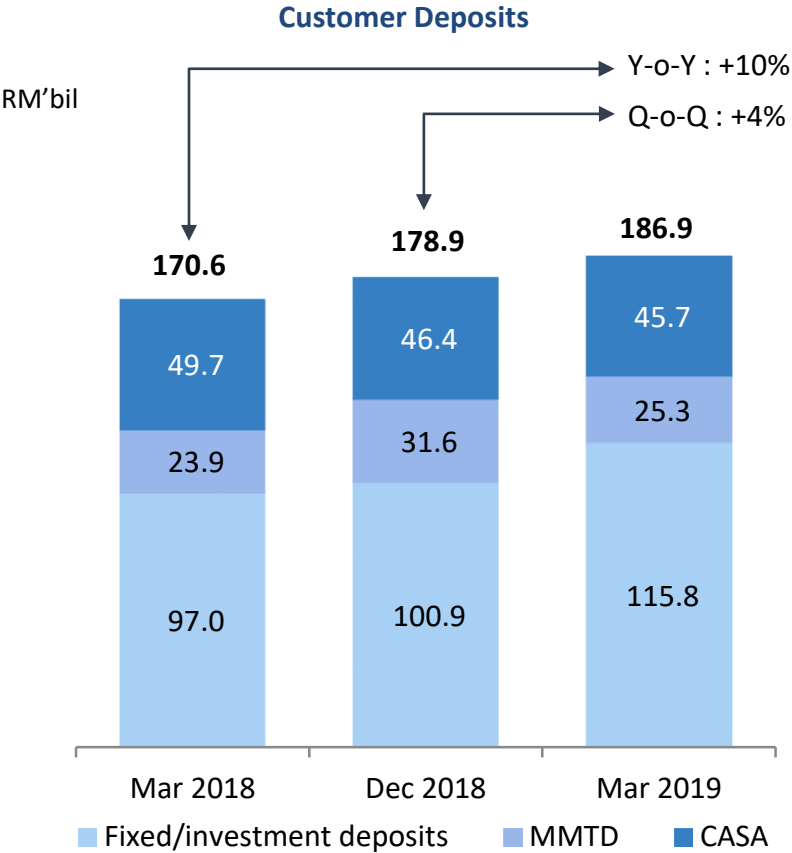
Operating expenses down 1.9% Y-o-Y mainly from lower personnel costs and IT-related expenses;
Positive JAW maintained with CIR improving to 48.6%



