

RHB BANK BERHAD

Analysts Presentation

1st Half 2019 Financial Results

Dato' Khairussaleh Ramli
Group Managing Director
RHB Banking Group
26 August 2019



Agenda

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



Executive Summary

Highlights of H1 2019 Performance (1/2)

Profitability

Year-on-year:

- **Net profit** rose 7.3% to RM1,245.6 million:
 - **Total income** grew 3.9% to RM3,519.0 million
 - **Net fund based income** declined by 2.6% to RM2,415.5 million mainly attributed to higher funding cost from impact of OPR hike in January 2018 and partly due to lower income from OPR cut in May 2019
 - **Non-fund based income** improved by 21.8% to RM1,103.5 million contributed largely by higher IB related fees, net trading and investment income and insurance underwriting surplus
 - **Operating expenses** increased 2.7% to RM1,707.6 million as a result of higher personnel costs, IT-related expenses and marketing costs. Due to positive JAWS, cost-to-income ratio (CIR) improved to 48.5% from 49.1% in H1 2018
 - **Allowances for ECL** was 8.1% lower at RM146.8 million, with the reduction coming from ECL on loans and financing
- **ROE** at 10.4% compared with 10.2% for the same period last year

Quarter year-on-year:

- **Net profit** grew 7.9% to RM615.4 million from the corresponding quarter last year primarily due to higher non-fund based income by 52.6%, partially offset by higher operating expenses by 7.7%

Assets and Liabilities

- **Gross loans and financing** grew 6.9% Y-o-Y and 2.1% YTD to RM172.3 billion driven mainly by mortgage, SME and Singapore
 - Domestic loans grew 6.6% Y-o-Y, ahead of the industry growth of 4.2%
- **Total customer deposits** rose 10.9% Y-o-Y and 3.5% YTD to RM185.0 billion
 - Total CASA grew 2.2% Y-o-Y and 6.0% from December 2018
 - CASA composition at 26.6% (25.9% in December 2018; 24.5% in March 2019)
- **Gross impaired loans (GIL)** ratio stood at 2.15% from 2.33% a year ago and 2.06% in December 2018
- **LLC ratio** (including regulatory reserve) stood at 106.1% as at end-June 2019

Highlights of H1 2019 Performance (2/2)

Business Performance

- **Group Wholesale Banking** recorded a pre-tax profit of RM972.8 million, down 0.8% Y-o-Y:
 - **Group Corporate & Investment Banking** pre-tax profit declined 9.5% to RM315.7 million on the back of lower net fund based income and non-fund based income as well as higher allowances for ECL on loans and financing
 - **Group Treasury & Global Markets** recorded a 4.1% increase in pre-tax profit to RM657.1 million mainly due to higher net trading and investment income and higher ECL write back on financial assets
- **Retail Banking** pre-tax profit grew 0.9% Y-o-Y to RM501.4 million mainly due to higher net fund based income
- **Business Banking** pre-tax profit grew 64.7% to RM257.0 million mainly due to higher net fund based income and higher allowances for ECL write back on loans
- **Singapore** recorded a pre-tax profit of SGD6.3 million, a decline of 71.8% Y-o-Y attributed to higher allowances for ECL on loans for a certain corporate account and higher operating expenses
- **Islamic Banking:**
 - Pre-tax profit increased by 30.7% Y-o-Y to RM359.2 million
 - Islamic Financing of RM56.1 billion as at June 2019 represents 36.0% of the Group's total domestic gross loans and financing, up from 31.4% a year ago
 - Maintained #3 position in industry by financing assets

Dividend

- Interim dividend of 12.5 sen per share for FY2019, representing a 40.2% payout based on H1 2019 results and our highest ever dividend payout

Capital and Liquidity

- **Strong capital position:**
 - Group CET I ratio at 16.3%, Tier I ratio at 16.5% and total capital ratio at 19.4%
 - Bank entity CET I ratio at 14.1%, Tier I ratio at 14.4% and total capital ratio at 17.2%
 - Healthy liquidity coverage ratio (LCR) at 149.2%

Top Level Indicators	Target 2019	Actual H1 2019
ROE	10.5%	10.4% ^{N1}
Loans Growth	5.0%	6.9% ^{N2}
CASA Growth	5.0% (Group)	2.2% ^{N2}
Gross Impaired Loans Ratio	<2.0%	2.15%
Cost-to-Income Ratio	49.0%	48.5%

















N1 : Annualised

N2 : Year-on-year growth



1st Half 2019 Financial Results

H1 2019 profits up Y-o-Y driven by resilient income growth, positive JAWS and lower allowances for ECL; CIR and credit charge ratio improved

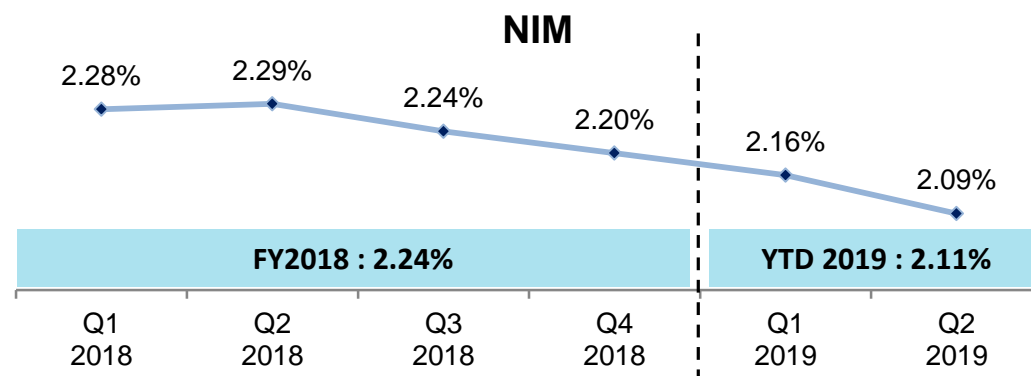
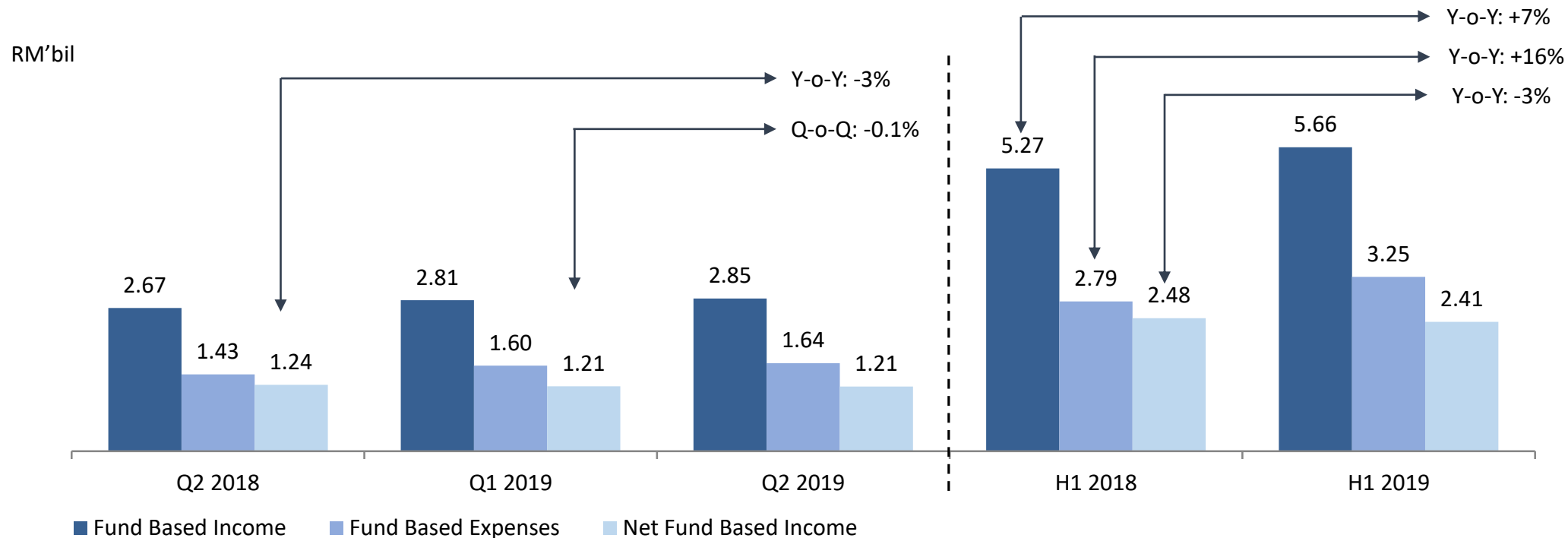
Financial Position		Financial Results		Key Financial Ratios	
Total Assets +4.3%  Jun 2019 : RM253.5 bil Dec 2018 : RM243.2 bil	Gross Loans +2.1%  Jun 2019 : RM172.3 bil Dec 2018 : RM168.9 bil	Total Income +3.9%  H1 2019 : RM3.52 bil H1 2018 : RM3.39 bil	Operating Profit Before Allowance +5.0%  H1 2019 : RM1.81 bil H1 2018 : RM1.72 bil	ROE +0.2%  H1 2019 : 10.4% H1 2018 : 10.2%	Non-fund Based/ Total Income +4.7%  H1 2019 : 31.4% H1 2018 : 26.7%
Customer Deposits +3.5%  Jun 2019 : RM185.0 bil Dec 2018 : RM178.9 bil	CASA +6.0%  Jun 2019 : RM49.2 bil Dec 2018 : RM46.4 bil	Profit Before Tax +6.4%  H1 2019 : RM1.66 bil H1 2018 : RM1.56 bil	Net Profit to Shareholders +7.3%  H1 2019 : RM1.25 bil H1 2018 : RM1.16 bil	Cost-to-Income Ratio -0.6%  H1 2019 : 48.5% H1 2018 : 49.1%	Gross Impaired Loans Ratio +0.09%  Jun 2019 : 2.15% Dec 2018 : 2.06%
Shareholders' Equity +6.4%  Jun 2019 : RM24.9 bil Dec 2018 : RM23.4 bil	Net Assets Per Share +6.4%  Jun 2019 : RM6.20 Dec 2018 : RM5.82			Credit Charge Ratio -0.02%  H1 2019 : 0.20% H1 2018 : 0.22%	Loan Loss Coverage Ratio^{N1} +3.1%  Jun 2019 : 106.1% Dec 2018 : 103.0%

