

## NEWS RELEASE

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# RHB NET PROFIT GREW 4.8% YOY TO RM2.81 BILLION

*The Group declares second interim dividend of 25 sen per share, with FY2023 total dividend payout of 61.1%*

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- ◆ Net profit grew 4.8% year-on-year (“YoY”) to RM2.81 billion.
- ◆ Total income was RM7.77 billion.
- ◆ Cost-to-income ratio at 47.5%.
- ◆ Expected credit losses (ECL) declined 28.4% YoY to RM301.5 million.
- ◆ Gross loans grew 4.8% YoY to RM222.4 billion primarily driven by Singapore and Group Community Banking.
- ◆ Customer deposits increased 7.9% YoY to RM245.1 billion mainly from growth in Retail, SME and Singapore. CASA made up 27.9% of total deposits.
- ◆ Islamic financing grew 2.8% YoY, contributing 44.3% of total domestic loans and financing.
- ◆ Return on Equity at 9.5%.
- ◆ Declared second interim dividend of 25 sen per share (15 sen cash and 10 sen subject to Dividend Reinvestment Plan). Total dividend for FY2023 amounts to 40 sen per share or 61.1% payout.

RHB Bank Berhad (“the Group”) today announced its financial results for the financial year ended 31 December 2023.

- The Group’s net profit for the financial year ended 31 December 2023 rose 4.8% YoY to RM2.81 billion, mainly due to higher non-fund based income and lower ECL.
- Total income was RM7.77 billion.
  - Net fund based income was RM5.45 billion on the back of higher funding costs, mainly due to fixed deposit growth of 14.3% YoY. Net interest margin (“NIM”) for the year was 1.82%. The Group has also been proactively managing funding costs through active liability management. Taking this initiative into account, the effective NIM was 1.93%.
  - Non-fund based income increased 30.3% YoY to RM2.32 billion, primarily from higher net gain on forex and derivatives, net trading and investment income and fee income.
- With continued discipline in managing operating expenses, growth was contained at 2.3% YoY to RM3.69 billion. Correspondingly, the cost-to-income ratio was at 47.5%.

- ECL reduced 28.4% YoY to RM301.5 million primarily due to writeback of management overlay and writeback of ECL on other assets. Credit charge ratio stood at 0.16% compared to the 0.15% recorded last year.

#### **Fourth Quarter FY2023 (4QFY2023) Earnings against Fourth Quarter FY2022**

- The Group's net profit for 4QFY2023 was RM585.9 million mainly due to lower net fund based income and higher ECL.

#### **Balance Sheet & Capital Position Remained Robust**

- Total assets for the Group increased 5.8% YoY to RM328.7 billion as at 31 December 2023. Net assets per share was RM7.20, with shareholders' equity at RM30.9 billion as at 31 December 2023.
- The Group's capital position remained strong. Its Common Equity Tier-1 ("CET-1") and total capital ratio stood at 16.7% and 19.4%, respectively.
- The Group's gross loans and financing grew 4.8% YoY to RM222.4 billion, mainly supported by Singapore and Group Community Banking growth.
- Gross impaired loans was RM3.9 billion as of December 2023, with a gross impaired loans ratio of 1.74%, compared with RM3.3 billion and 1.55%, respectively, a year ago. Loan loss coverage ratio for the Group, with Regulatory Reserves, improved to 106.2%, while loan loss coverage without Regulatory Reserves was at 71.7% as of 31 December 2023.
- Customer deposits increased 7.9% YoY to RM245.1 billion, mainly due to growth in Retail and SME, and Singapore deposits of 12.6% and 36.9%, respectively. CASA composition stood at 27.9% while liquidity coverage ratio ("LCR") remained sound at 177.4% as at 31 December 2023.

#### **Second Interim Dividend**

- The Group declared a second interim dividend of 25 sen per share, consisting a cash payout of 15 sen per share and an electable portion under a Dividend Reinvestment Plan of 10 sen per share.
- Together with the first interim dividend, the full-year dividend amounts to 40 sen per share, equivalent to a payout ratio of 61.1% and a dividend yield of 7.3% for FY2023.