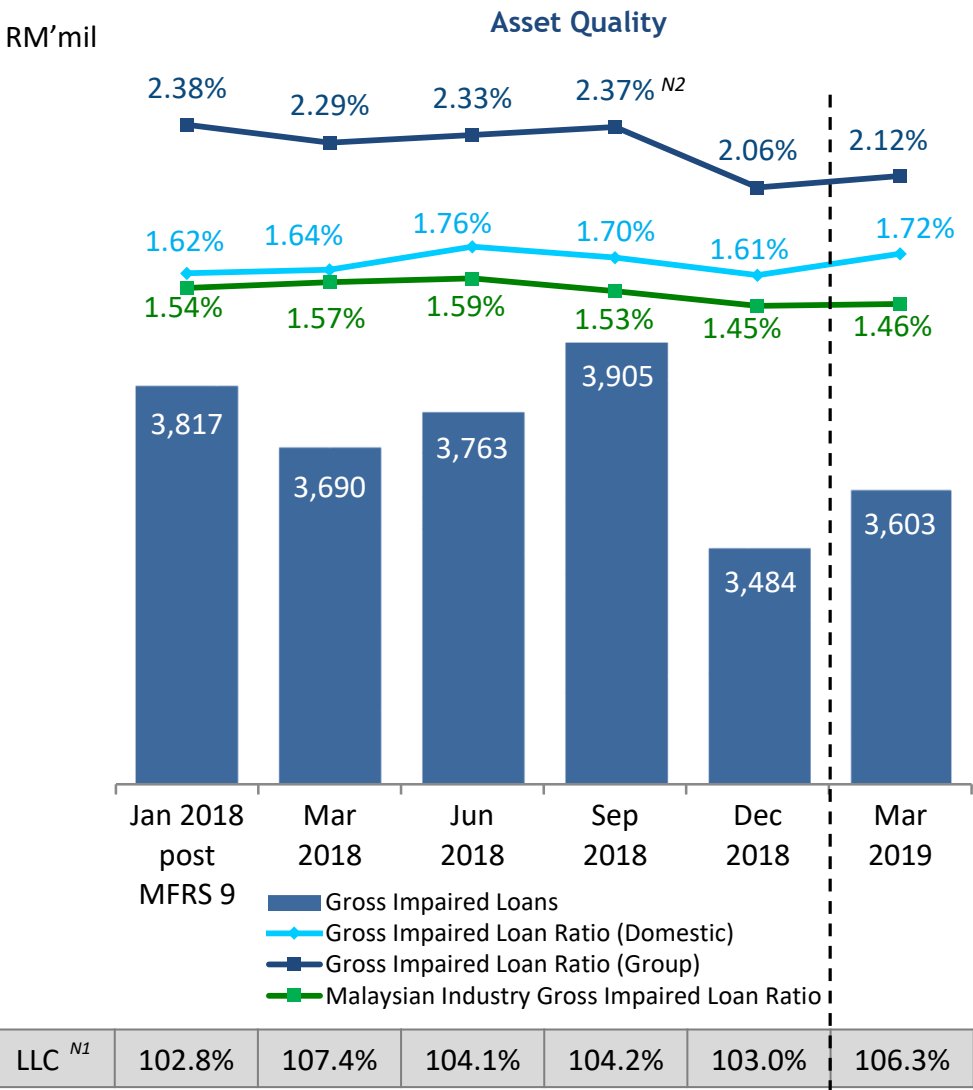
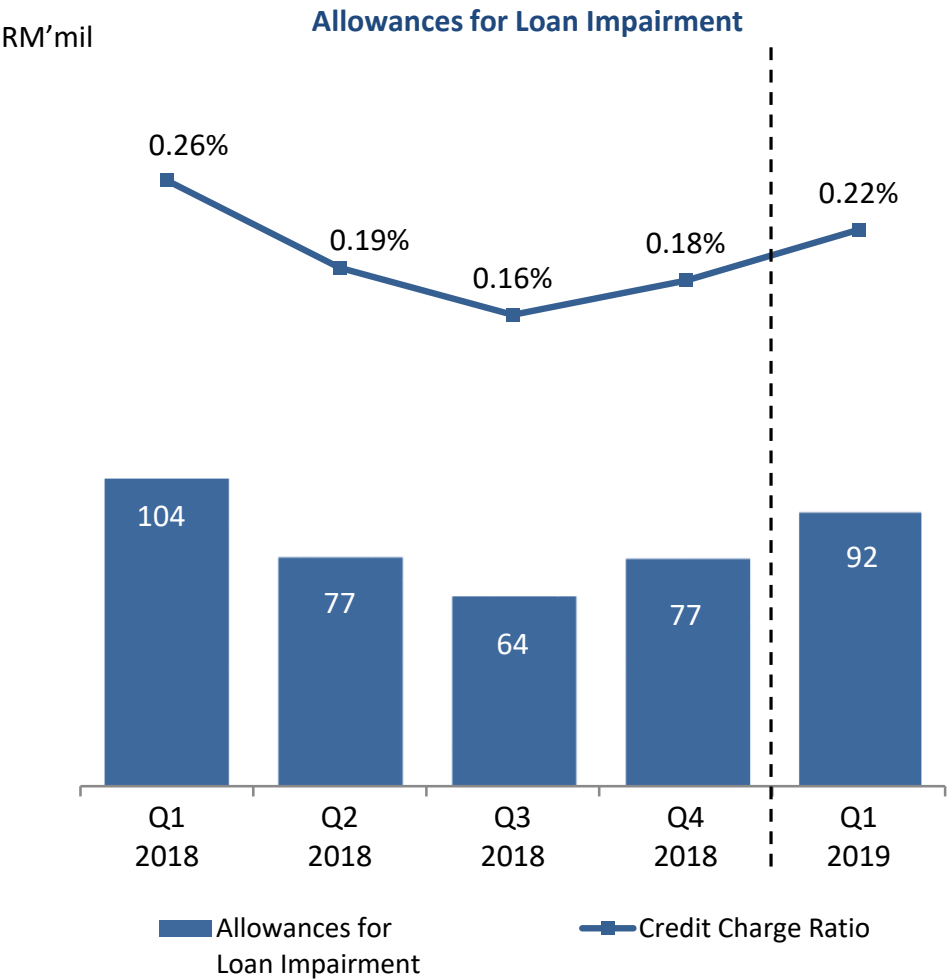
Loans grew 5.6% Y-o-Y mainly driven by mortgage and SME while Singapore saw strong growth