N1 Including Regulatory Reserve

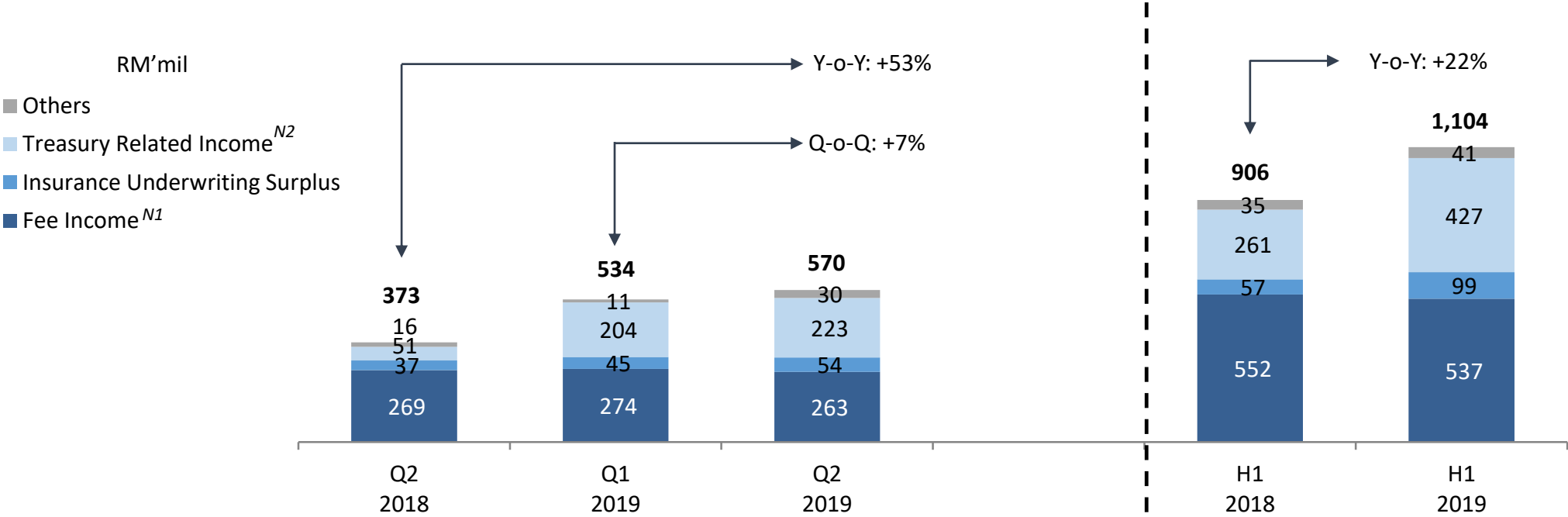
Q2 pre-tax profits up Y-o-Y and Q-o-Q from higher non-fund based income and lower allowances for ECL on loans

RM' mil	Q2 2018	Q1 2019	Q2 2019	Q-o-Q %	Y-o-Y %	H1 2018	H1 2019	Y-o-Y %
Net Interest Income	937	880	881	0	-6	1,867	1,761	-6
Net Islamic Fund Base Income	308	328	326	-1	6	614	654	7
Total Net Fund Based Income (A)	1,245	1,208	1,207	0	-3	2,481	2,415	-3
Total Non-Fund Based Income (B)	373	534	569	7	53	906	1,104	22
Total Income (A+B)	1,618	1,742	1,776	2	10	3,387	3,519	4
Operating Expenses	-800	-847	-861	2	8	-1,662	-1,708	3
Operating Profit Before Allowances	818	896	915	2	12	1,725	1,811	5
Allowances for Loan Impairment	-77	-92	-76	-17	-1	-181	-168	-7
Impairment Losses Written Back on Others Financial Assets	32	19	2	-89	-93	21	21	1
Profit Before Taxation	773	823	841	2	9	1,565	1,664	6
Net Profit	570	630	615	-2	8	1,161	1,246	7

H1 2019 net fund based income declined 2.6% Y-o-Y due to higher funding cost and impact from OPR cut in May 2019; NIM compression continued in line with expectations

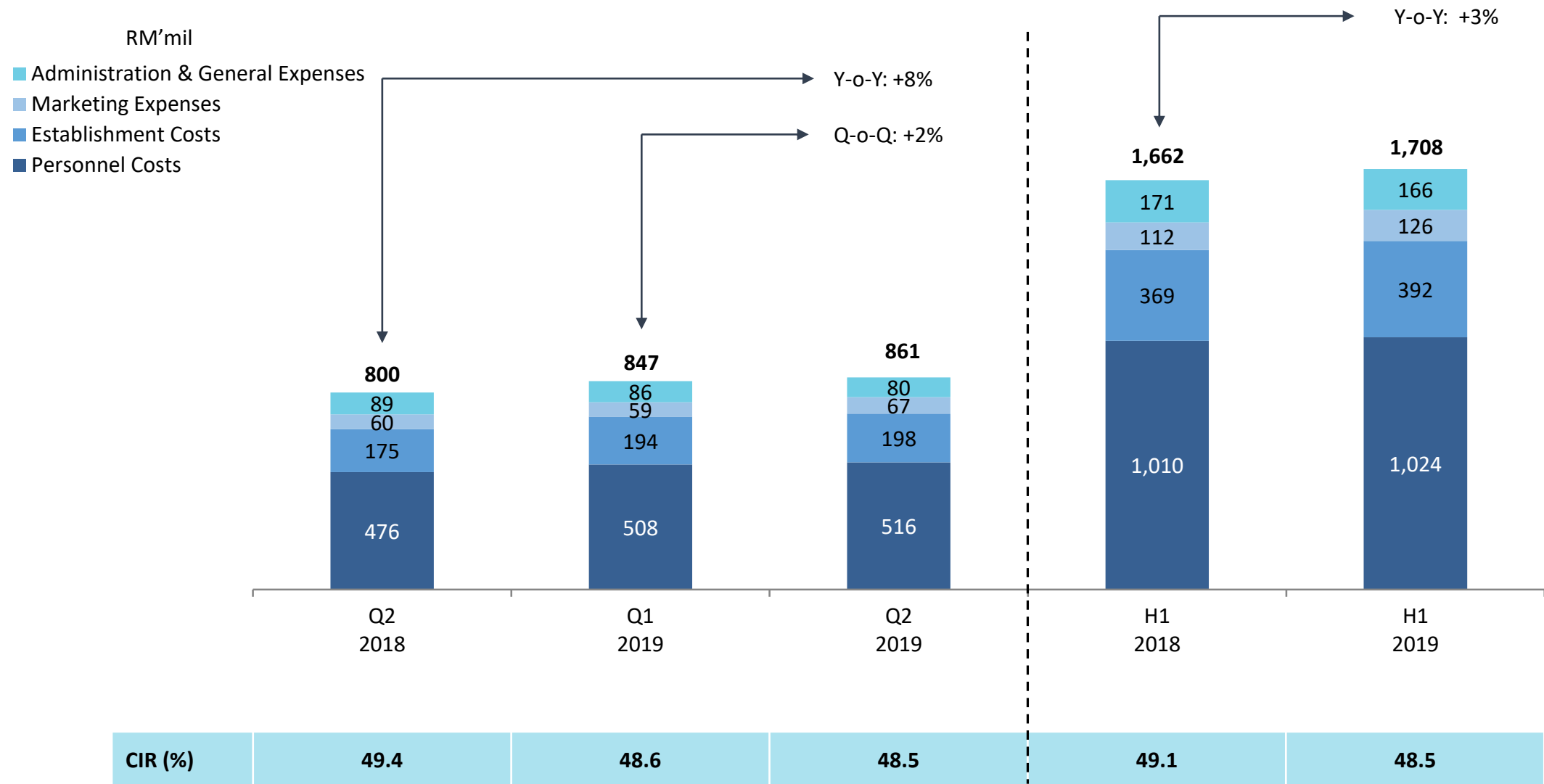


H1 2019 non-fund based income grew 21.8% Y-o-Y driven by higher IB fees, investment and trading income and insurance underwriting surplus



	QoQ Change				YoY Change		
^{N1} Fee Income	269	274	263	-4%	552	537	-3%
IB Related	32	53	22	-57%	59	75	28%
Brokerage Income	65	61	60	-3%	151	121	-20%
Wealth Management	33	32	33	3%	70	65	-7%
Commercial Banking	139	128	148	16%	272	276	1%
^{N2} Treasury Related Income	51	204	223	9%	261	427	64%
Net Forex Gain / Derivatives	57	80	74	-7%	164	154	-6%
Gain & MTM on Securities	-6	124	149	19%	97	273	183%

