



RHB Bank records net profit of RM570.9 million in Q1 2020

- ◆ Total income grew 0.2% Y-o-Y
- ◆ Operating expenses declined by 0.6%, cost-to-income ratio improved to 48.2% from 48.6% a year ago
- ◆ Pre-tax profit declined 8.6% Y-o-Y to RM752.3 million
- ◆ Gross loans up 3.6% Y-o-Y to RM176.2 billion supported primarily by mortgages, SME and Singapore
- ◆ Customer deposits increased 3.8% Y-o-Y to RM194.0 billion mainly from CASA and money market time deposits (MMTD) growth; CASA stood at 27.4% of total deposits
- ◆ Islamic financing grew 11.4% from a year ago and contributes 38.5% of total domestic loans and financing
- ◆ ROE at 8.9%

Kuala Lumpur, 29 May 2020

RHB Bank Berhad (“the Group”) announced today its financial results for the first quarter ended 31 March 2020.

- The Group posted a net profit of RM570.9 million for the first three months ended 31 March 2020, 9.4% lower than the RM630.2 million recorded a year ago. Net fund based income was up 4.4% year-on-year, but this was offset by lower non-fund based income and higher allowances for expected credit losses (ECL).
 - Increase in net fund based income was driven by proactive management of funding costs, which dropped 7.5% year-on-year, as a result of the increase in CASA composition from 24.5% to 27.4% and the redemption of RM600 million Hybrid Tier-I Capital and RM1 billion sub-debts in 2019. NIM for the quarter was 2.11% compared with 2.16% for the same period last year.
 - Non-fund based income was 9.3% lower at RM484.8 million. The decline was mainly due to the unrealised marked-to-market losses on the Group’s trading portfolio due to the movement in yield curve towards the end of March. However this unrealised loss position subsequently reversed in April as the yield curve normalised.
- Operating expenses declined by 0.6% to RM841.5 million from a year ago driven by disciplined cost management efforts in the current volatile market. Cost-to-income ratio improved to 48.2% from 48.6% a year ago.
- Allowances for credit losses was at RM151.4 million, primarily due to higher allowances for ECL on loans which has included a RM50 million additional provision set aside in relation to Covid-19, as well as lower ECL writeback compared with the previous corresponding period for financial investments at amortised cost and financial assets at fair value through other comprehensive income.
- Annualised loan credit costs stood at 0.34%.



Balance Sheet & Capital Position Remained Robust

- Total assets of the Group remained stable since December 2019 at RM257.8 billion as at 31 March 2020. Net assets per share was at RM6.50, with shareholders' equity at RM26.0 billion as at 31 March 2020.
- Our capital position remains strong; Common equity tier-1 (CET-1) and total capital ratio of the Group after the final dividend stood at 16.04% and 18.32% respectively.
- The Group's gross loans and financing grew by 3.6% year-on-year to RM176.2 billion supported mainly by resilient growth in mortgages, SME and Singapore loans. Domestic loans and financing grew 2.2% year-on-year. The Group's domestic loan market share stood at 8.8% as at end March 2020.
- Customer deposits grew by 3.8% year-on-year to RM194.0 billion as at 31 March 2020 largely attributable to growth in CASA and MMTD. Liquidity coverage ratio (LCR) remained healthy at 137.7%.
- Total current and savings account (CASA) increased by 16.4% year-on-year, with CASA composition at 27.4%.
- Gross impaired loans ratio improved to 2.00% from 2.12% a year ago with gross impaired loans at RM3.53 billion as at 31 March 2020.
- We continued to be prudent in loan loss provision with loan loss coverage standing at 107.6% as at end March 2020.



Performance Review of Key Business Units

- **Retail Banking**
 - Group Retail Banking recorded a pre-tax profit of RM273.3 million for the first three months ended 31 March 2020, 3.8% higher than previous year mainly attributed to higher net fund based income.
 - Retail loans and financing rose 4.5% to RM90.1 billion, primarily driven by growth in mortgages.
 - Retail deposits increased by 3.9% to RM59.0 billion, contributed by growth in CASA and fixed deposits.

- **Group Business Banking**
 - Group Business Banking recorded a pre-tax profit of RM103.7 million for the first quarter, 3.2% higher mainly due to higher net fund based income and lower operating expenses.
 - Gross loans and financing grew by 4.3% to RM26.3 billion driven mainly by Retail SME and Middle Market portfolio.
 - Customer deposits recorded a 3.6% growth to RM28.1 billion as at 31 March 2020 due to a strong growth in current account.

- **Group Wholesale Banking** recorded a pre-tax profit of RM394.9 million. Group Corporate and Investment Banking registered pre-tax profit of RM147.9 million or 4.0% increase mainly from higher net fund based income while Group Treasury and Global Markets recorded RM247.0 million pre-tax profit.

- **RHB Bank Singapore** recorded a pre-tax profit of SGD5.8million. Loans and advances increased by 20.4% to SGD4.8 billion Y-o-Y, while deposits increased by 24.0% to SGD5.6 billion over the same period.

- **Group International Business** excluding Singapore registered a pre-tax loss of RM5.5 million, mainly due to higher losses recorded in Thailand and lower profitability in Cambodia.