| RM'mil | Mar 2018 | Dec 2018 | Mar 2019 | Q-o-Q Growth % | Y-o-Y Growth % | Composition | |
|--------------------------------------|----------------|----------------|----------------|----------------------|----------------------|------------------|------------------|
| | | | | | | Dec 2018 % | Mar 2019 % |
| GROUP RETAIL | 78,388 | 84,643 | 86,211 | 1.9 | 10.0 | 50 | 51 |
| <i>Mortgage</i> | 48,891 | 53,467 | 54,957 | 2.8 | 12.4 | 32 | 32 |
| <i>Commercial Property Financing</i> | 4,764 | 4,827 | 4,853 | 0.5 | 1.9 | 3 | 3 |
| <i>Securities</i> | 7,442 | 7,870 | 7,931 | 0.8 | 6.6 | 5 | 5 |
| <i>Auto Finance</i> | 8,127 | 8,366 | 8,404 | 0.5 | 3.4 | 5 | 5 |
| <i>Unsecured Business</i> | 8,132 | 9,120 | 9,112 | -0.1 | 12.1 | 5 | 5 |
| <i>Others</i> | 1,032 | 993 | 954 | -3.9 | -7.6 | 0 | 1 |
| GROUP BUSINESS BANKING | 24,339 | 25,251 | 25,174 | -0.3 | 3.4 | 15 | 15 |
| <i>SME</i> | 22,388 | 23,020 | 22,905 | -0.5 | 2.4 | 14 | 14 |
| <i>Commercial</i> | 1,951 | 2,231 | 2,269 | 1.7 | 16.3 | 1 | 1 |
| GROUP WHOLESALE BANKING | 43,597 | 43,024 | 42,444 | -1.3 | -2.6 | 26 | 25 |
| TOTAL RHB DOMESTIC | 146,324 | 152,918 | 153,829 | 0.6 | 5.1 | 91 | 91 |
| OVERSEAS OPERATIONS | 14,784 | 15,961 | 16,227 | 1.7 | 9.8 | 9 | 9 |
| <i>Singapore</i> | 11,063 | 11,894 | 12,257 | 3.1 | 10.8 | 7 | 7 |
| <i>Others</i> | 3,721 | 4,067 | 3,970 | -2.4 | 6.7 | 2 | 2 |
| TOTAL RHB GROUP | 161,108 | 168,879 | 170,056 | 0.7 | 5.6 | 100 | 100 |

Total deposits grew 9.5% Y-o-Y led by higher fixed deposits; CASA competition remains intense with CASA ratio at 24.5%



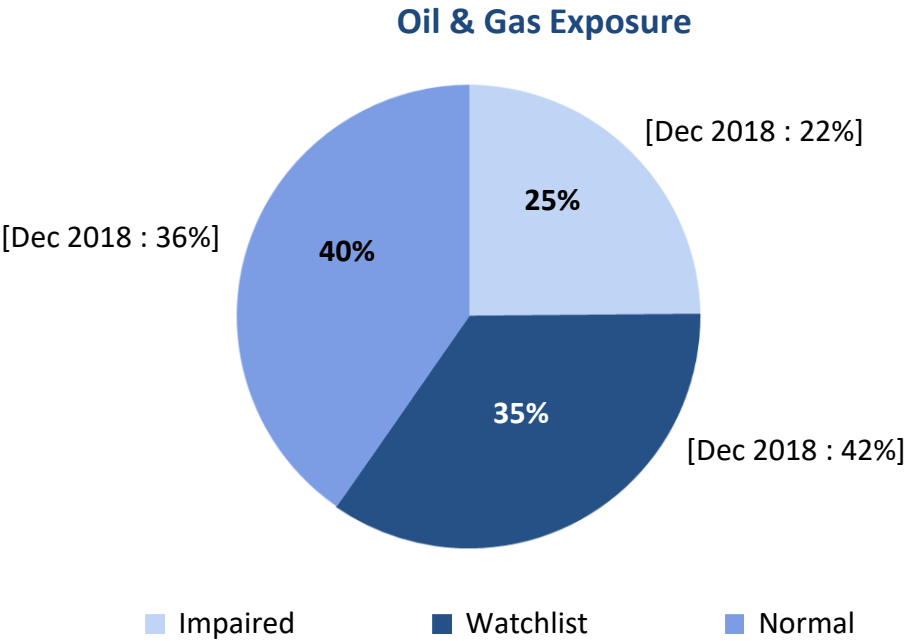
Credit charge and GIL ratios saw slight uptick in Q1 as we proactively manage some accounts into R&R