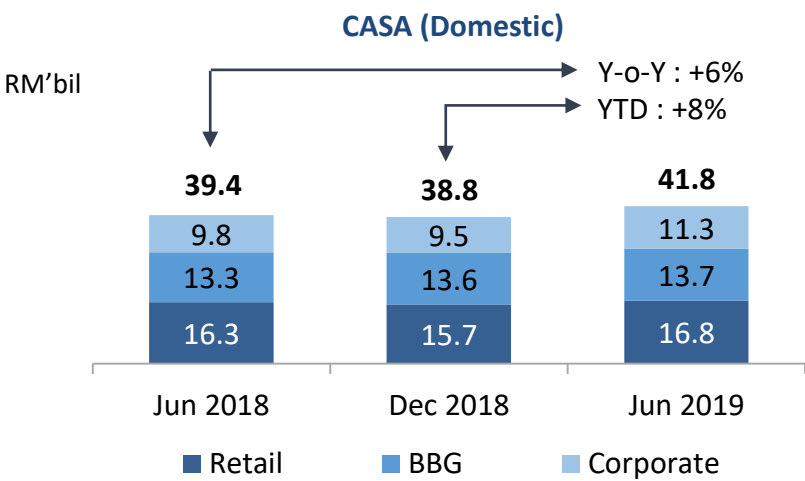
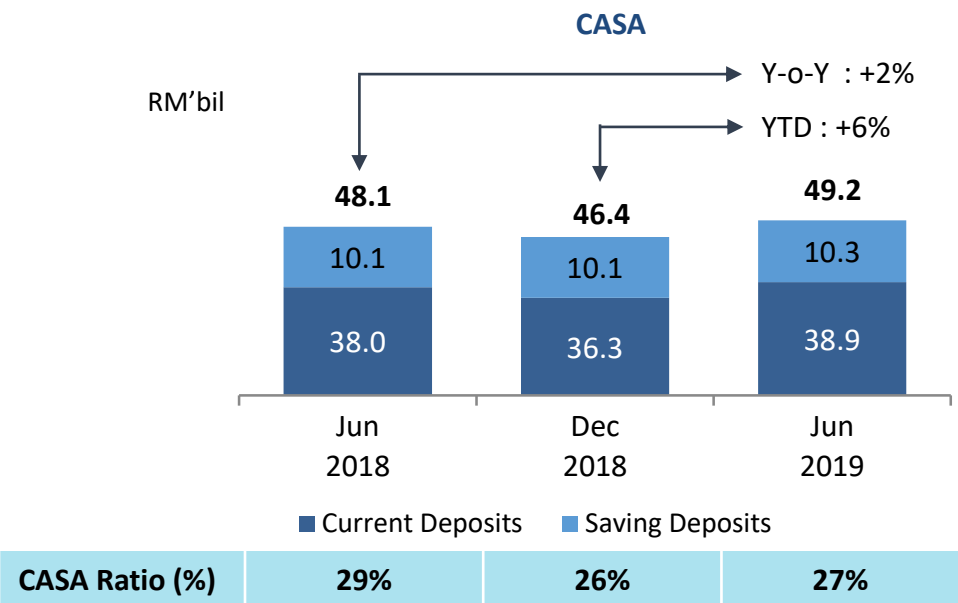
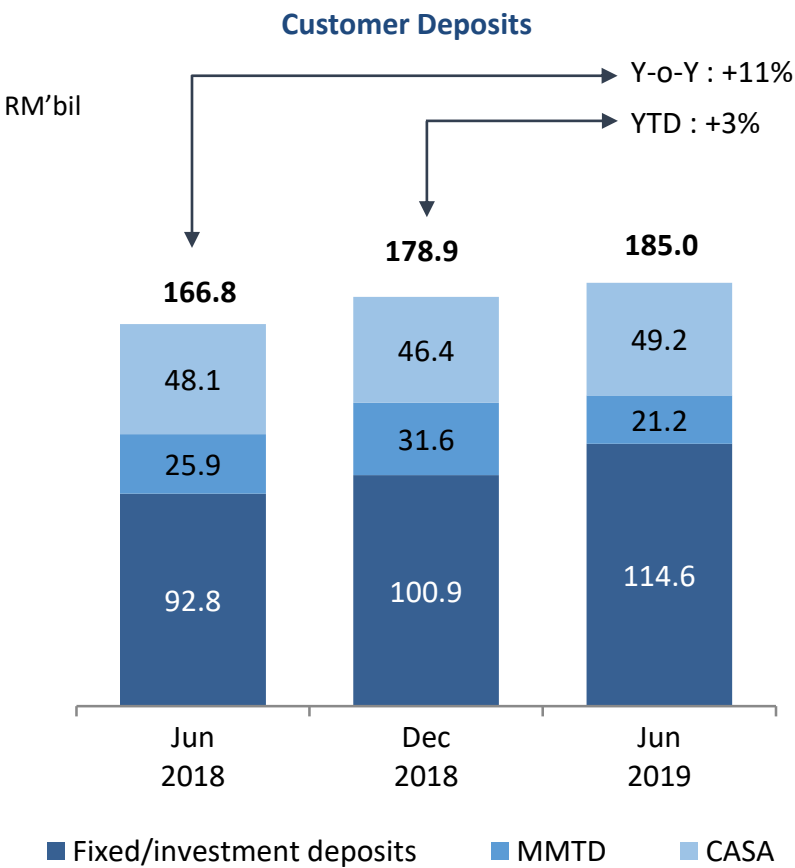
Operating expenses rose 2.7% Y-o-Y mainly from higher personnel costs, IT-related expenses and marketing costs; Positive JAWS maintained with CIR improving to 48.5%



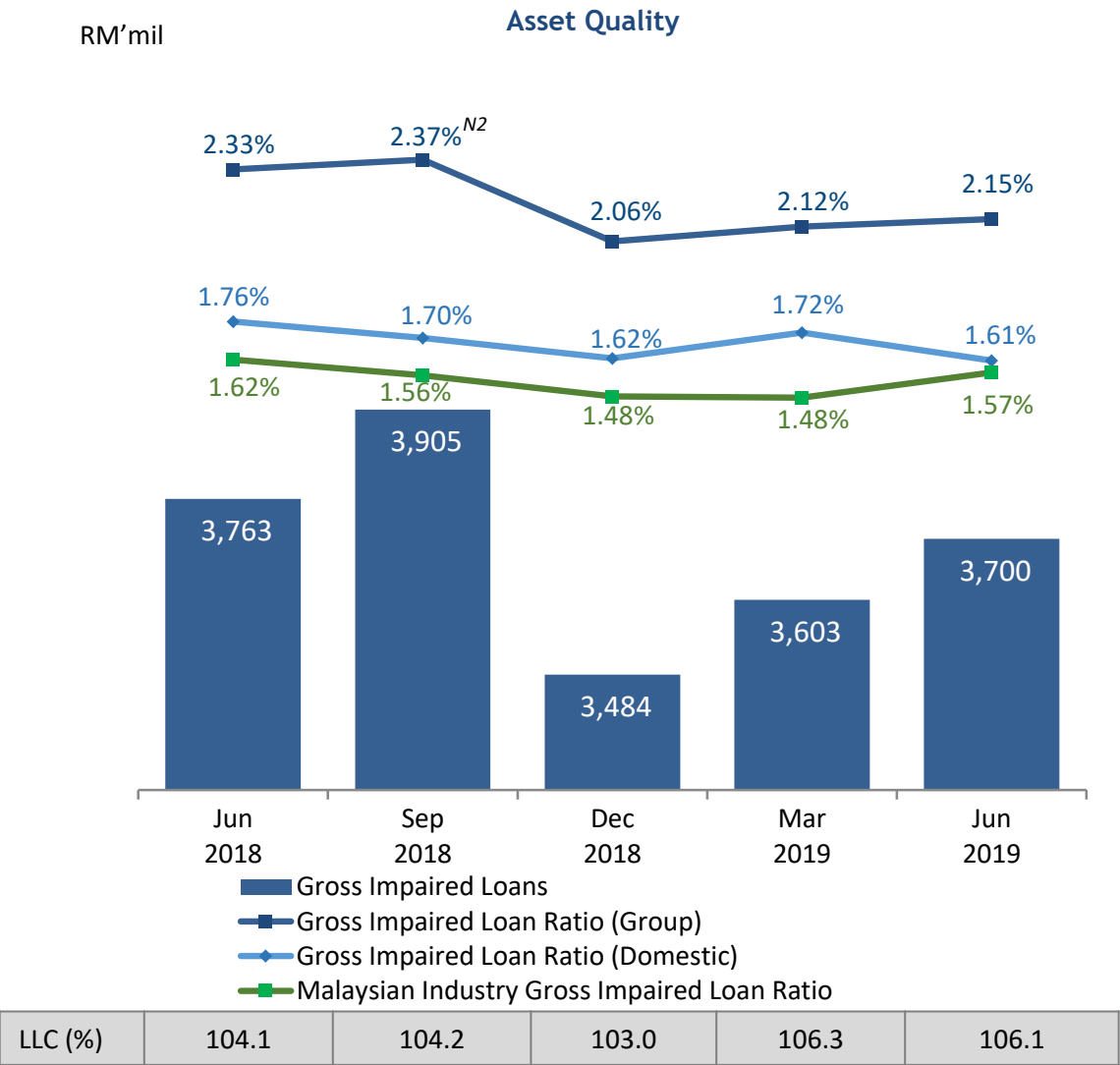
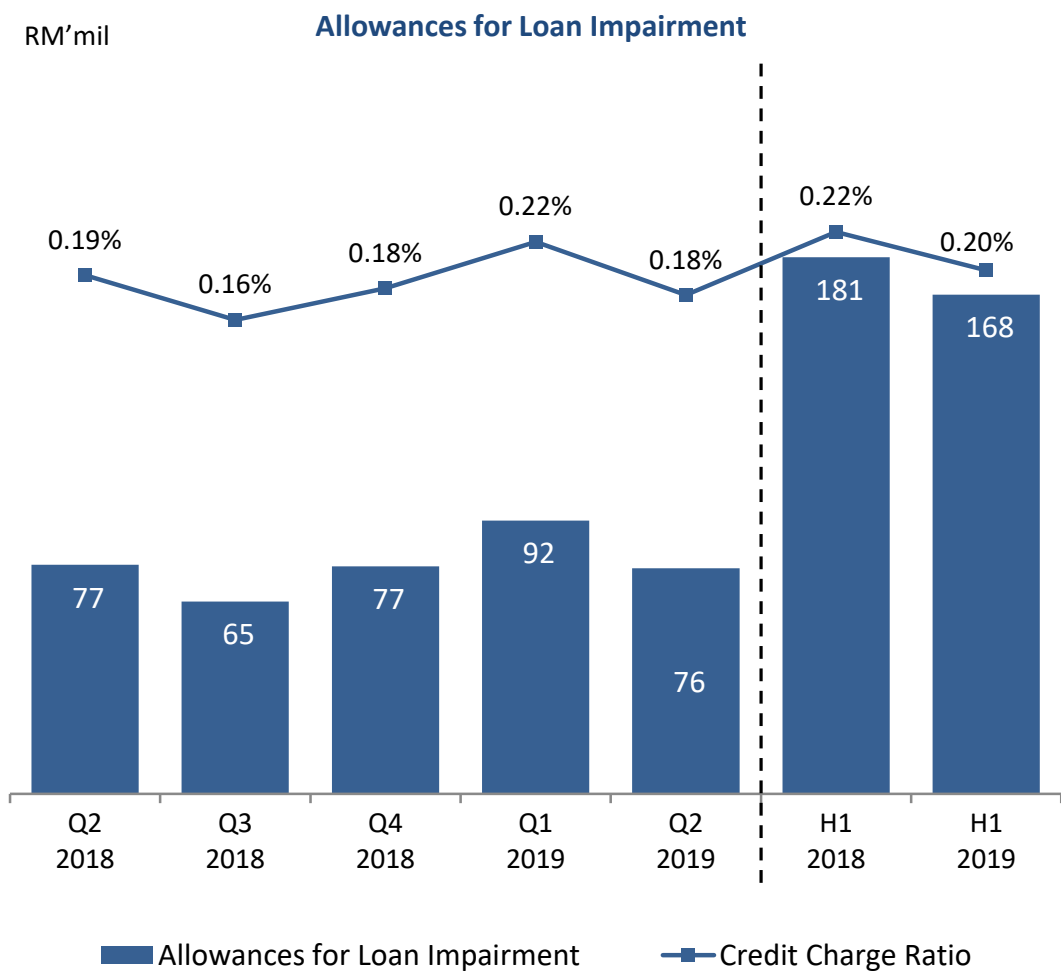
Gross loans grew 6.9% Y-o-Y driven mainly by mortgage, SME, corporate and Singapore