- **RHB Group's Islamic business** recorded 14.1% Y-o-Y growth in pre-tax profit to RM177.1 million due to higher net fund based and lower operating expenses.
 - Gross financing recorded a robust double digit growth of 11.4% Y-o-Y to RM60.6 billion.
 - Islamic business contributed 38.5% of the Group's total domestic gross loans and financing, up from 35.3% a year ago.



Conclusion

The COVID-19 pandemic has caused a significant disruption to economic activities globally. This is coupled with the potential effects of low commodities prices. However, it is still too early to ascertain the full impact of these developments to the economy and the banking industry. Currently most economic sectors have reopened for business. The Government is also expected to announce a more comprehensive set of measures to boost economic recovery. The relief measures introduced by the Government are expected to mitigate the negative impact of the pandemic.

“The Group’s underlying performance in the first quarter reflects its resilience and strong fundamentals despite operating under an extremely tough and unprecedented economic environment. We can expect our financial performance to be affected in this financial year. However, we are confident that our healthy liquidity position and strong capital base will help us steer through these challenging times.

We remain cautious, placing utmost importance in ensuring business continuity and providing our customers with all the support needed during these difficult times. To-date, the Bank has approved almost RM1.3 billion in Special Relief Facility to approximately 2,000 SMEs to help alleviate the short term cash flow difficulties faced by them arising from the COVID-19 pandemic.

It is still early days for us to see the full extent of the COVID-19 pandemic implications, with estimates of the possible impact to the Group remaining very broad at this point.

While we stay the course with our five-year strategy, FIT22, we will be reviewing our initiatives with the objective to prioritise key areas taking into account external opportunities and threats as well as internal capability and capacity,” said Dato’ Khairussaleh Ramli, Group Managing Director, RHB Banking Group.



Key Financial Highlights

Financial Performance (RM'000)	3 Months Ended 31 March 2020	3 Months Ended 31 March 2019
Operating profit before allowances	903,691	896,069
Profit before taxation	752,264	823,171
Profit attributable to equity holders of the Company	570,880	630,186
Earnings per share (sen)	14.2	15.7
Balance Sheet (RM'000)	As at 31 March 2020	As at 31 December 2019
Gross loans, advances and financing	176,199,036	176,174,848
Gross impaired loans, advances and financing ratio (%)	2.00%	1.97%
Deposits from customers	193,978,973	190,555,225
Total assets	257,768,183	257,592,496
Equity attributable to equity holders of the Company	26,046,723	25,775,394
Net assets per share (RM)	6.50	6.43

This release contains forward-looking statements such as the outlook for the RHB Banking Group. Although RHB believes that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such expectations will prove correct subsequently. Actual performance may be materially different from that which had been anticipated or described herein, and RHB Banking Group's financial and business plans may be subject to change from time to time.

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About RHB Banking Group

The RHB Banking Group, with RHB Bank Berhad as the holding company, is the fourth largest fully integrated financial services group in Malaysia. The Group's core businesses are streamlined into seven main business pillars, namely Group Retail Banking, Group Business & Transaction Banking, Group Wholesale Banking, RHB Singapore, Group Shariah Business, Group International Business and Group Insurance. Group Wholesale Banking comprises Corporate Banking, Investment Banking, Group Treasury and Global Markets, Asset Management and Private Equity. All the seven business pillars are offered through the Group's main subsidiaries – RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad, while its asset management and unit trust businesses are undertaken by RHB Asset Management Sdn. Bhd. and RHB Islamic International Asset Management Berhad. The Group's regional presence now spans ten countries including Malaysia, Singapore, Indonesia, Thailand, Brunei, Cambodia, Hong Kong/China, Vietnam, Lao PDR and Myanmar.

For more information, please visit www.rhbgroup.com



APPENDIX

Significant Events/Corporate Development

1. Proposed cessation of business operations of subsidiaries in Hong Kong

RHB Hong Kong Limited ('RHB Hong Kong') and its subsidiaries (collectively, 'RHB Hong Kong Group'), had on 4 December 2019 decided that they will commence to cease their business operations ('Proposed Cessation'). RHB Hong Kong is a wholly-owned subsidiary of RHB Investment Bank, which in turn is wholly-owned by the Bank.

Pursuant to the Proposed Cessation, RHB Hong Kong Group will gradually discontinue offering financial services to its existing and potential clients. RHB Investment Bank, being the shareholder of RHB Hong Kong Group will provide the requisite support to ensure an orderly winding down of their business operations. RHB Investment Bank had on 14 February 2020 injected additional capital into RHB Hong Kong.

The increasingly challenging operating broking environment in Hong Kong has resulted in losses being recorded for RHB Hong Kong Group. As a result, it is no longer viable for RHB Hong Kong Group to continue its business operations. The Proposed Cessation would allow RHB Investment Bank to refocus efforts and resources in driving long-term growth in other ASEAN markets in line with the larger RHB Banking Group's FIT22 strategy.

As part of RHB Hong Kong Group, RHB (China) Investment Advisory Co. Ltd had commenced the application for dissolution.