## **Performance Review of Key Business Units**

### ***Group Community Banking***

- Group Community Banking posted a 2.8% YoY increase in pre-tax profit to RM1.89 billion, mainly due to higher net fund based income and lower ECL.
- Gross loans and financing grew 5.8% YoY to RM140.9 billion, primarily driven by growth in mortgage (+8.6%) and SME (+4.9%).
- Deposits increased 12.6% YoY to RM115.0 billion, mainly contributed by growth in fixed deposits (+21.5%).

### ***Group Wholesale Banking***

- Group Wholesale Banking posted a pre-tax profit of RM2.12 billion, a 19.1% YoY increase, mainly due to higher non-fund based income and writeback of ECL.
- Total assets grew to RM130.6 billion contributed by growth in Commercial loans and securities portfolio. Gross loans and financing stood at RM49.1 billion.
- Deposits was at RM92.8 billion; current account grew 49.0% YoY.

### ***Group International Business***

- Group International Business encountered challenges due to slower-than-expected recovery in certain ASEAN countries. Despite the uncertainties, Singapore continued to record a pre-tax profit of SGD50.5 million.
- Gross loans and financing grew 14.3% YoY to RM32.3 billion, while deposits increased 33.4% YoY to RM37.3 billion, attributed to 17.5% and 36.9% growth in Singapore, respectively.

### ***Group Shariah Business***

- Group Shariah Business posted a pre-tax profit of RM1.13 billion.
- Gross financing grew 2.8% YoY to RM84.0 billion.
- Islamic business contributed 44.3% of the Group's total domestic gross loans and financing, compared with 44.6% a year ago.

### ***Group Insurance***

- Group Insurance registered a pre-tax profit of RM99.0 million, a 38.8% YoY improvement attributed to higher net investment income.

## Conclusion

Global economic growth is expected to accelerate in 2024, supported by easing monetary policy trends and China's potential economic recovery. Domestically, Malaysia's growth momentum is expected to improve, with 2024 Gross Domestic Product ("GDP") projected to grow at 4.6%, underpinned by improvement in external demand.

For the banking industry, demand for credit is expected to improve this year, led by stronger credit demand from the business segment. Overall, the sector is anticipated to remain resilient, bolstered by robust capital and liquidity positions and conducive monetary policy.

"We are cognisant of the external headwinds and the impact on the pace of economic recovery in the markets we operate. Our fundamentals remained strong, as reflected by our strong capital and liquidity positions. We are now in the final year of our "Together We Progress 2024" ("TWP24") corporate strategy. While we delivered a resilient financial performance for FY2023, we will continue to refine our focus and approach, and double down on innovation and cost management to improve business performance.

I am pleased to share that the Group has declared a second interim dividend of 25 sen per share, consisting of a cash payout of 15 sen per share and an electable portion under the Dividend Reinvestment Plan of 10 sen per share. Together with its first interim dividend of 15 sen per share, the total dividend for FY2023 amounts to 40 sen per share or 61.1% payout ratio, translating into a dividend yield of 7.3%.

As of FY2023, we have surpassed our FY2026 Sustainable Financial Services target of RM20 billion under our five-year Sustainability Strategy and Roadmap. On a cumulative basis, we attained over 130%, or more than RM26 billion, of our RM20 billion target. Building on this positive momentum, we have revised our Sustainable Financial Services target to RM50 billion to optimise our impact to continue supporting our customers in their sustainability journey.

The Group had also achieved a major milestone with the recent approval received from Bank Negara Malaysia ("BNM") and the Ministry of Finance ("MOF") for the Boost-RHB Digital Bank consortium to commence operations as a digital bank. The digital bank, formally known as Boost Bank by Axiata and RHB ("Boost Bank"), is the first primarily Malaysian-owned digital bank to begin operations in Malaysia. This reflects our commitment to enhancing our value propositions towards becoming

everyone's primary bank. Through our digital bank consortium, we look forward to driving financial inclusion providing greater access to quality financial services for underserved and unserved individuals and businesses.