RM'mil	Jun 2018	Dec 2018	Jun 2019	YTD Growth %	Y-o-Y Growth %	Composition	
						Dec 2018 %	Jun 2019 %
GROUP RETAIL	80,446	84,643	87,774	3.7	9.1	50	51
<i>Mortgage</i>	50,498	53,467	56,353	5.4	11.6	32	33
<i>Commercial Property Financing</i>	4,792	4,827	4,838	0.2	1.0	3	3
<i>Securities</i>	7,727	7,870	8,049	2.3	4.2	5	5
<i>Auto Finance</i>	8,246	8,366	8,429	0.8	2.2	5	5
<i>Unsecured Business</i>	8,446	9,120	9,146	0.3	8.3	5	5
<i>Others</i>	737	993	959	-3.4	30.1	0	0
GROUP BUSINESS BANKING	24,596	25,251	25,691	1.7	4.5	15	15
<i>SME</i>	18,387	18,992	19,625	3.3	6.7	11	11
<i>Commercial</i>	6,209	6,259	6,066	-3.1	-2.3	4	4
GROUP WHOLESALE BANKING	41,190	43,024	42,432	-1.4	3.0	26	25
TOTAL RHB DOMESTIC	146,232	152,918	155,897	1.9	6.6	91	91
OVERSEAS OPERATIONS	15,029	15,961	16,449	3.1	9.4	9	9
<i>Singapore</i>	11,132	11,894	12,376	4.1	11.2	7	7
<i>Others</i>	3,897	4,067	4,073	0.1	4.5	2	2
TOTAL RHB GROUP	161,261	168,879	172,346	2.1	6.9	100	100

Total deposits grew 10.9% Y-o-Y led by higher fixed deposits and continued focus on CASA; CASA ratio stood at 26.6% as at end-June 2019



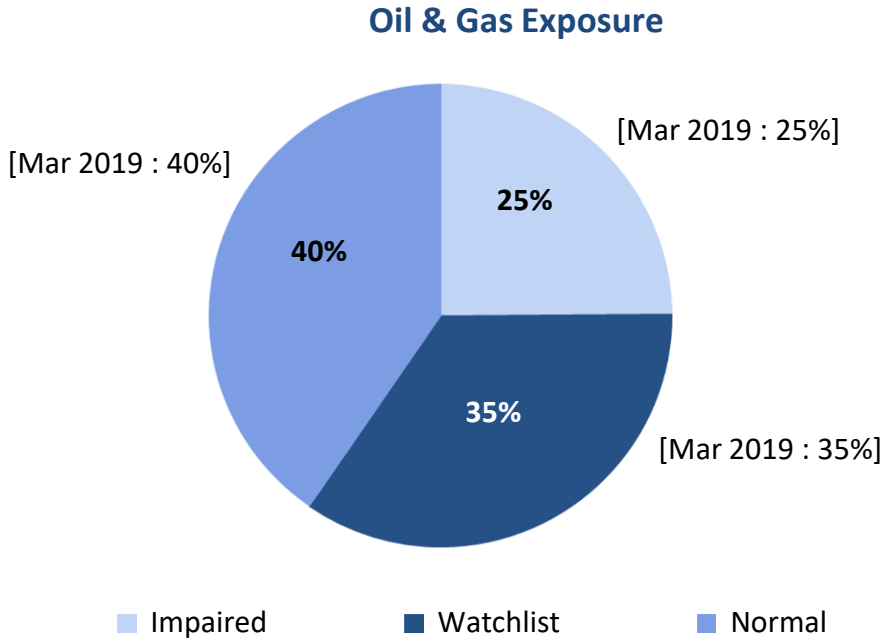
Credit charge ratio improved; A slight uptick in GIL ratio in Q2 mainly coming from Singapore, but overall in line with expectations



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%

Contained O&G exposure (Loans + Bonds) as it continued to be monitored

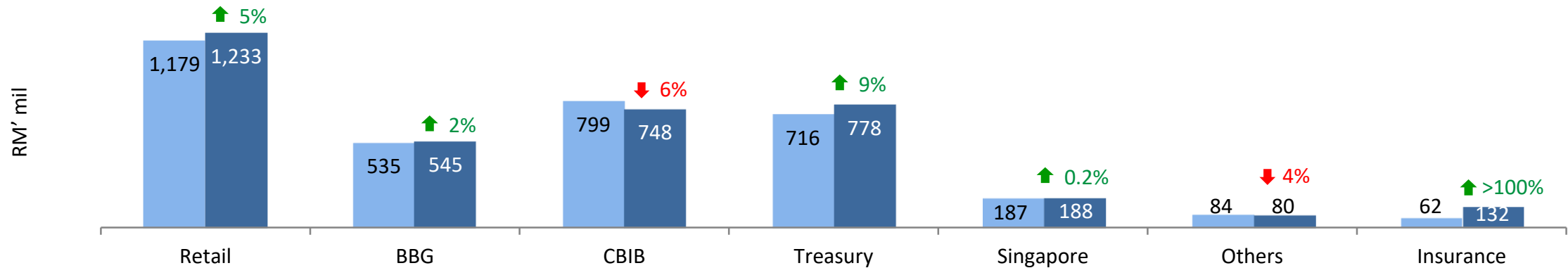
Loans + Bonds Outstanding	Oil and Gas Related Industry					
	Upstream		Downstream		Total	
	RM' bil	% to Gross Loans	RM' bil	% to Gross Loans	RM' bil	% to Gross Loans
Jun 2019	2.7	1.6%	1.4	0.8%	4.1	2.4%
Mar 2019	2.7	1.6%	1.5	0.8%	4.2	2.4%
Dec 2018	3.3	1.9%	1.5	0.9%	4.8	2.8%
Dec 2017	3.4	2.1%	1.7	1.1%	5.1	3.2%



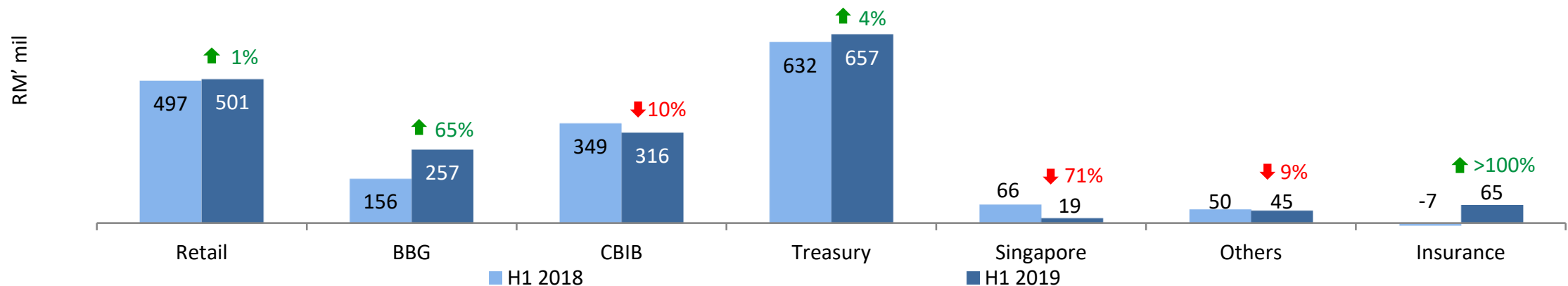
Country	% of Loans Outstanding
Malaysia	75%
Singapore	24%
Thailand	1%

Growth momentum continued for Retail, BBG and Treasury; CBIB contribution affected by lower net fund based and non-fund based income and higher allowances for ECL; Singapore impacted by higher allowances for ECL

Revenue

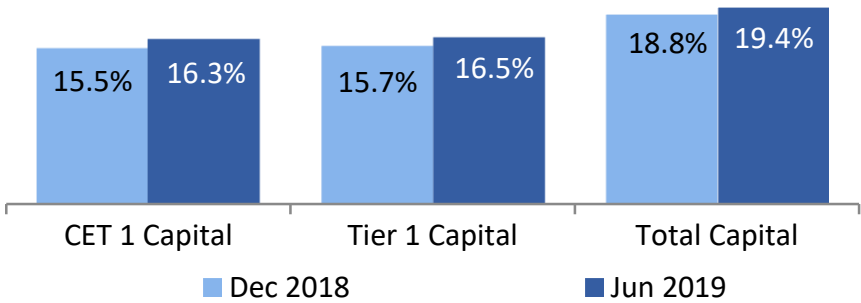


Pre-tax Profit



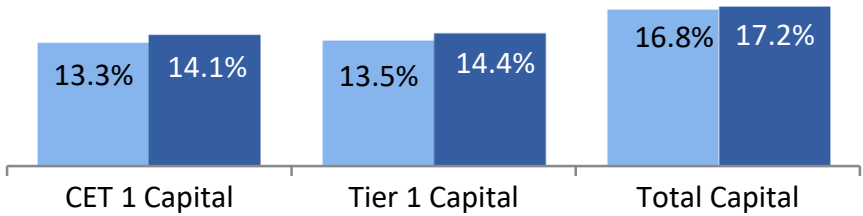
Capital position remained robust for the Group and key banking subsidiaries