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%

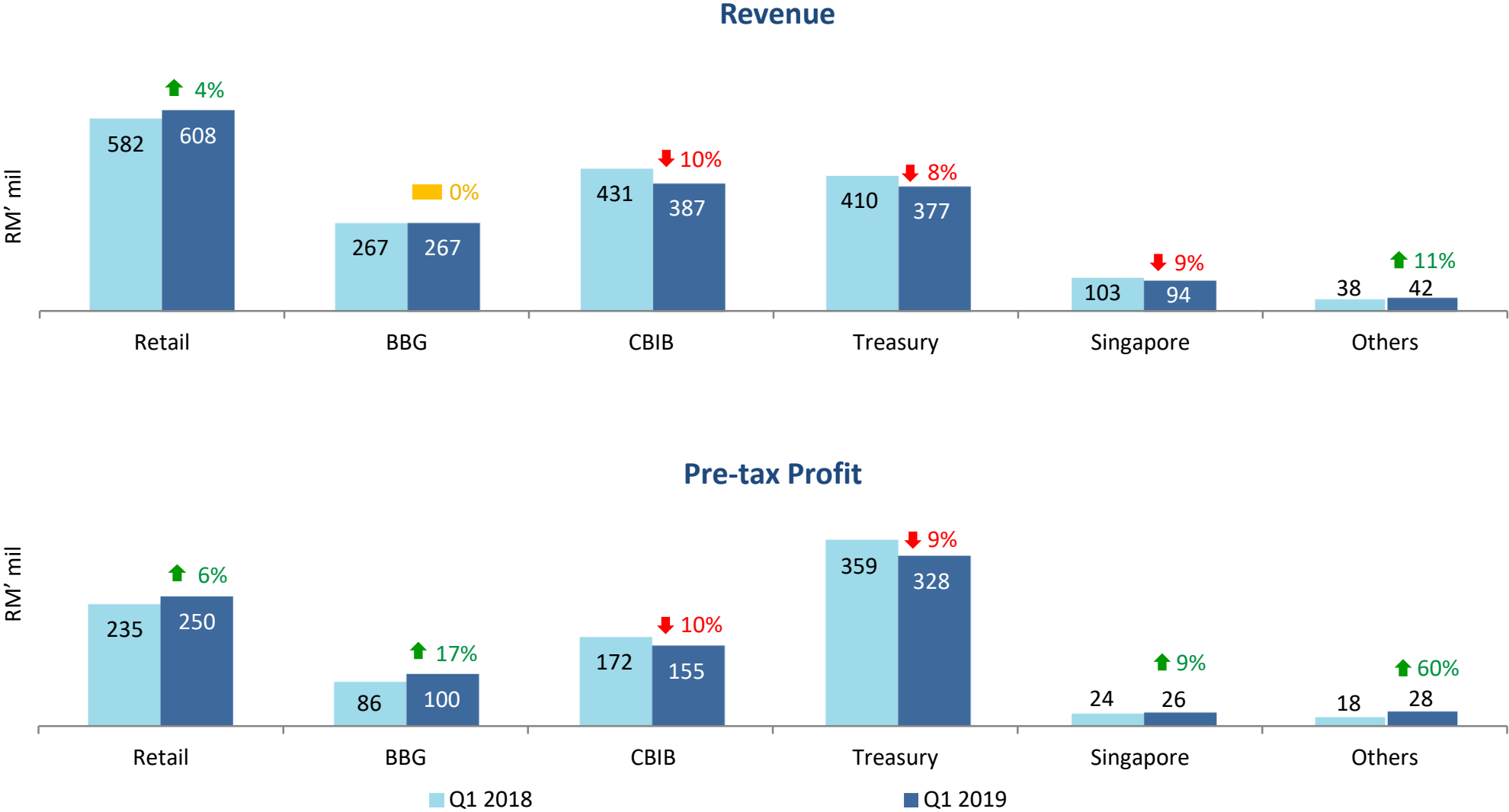
O&G Exposure (Loans + Bonds) declined further and continued to be closely monitored

| 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 2019 | 2.7 | 1.6% | 1.5 | 0.8% | 4.2 | 2.4% |
| Dec 2018 | 3.3 | 1.9% | 1.5 | 0.9% | 4.8 | 2.8% |



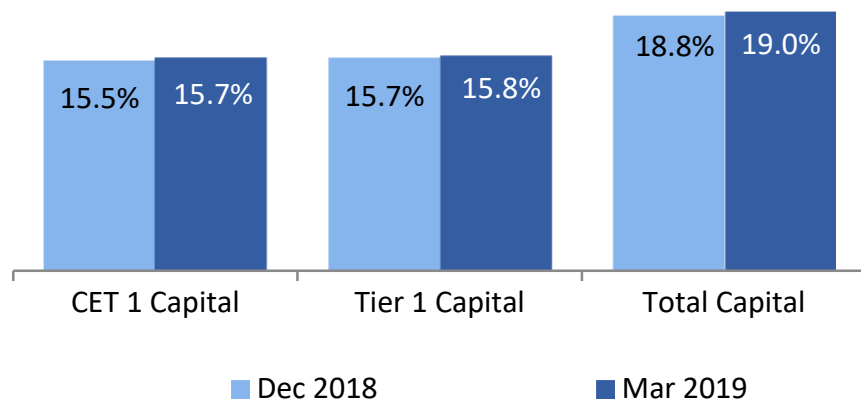
| Country | % of Loans Outstanding |
|-----------|------------------------|
| Malaysia | 76% |
| Singapore | 23% |
| Thailand | 1% |

Growth momentum continued for Retail and BBG profits; Treasury profit declined on lower forex gain while CBIB contribution affected by lower net fund based and non-fund based income



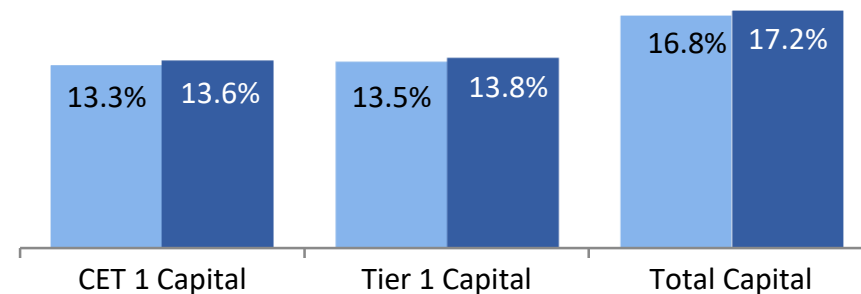
Capital position remained robust for the Group and key banking subsidiaries