We remain steadfast to our commitment to enhancing our customers' banking experience and look forward to introducing innovative financial solutions and enhance our digital capabilities to deliver service excellence across all our key service platforms," said Mohd Rashid Mohamad, Group Managing Director/Group Chief Executive Officer of RHB Banking Group.

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### Key Financial Highlights

Financial Performance (RM'000)	12 Months Ended	Restated
	31 December 2023	12 Months Ended 31 December 2022
Net income	7,770,425	8,160,183
Operating profit before allowances	4,081,132	4,553,909
Profit before taxation	3,753,344	4,132,747
Profit attributable to equity holders of the Company	2,806,228	2,678,389
Basic earnings per share (sen)	65.69	63.99
Balance Sheet (RM'000)	As at	Restated as at
	31 December 2023	31 December 2022
Gross loans, advances and financing	222,415,605	212,200,142
Gross impaired loans, advances and financing ratio (%)	1.74%	1.55%
Deposits from customers	245,083,070	227,159,762
Total assets	328,692,111	310,752,074
Equity attributable to equity holders of the Company	30,874,567	28,732,382
Net assets per share (RM)	7.20	6.76

*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.*

## APPENDIX

### Significant Events/Corporate Development

#### 1. Memorandum of Understanding with Axiata Group Berhad

On 2 June 2021, the Bank entered into a Memorandum of Understanding (“MOU”) with Axiata Group Berhad (“Axiata Group”) to jointly explore potential strategic collaboration opportunities. Following the signing of the MOU, the Bank had on the same day entered into a head of agreement with Boost Holdings Sdn Bhd ('Boost Holdings'), a 75.43% subsidiary of Axiata, to regulate the terms for the joint application to BNM for a digital banking license. The joint application for the digital bank license was submitted to BNM on 30 June 2021.

On 29 April 2022, the Bank received conditional approval from BNM for the joint application for a digital bank license by Boost Holdings and the Bank, subject to the condition that the proposed digital bank shall commence its banking operations within 24 months from 8 April 2022.

The Bank and Boost Holdings had, on 1 March 2023, jointly incorporated a company called Boost Berhad with a share capital of RM100 consisting of 100 ordinary shares, of which 60 ordinary shares are held by Boost Holdings, with the balance 40 ordinary shares being held by the Bank. Subject to approval from BNM, Boost Berhad will be the legal entity to carry out the digital banking business (“Proposed Digital Bank”).

On 31 March 2023, the Bank, Boost Holdings and Boost Berhad entered into a share subscription agreement (“SSA”) for the Bank and Boost Holdings to subscribe for 100 million new ordinary shares in Boost Berhad for a cash consideration of RM100 million for Boost Berhad to meet the minimum capital funds requirements for a digital bank.

Concurrently, on 31 March 2023, the Bank, Boost Holdings and Boost Berhad entered into a shareholders’ agreement (“SHA”) to regulate the affairs of Boost Berhad as the Proposed Digital Bank, and the Bank and Boost Holdings’ relationship between themselves as shareholders of Boost Berhad. Further details on the SHA are disclosed in Note B6(a) of the Interim Financial Statements.

On 3 November 2023, the Bank subscribed 34 million new ordinary shares in Boost Berhad ('Boost Berhad Shares') for a cash consideration of RM34 million ('Additional RHB Subscription'). The source of funds for the Additional RHB Subscription is from internally generated funds of the Bank. On even date, Boost Holdings had also subscribed for 51 million new Boost Berhad Shares for a cash consideration of RM51 million ('Additional Boost Holdings Subscription'). The Additional RHB Subscription and the Additional Boost Holdings Subscription are collectively referred to as 'Additional Subscription'. The purpose of the Additional Subscription is for Boost Berhad to continue meeting the minimum capital funds requirements for a digital bank of RM100 million unimpaired by losses. Upon completion of the Additional Subscription, the paid-up capital of Boost Berhad is RM185 million comprising 185 million Boost Berhad Shares.