RHB Bank Group

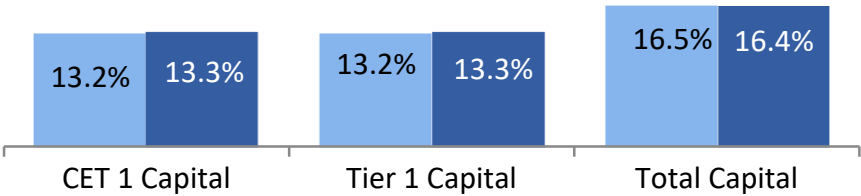


Ratios are after FY2018 final dividend and FY2019 interim dividend

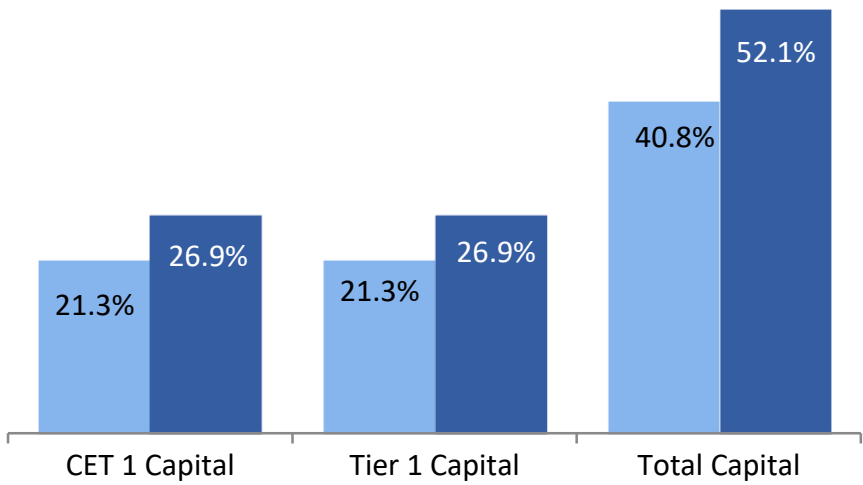
RHB Bank



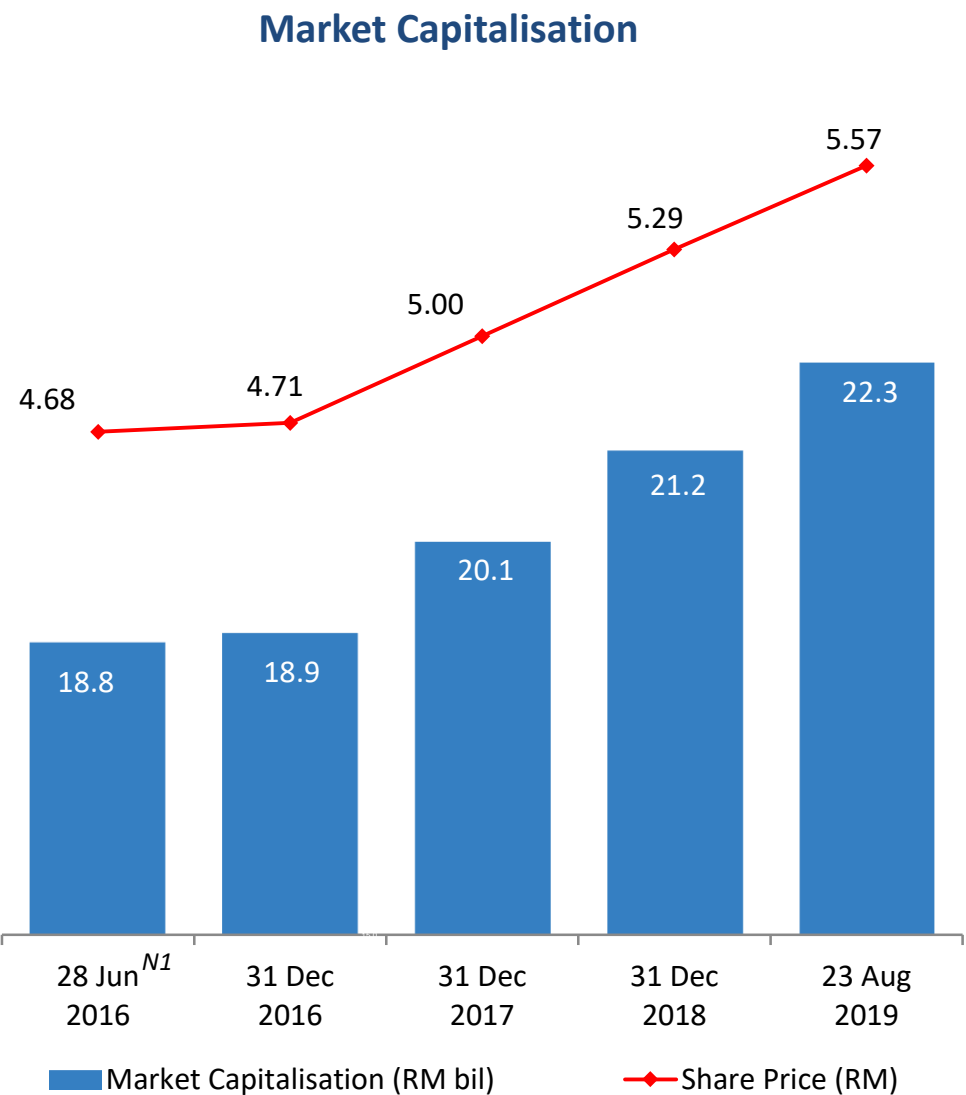
RHB Islamic Bank



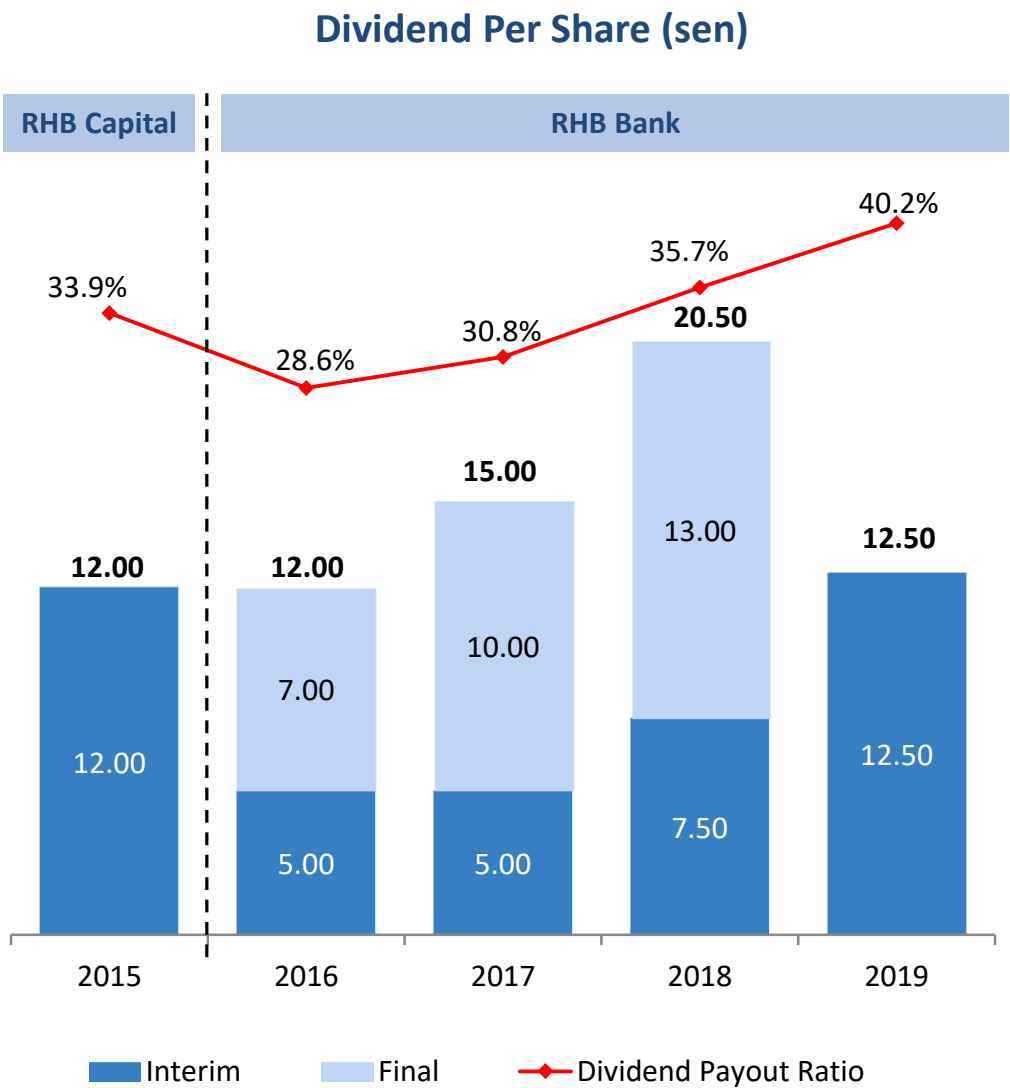
RHB Investment Bank



Declared an interim dividend of 12.5 sen per share representing a 40.2% payout, our highest ever