RHB Bank Group

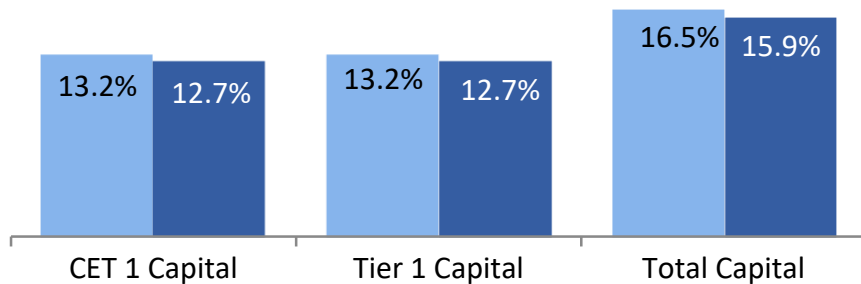


Ratios are after FY2018 proposed final dividend

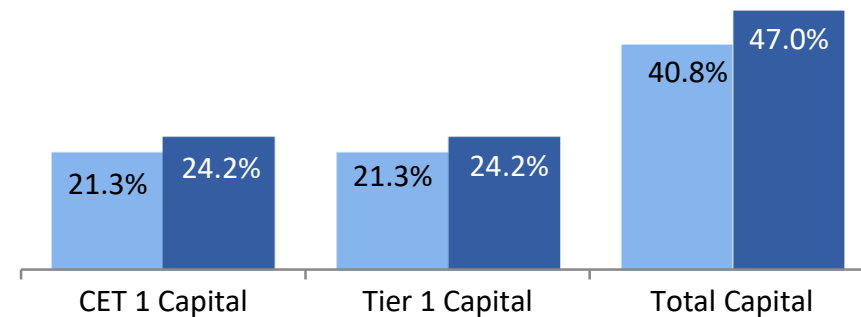
RHB Bank



RHB Islamic Bank



RHB Investment Bank



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Strategy Update

FIT22 Key Highlights

Fund our Journey



- **Affluent** : Increased Premier base by 4.0% YTD Mar 2019 to 63.0k customers from Dec 2018, of which 34.9% are SME owners. Total AUM of Premier customers grew by 8.2% to RM31.7 bil in the same period
- **SME** : Business Banking loans remained flat from Dec 2018 at RM25.2 bil, with a 1.8% growth in Retail SME loans. Business Banking deposits grew by 7.2% to RM27.1 bil
- **Large Cap** : Achieved 19.4% share of wallet in fee income and 6.1% in interest income of large cap companies. Penetrated 82.6% of large cap companies as at Mar 2019 vs 82.5% in Dec 2018 with average product holding ratio increasing from 6.2 in 2018 to 6.9 in the same period
- **Mid Cap** : Achieved 20.0% share of wallet in fee income and 12.3% in interest income of mid cap companies. Penetrated 59.5% mid cap companies as at Mar 2019 vs 58.6% in Dec 2018
- **Retail deposits** : Grew retail deposits by 8.0% YTD Mar 2019 to RM56.7 bil from Dec 2018, outpacing industry at 2.1%. Retail LDR reduced to 152.0% in Mar 2019 from 161.2% in Dec 2018
- **Rebalance financing portfolio** : Retail and SME make up 72.4% of total domestic financing portfolio as at Mar 2019 from 71.8% in 2018, in line with the strategy to have greater proportion of Retail and SME loans (2022 target of 75%)

Invest to Win



- **Robotics Process Automation** : Continued roll out of RPA Phase 1 for Group Operations with total of 7 processes and 5 bots implemented in Q1 2019
- **Analytics and big data** : Institutionalised 14 new analytics use cases in Q1 2019, delivering incremental revenue of RM10.3 mil as at Mar 2019
- **Digital Channel Platform** : Launched RHB Mobile Banking App to the public in April 2019 with 32,691 customers on-boarded as at 30 Apr 2019

Transform the Organisation



- **AGILE** : Scaled up rollout of Wave 1 AGILE to other business and functional units within Retail Banking, Business and Transaction Banking as well as Group Technology Services. 155 Full Time Equivalents (FTE) enhancements from Wave 1 rollout, which is 17.5% of population involved (888).
- **Community banking** : Completed pilot implementation of community banking approach at 16 branches in Klang Valley in Mar 2019, subsequently rolled out approach nationwide in Apr 2019
- **Ecosystems** : Increased SME E-solutions customers by 14.6% to 3.6k customers as at Mar 2019, with 39.6% increase in CASA to RM585 mil. RHB Direct, an enhanced SME E-solution was launched on 23 Apr 2019 to provide SMEs a combined payment & invoice management solution in a single platform via partnership with Financio, a cloud-based Financial Accounting System service provider
- **RHB Way** : As at Mar 2019, abandoned call rate was at 2.9% with 80% of calls responded within SLA of 20 seconds