BNM had, vide its letter dated 3 October 2023, granted the approval pursuant to Section 139 of the Financial Services Act 2013 for Boost Berhad to use the word “bank” in its proposed new name, i.e. Boost Bank Berhad with effect from 4 October 2023. However, the proposed new name was still subject to approval from the Companies Commission of Malaysia/Minister of Domestic Trade and Cost of Living.

The Companies Commission of Malaysia had, vide its letter dated 13 December 2023, notified Boost Berhad that the Minister of Domestic Trade and Cost of Living had approved Boost Berhad to use the word “bank” as part of its proposed new name, i.e. Boost Bank Berhad. On 18 December 2023, Boost Berhad changed its name to Boost Bank Berhad ('Boost Bank').

BNM had, vide its letter dated 8 January 2024, notified RHB Bank and Boost Holdings that BNM is satisfied with the outcome of the operational readiness review of Boost Bank and the Minister of Finance ('MOF') has agreed to the issuance of the physical digital banking licence to Boost Bank and for the said licence to take effect on 15 January 2024.

Boost Bank will leverage the strengths of Boost Holdings in the fintech sector and the Bank in the banking sector, respectively, to offer digital banking products and services. It shall focus on the underserved and unserved segments within Malaysia to build a more inclusive financial sector.

As part of the conditions imposed by BNM and MOF in approving Boost Bank to commence operations as a digital bank, the Bank, as a shareholder of Boost Bank, has given an undertaking to BNM that in the event Boost Bank is wound down and required to implement its exit plan during its foundational phase, the Bank shall provide adequate funds proportionate to its shareholding in Boost Bank at the material time, to ensure that Boost Bank has sufficient funds to satisfy all its remaining obligations and liabilities due including customer deposits. Boost Holdings have also provided a similar undertaking.

The Bank had on 16 February 2024 subscribed for additional 8.6 million ordinary shares in Boost Bank ('Boost Bank Shares') for a cash consideration of RM8.6 million ('Additional RHB February Subscription') to maintain its 40% equity interest in Boost Bank. The source of funds for the Additional RHB February Subscription is derived from internally generated funds of the Bank. Boost Holdings had on 16 February 2024 also subscribed for additional 12.9 million new Boost Bank Shares for a cash consideration of RM12.9 million to maintain its 60% equity interest in Boost Bank ('Additional Boost Holdings February Subscription'). The Additional RHB February Subscription and the Additional Boost Holdings February Subscription are collectively referred to as 'Additional February Subscription'. The purpose of the Additional February Subscription is for Boost Bank to fund its operating and capital expenditure for the first half of 2024 and to continue meeting the minimum capital funds as required by BNM. Upon completion of the Additional February Subscription, the paid-up capital of Boost Bank is approximately RM206.5 million comprising approximately 206.5 million Boost Bank Shares.

## **2. Proposed Disposal of RHB Securities Vietnam Company Limited**

On 19 February 2024, the Bank announced that its wholly-owned subsidiary, RHB Investment Bank Berhad ('RHB Investment Bank'), had on the even date, entered into a Conditional Sale and Purchase Agreement ('CSPA') with Public Bank Vietnam Limited, a wholly-owned subsidiary of Public Bank Berhad, in respect of the proposed disposal of its entire equity interest in RHB Securities Vietnam Company Limited ('RHBSVN') ('Proposed Disposal') for a cash consideration of VND374 billion (or approximately RM73 million).

The Proposed Disposal is conditional and subject to the approval from the State Securities Commission of Vietnam ('SSC'). The submission of the application to the SSC will be made within 1 month from the date of signing the CSPA.

The Proposed Disposal will enable RHB Investment Bank to monetise its investment in RHBSVN to be utilised for working capital requirements of RHB Investment Bank Group. Accordingly, the Bank has decided to exit from the stockbroking/securities business in Vietnam to focus on its existing securities business in other regions.

Upon completion of the Proposed Disposal, RHBSVN will cease to be a subsidiary of RHB Investment Bank.

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