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



3

Strategy Update

FIT22 Key Highlights – Our Progress So Far

Fund our Journey



- **Affluent** : Steady traction on customer acquisition by 7.6% YTD Jun 2019 to 65.2k customers from Dec 2018, of which 34.7% are SME owners. Total AUM of Premier customers grew by 10.9% to RM32.5 bil in the same period
- **SME** : Strong growth in Business banking deposits of 8.2% YTD Jun 2019. Business Banking loans grew marginally by 1.7% from Dec 2018 at RM25.7 bil, with a 3.3% growth in Retail SME loans
- **Large Cap** : Achieved 29.7% share of wallet in fee income and 6.6% in interest income of large cap companies as at Jun 2019. Penetrated > 83% of large cap companies as at Jun 2019 with average product holding ratio increasing from 6.2 in 2018 to 7.3 in the same period
- **Mid Cap** : Achieved 25.2% share of wallet in fee income and 9.7% in interest income of mid cap companies as at Jun 2019. Penetrated 58% mid cap companies, both through lending and non-lending relationships, as at Jun 2019
- **Retail deposits** : Retail deposits grew by 9.1% YTD Jun 2019 to RM57.3 bil from Dec 2018, outpacing industry at 3.9%. Retail LDR declined to 153.3% in Jun 2019 from 161.2% in Dec 2018
- **Rebalance financing portfolio** : Retail and SME make up 72.8% of total domestic financing portfolio as at Jun 2019 from 72.1% in 2018, 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** : Institutionalised 14 new analytics use cases for Retail Banking, Business Banking and Compliance delivering incremental revenue of RM22.7 mil as at Jun 2019
- **Digital Channel Platform (DCP)** : Launched mobile banking app to the public in April 2019, with 124.3k customers as at July 2019

Transform the Organisation



- **AGILE** : Scaled up rollout of Wave 1 AGILE Leap to other business and functional units within Group Retail Banking and Group Business and Transaction Banking as well as Group Technology Services to build sustainable competitive advantage through a winning operating model. Total of 168 FTE enhancements from pilot and Wave 1 rollout
- **Community banking** : Rolled out community banking approach nationwide in April 2019, with a community banking playbook as well as enhancing the technical and soft skills of Branch Managers
- **RHB Way** : As at Jun 2019, abandoned call rate maintained at 1.7% (below industry of 5.0%) with 81% of calls responded within SLA of 20 seconds

4

Summary and Outlook

- Malaysia's GDP growth gained pace to 4.9% Y-o-Y in Q2 2019 (Q1 2019: 4.5%), mainly driven by private spending
- For the year 2019, GDP is expected to moderate to 4.5% in 2019 (2018: 4.7%) as global economic outlook continues to be clouded by global trade tensions and heightened uncertainty which could weigh on Malaysia's external trade
- Banking industry loans are projected to grow at mid-single digit for the year supported by resilient household sector
- OPR is expected to remain at 3.0% for 2019, although there is a risk of another cut

Concluding Remarks

- The Group demonstrated sustained performance in Q2 2019 on the backdrop of challenging operating environment
- Loans and financing Y-o-Y growth continued to be driven by mortgages, SME and Singapore
- Full impact of May OPR cut is expected to result in lower NIM of between 2.12% - 2.13% for 2019. Nevertheless, we are continuously looking at other levers to manage profitability while growing assets responsibly
- Cognizant of the headwinds expected throughout the year, our focus is to maintain positive JAWS for the Group, raising efforts to rein in costs and exercising discipline in managing asset quality
- We will continue with the execution of our strategic roadmap, FIT22, which includes enhancing digital capabilities and adopting the culture of an AGILE way of working to enhance our competitive edge, all aimed at achieving service excellence

THANK YOU

www.rhbgroup.com

INVESTOR RELATIONS CONTACT

Haryati Yahya

Direct Line : +(603) 9280 2489

Email : haryati.yahya@rhbgrou.com

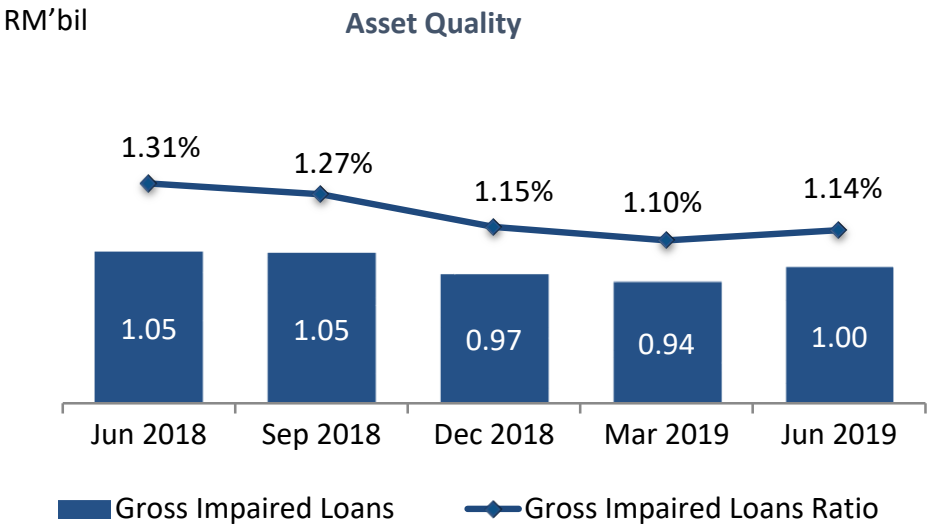
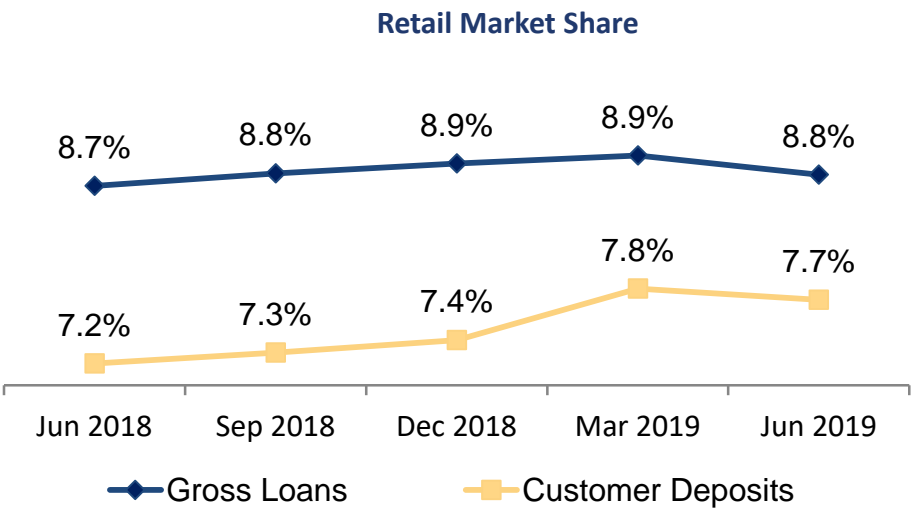
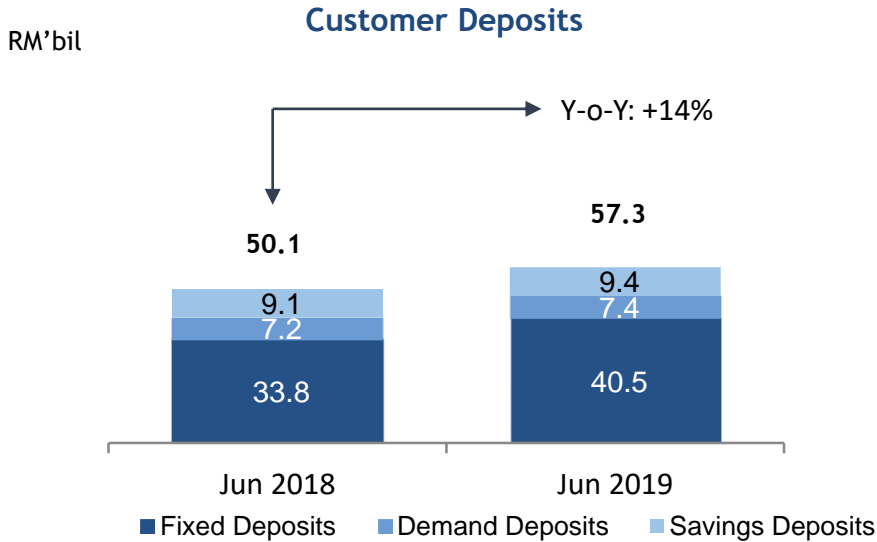
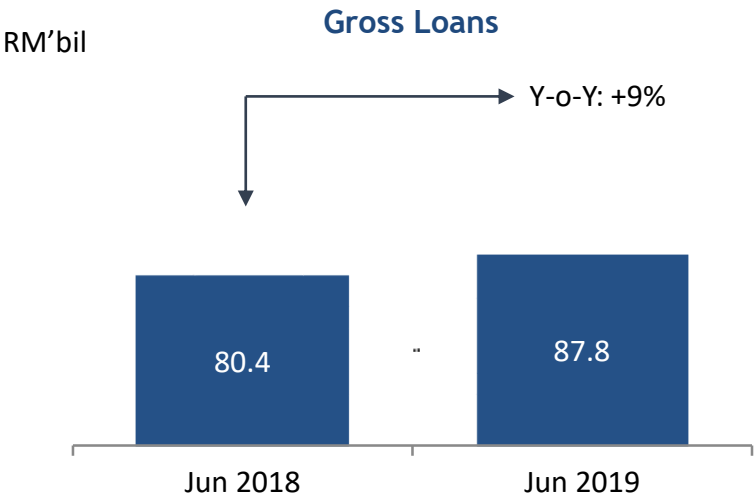


This material is prepared for general circulation. Any recommendation or view contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific audience. The content furthermore is believed to be correct at the time of 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.