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Summary and Outlook

- Malaysia's GDP is expected to moderate to 4.6% in 2019 (2018: 4.7%)
- Downside risks still emanate from slowing global growth and continued uncertainty over the US-China trade tensions
- Post-OPR rate cut in early May, BNM is expected to keep the rate unchanged at 3.00% 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

Concluding Remarks

- The Group exhibited resilience in its Q1 2019 performance
- Loans and financing continued to be driven by strong growth in mortgages and SME; Singapore loans growth picked up
- NIM moderated on funding cost pressure; recent OPR cut is expected to further compress NIM by approximately 5 bps this year
- Given the challenging environment, we remain cautious in our business approach while we continue to pursue opportunities for long term growth and improve efficiency across the Group
- FIT22 is making good progress as we continue to build strong foundation and deliver strategic priorities with a focus to serve our customers better. We will also continue to invest in our workforce, technology infrastructure and digital capabilities and promote the AGILE way of working to enhance our competitive edge

THANK YOU

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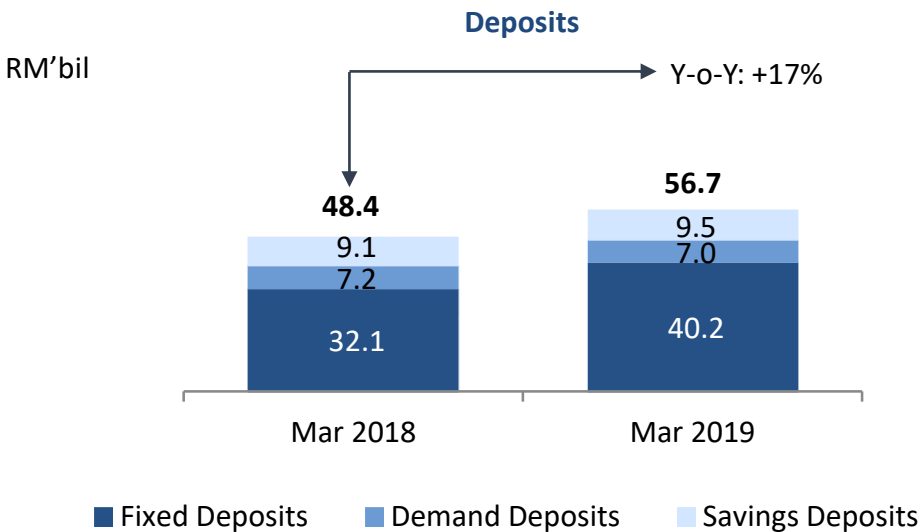
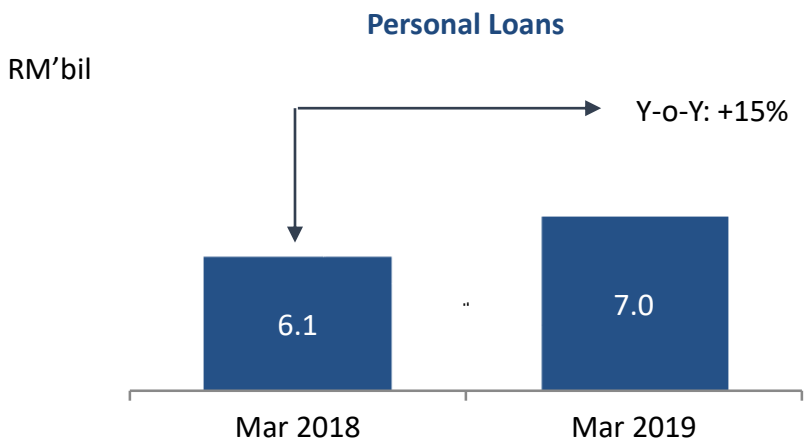
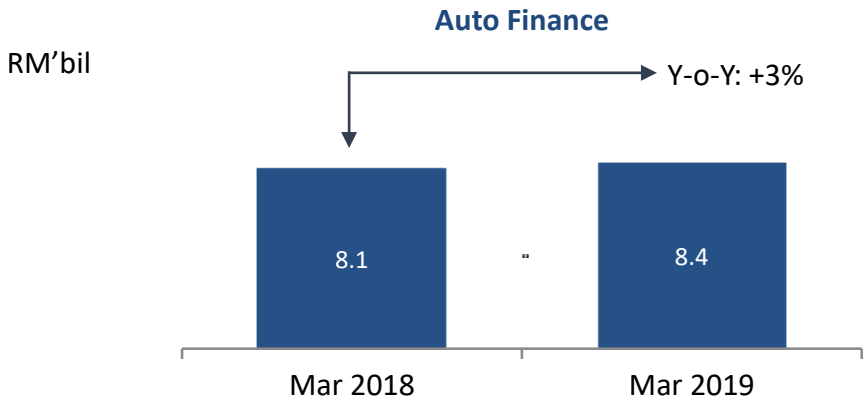
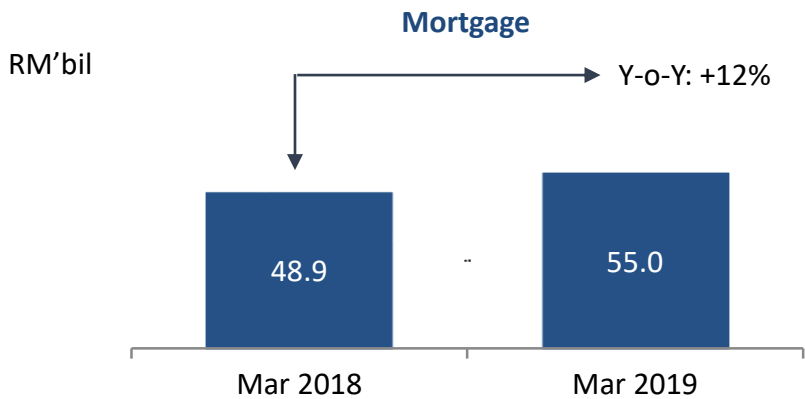


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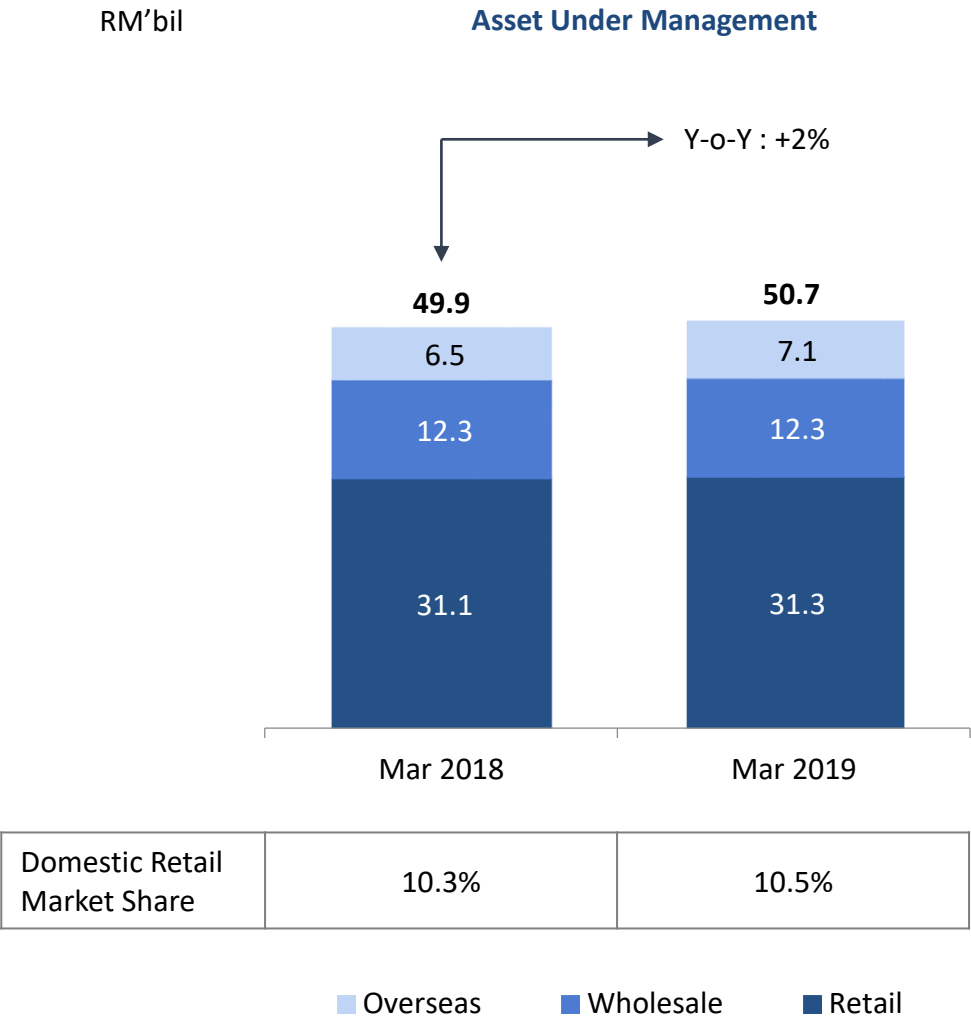




Appendix



| YTD Mar 2019 | Market Share | Ranking |
|--|------------------|------------------------------------|
| Equity: - By value - By volume | 8.3% 13.2% | 4 th 3 rd |
| Debt Capital Markets: - MYR sukuk - Total MYR bonds (Conventional & Islamic bonds) | 6.9% 7.5% | 5 th 4 th |
| Mergers & Acquisitions: - by value - by deal count | 59.0% 2 deals | 1 st 1 st |
| Equity Capital Markets | 10.6% | 3 rd |



Investment Banking – Notable Deals (2/2)

M&A



Sapura Energy Berhad

Up to USD975 mil

Strategic Partnership with OMV Aktiengesellschaft

Joint Principal Adviser



Daiman Development Berhad

RM295.0 mil

Selective Capital Reduction and Repayment exercise

Principal Adviser and Financial Adviser



Weida (M) Bhd

RM203.2 mil

Selective Capital Reduction and Repayment exercise of Weida (M) Bhd pursuant to Section 116 of the Companies Act 2016