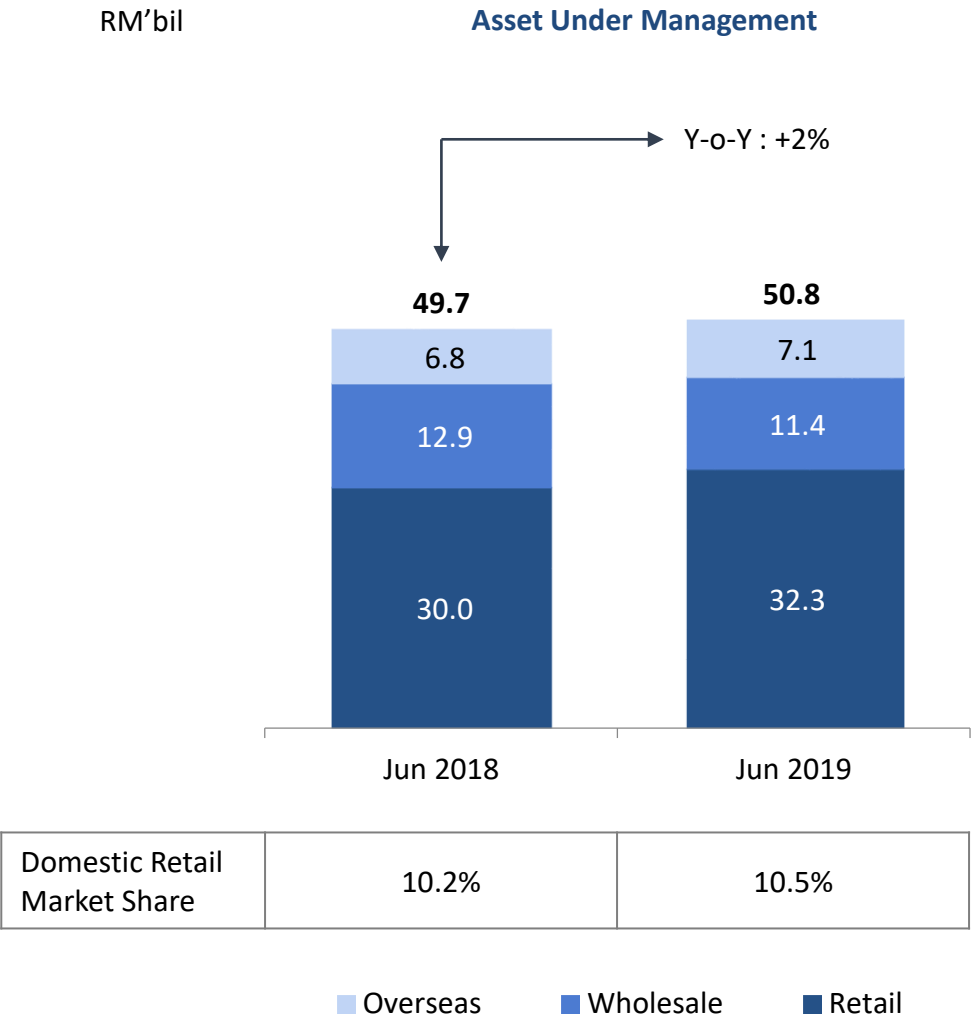




Appendix



YTD Jun 2019	Market Share	Ranking
Equity: - By value - By volume	7.9% 12.5%	5 th 3 rd
Debt Capital Markets: - MYR sukuk - Total MYR bonds (Conventional & Islamic bonds)	8.3% 7.8%	4 th 5 th
Mergers & Acquisitions: - by value - by deal count	16.4% 7 deals	3 rd 1 st
Equity Capital Markets	10.0%	4 th



Investment Banking – Notable Deals (2/2)

M&A



Can-One Berhad

RM800.0 million to RM1,000.0 million
Disposal of the entire issued share capital of
F & B Nutrition Sdn Bhd
Principal Adviser



Paramount Corporation Berhad

RM540.5 mil
Proposed disposal of controlling equity interest in
Paramount's Pre-Tertiary Education Group
Principal Adviser



Toyoplas Manufacturing Sdn Bhd

RM311.25 mil
Acquisition of entire equity interest in Toyoplas
Manufacturing (Malaysia) Sdn Bhd
Principal Adviser

DCM



Danum Capital Berhad

RM10.0 bil Sukuk Danum Programme
Issuance of RM3.5 bil
Joint Lead Manager & Joint Bookrunner



PNB Merdeka Ventures Sdn. Berhad

RM2.0 bil Merdeka ASEAN Green SRI Sukuk Programme
Issuance of RM445.0 mil
Joint Lead Arranger & Joint Lead Manager



Jelas Puri Sdn Bhd

RM500.0 mil MTN Programme
Issuance of RM372.3 mil
*Sole Principal Adviser, Sole Lead Arranger,
Sole Lead Manager & Facility Agent*

ECM



Leong Hup International Berhad

RM1.19 bil
Main Market IPO
*Joint Global Coordinator, Joint Bookrunner &
Joint Underwriter*



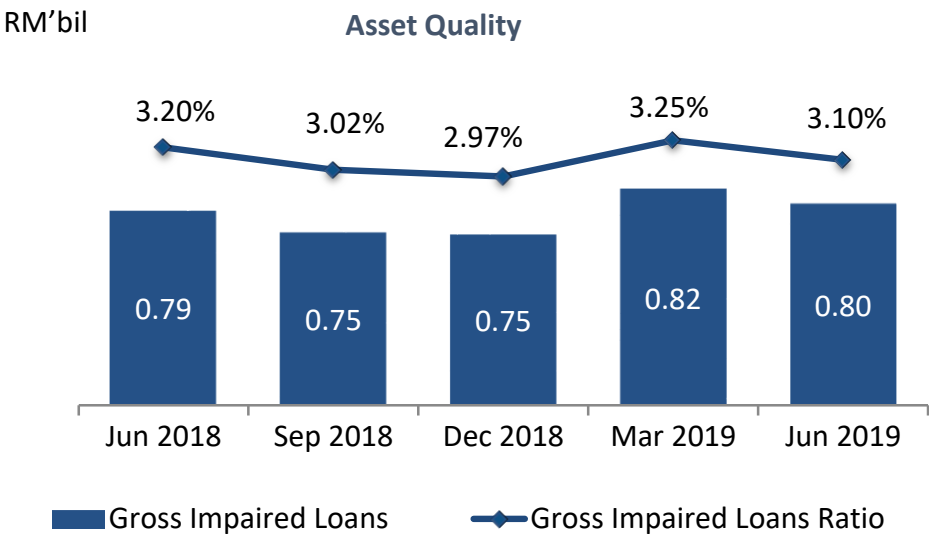
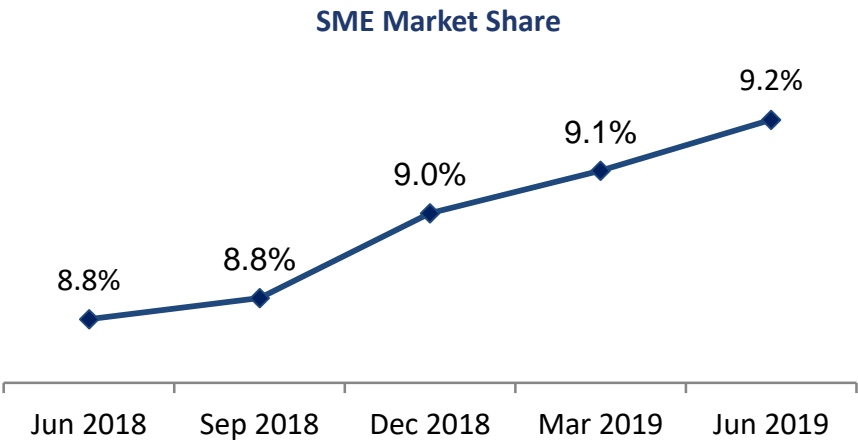
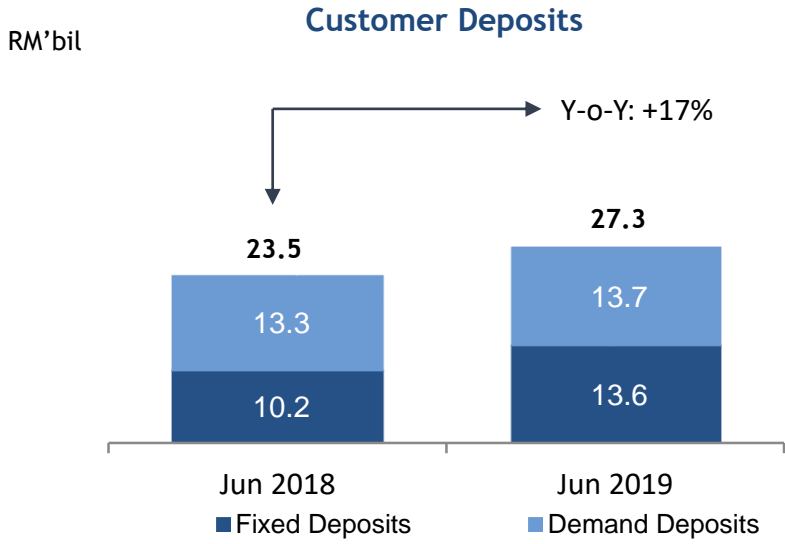
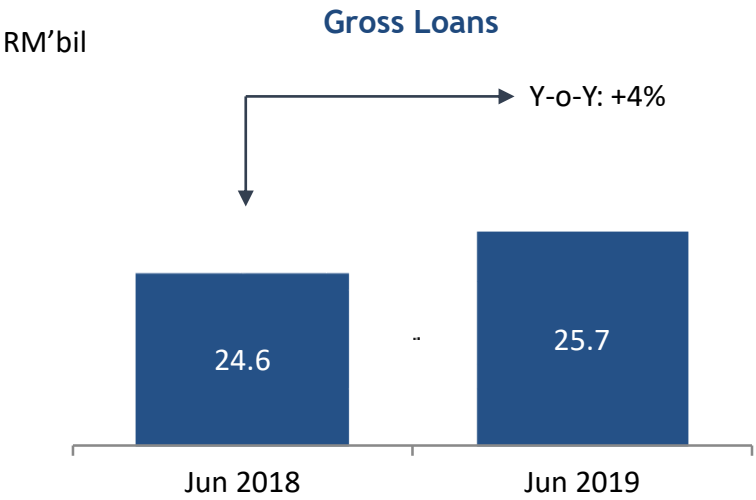
Sapura Energy Berhad