Principal Adviser

DCM



Danum Capital Berhad

RM10.0 bil IMTN Programme

Issuance of RM1.5 bil

Joint Lead Manager & Joint Bookrunner



DanaInfra Nasional Berhad

RM13.0 bil ICP/IMTN Programme

Issuance of RM3.0 bil

Joint Lead Manager & Joint Bookrunner



Jelas Puri Sdn Bhd

RM372.3 mil issuance out of RM500.0 mil

MTN Programme

*Sole Principal Adviser, Sole Lead Arranger,
Sole Lead Manager & Facility Agent*

ECM



Sapura Energy Berhad

RM3.979 bil

Rights Issue

Joint Global Coordinator & Joint Underwriter



Next Green Global Berhad

RM9.6 mil

Primary Placement

Sole Principal Adviser & Sole Placement Agent

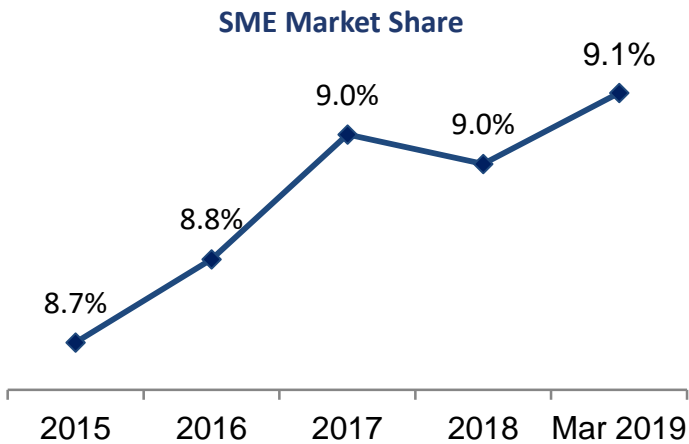
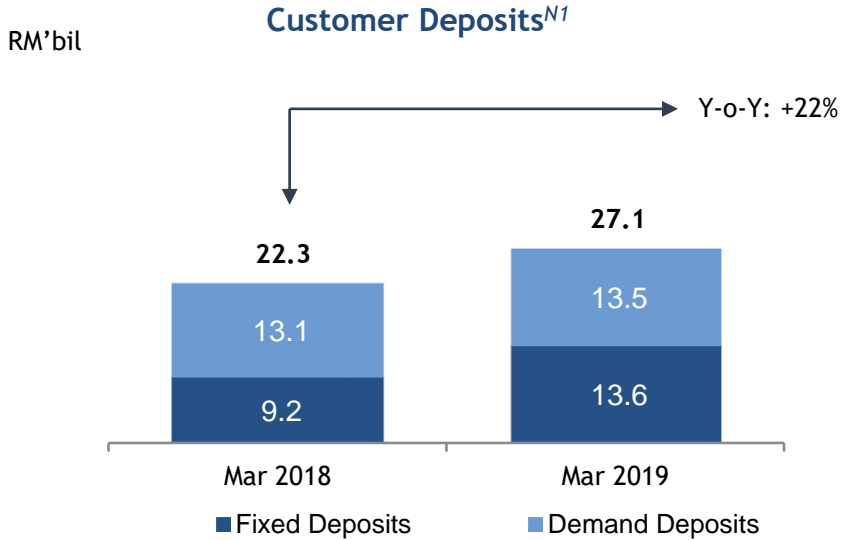
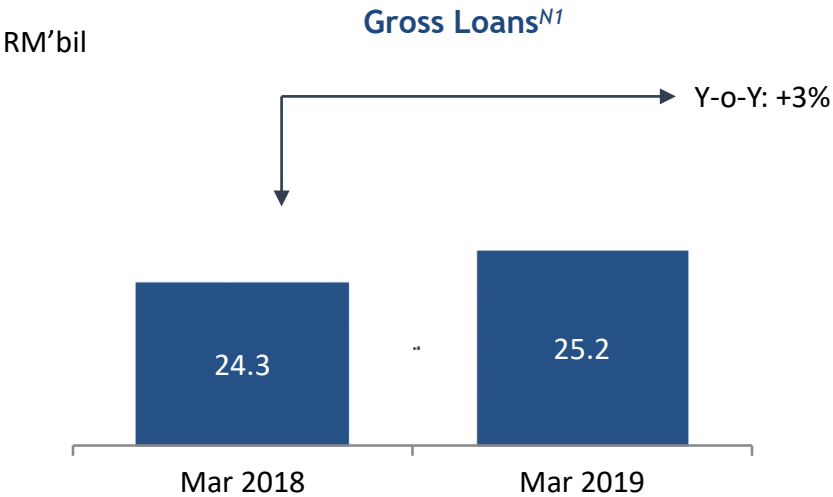


Sanbumi Holdings Berhad

RM3.9 mil

Primary Placement

Sole Principal Adviser & Sole Placement Agent



N1: Domestic only