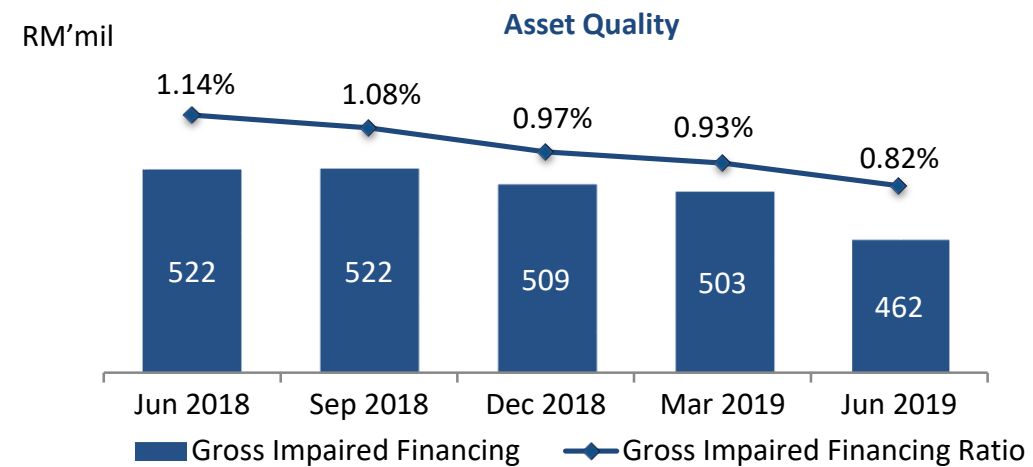
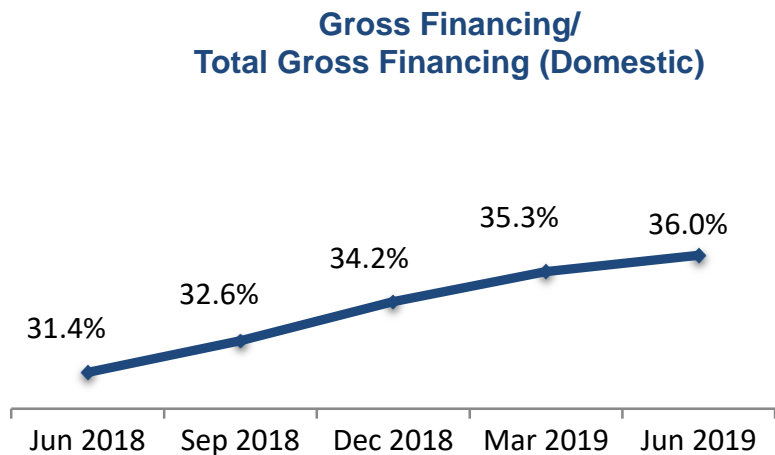
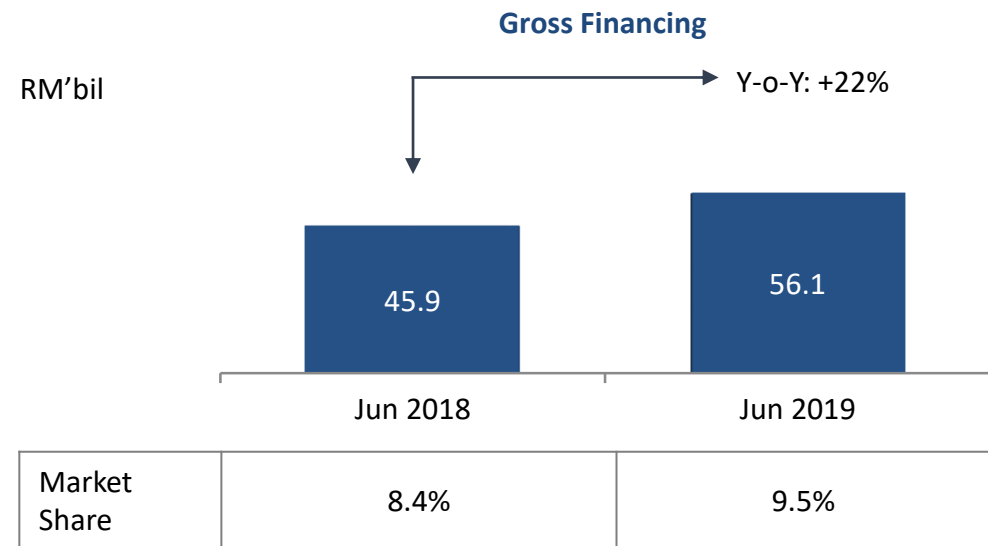
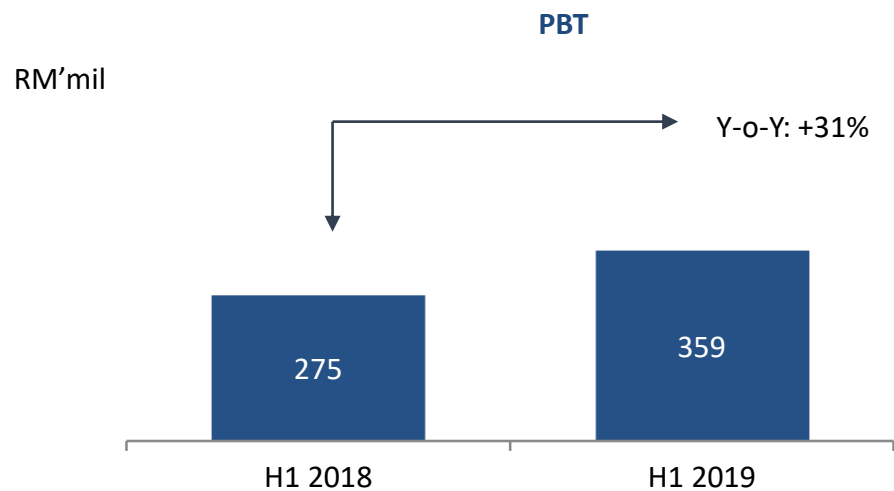
RM3.979 bil
Rights Issue
Joint Global Coordinator & Joint Underwriter



Ekovest Berhad

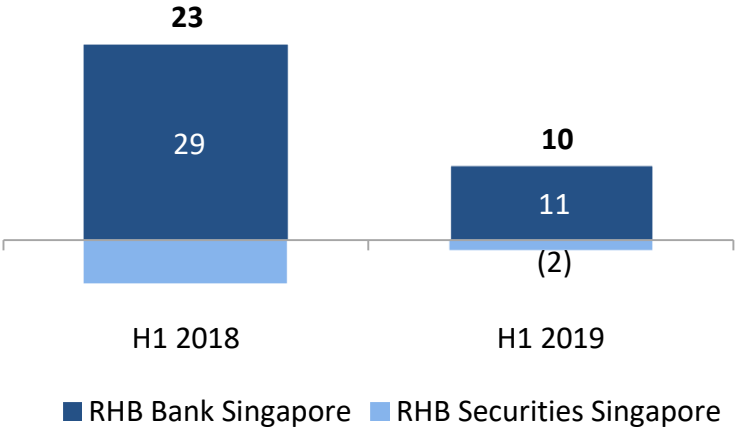
RM178.0 mil
Primary Placement
Sole Placement Agent





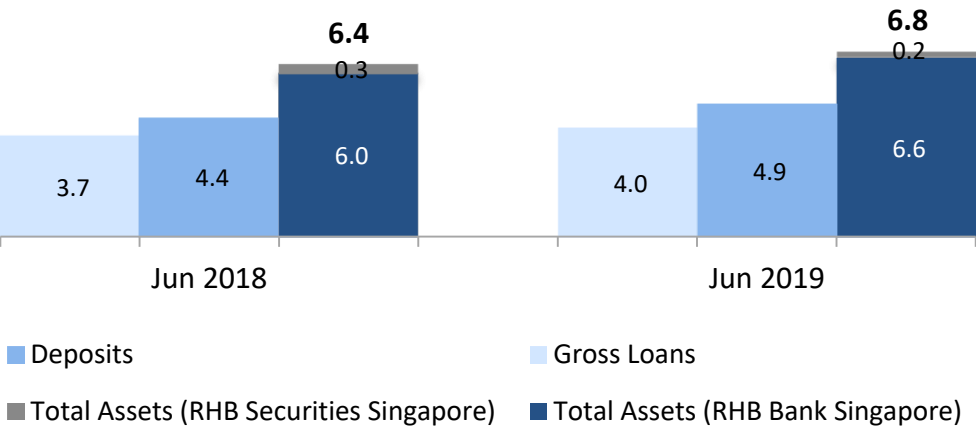
SGD'mil

PBT

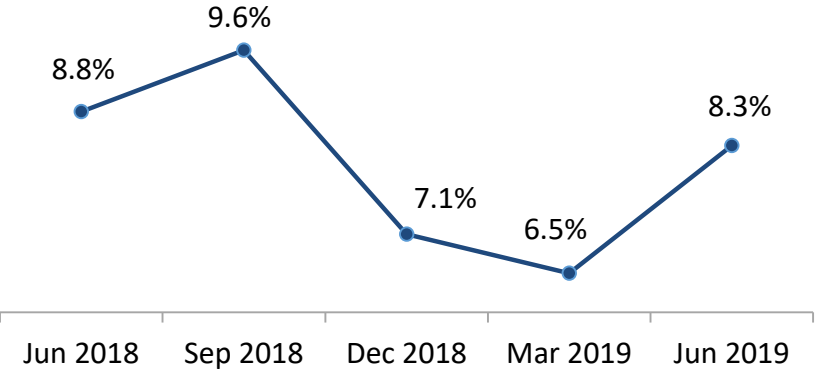


SGD'bil

Loans, Deposits & Total Assets



Gross Impaired Loans Ratio



Credit Charge Ratio

