

RHB BANK BERHAD

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54<sup>th</sup> ANNUAL GENERAL MEETING

Khairussaleh Ramli  
29<sup>th</sup> May 2020



# Agenda

1. Key Highlights
2. FY2019 Performance Review
3. Strategy Update
4. Sustainability Update
5. Concluding Remarks



**Key Highlights**

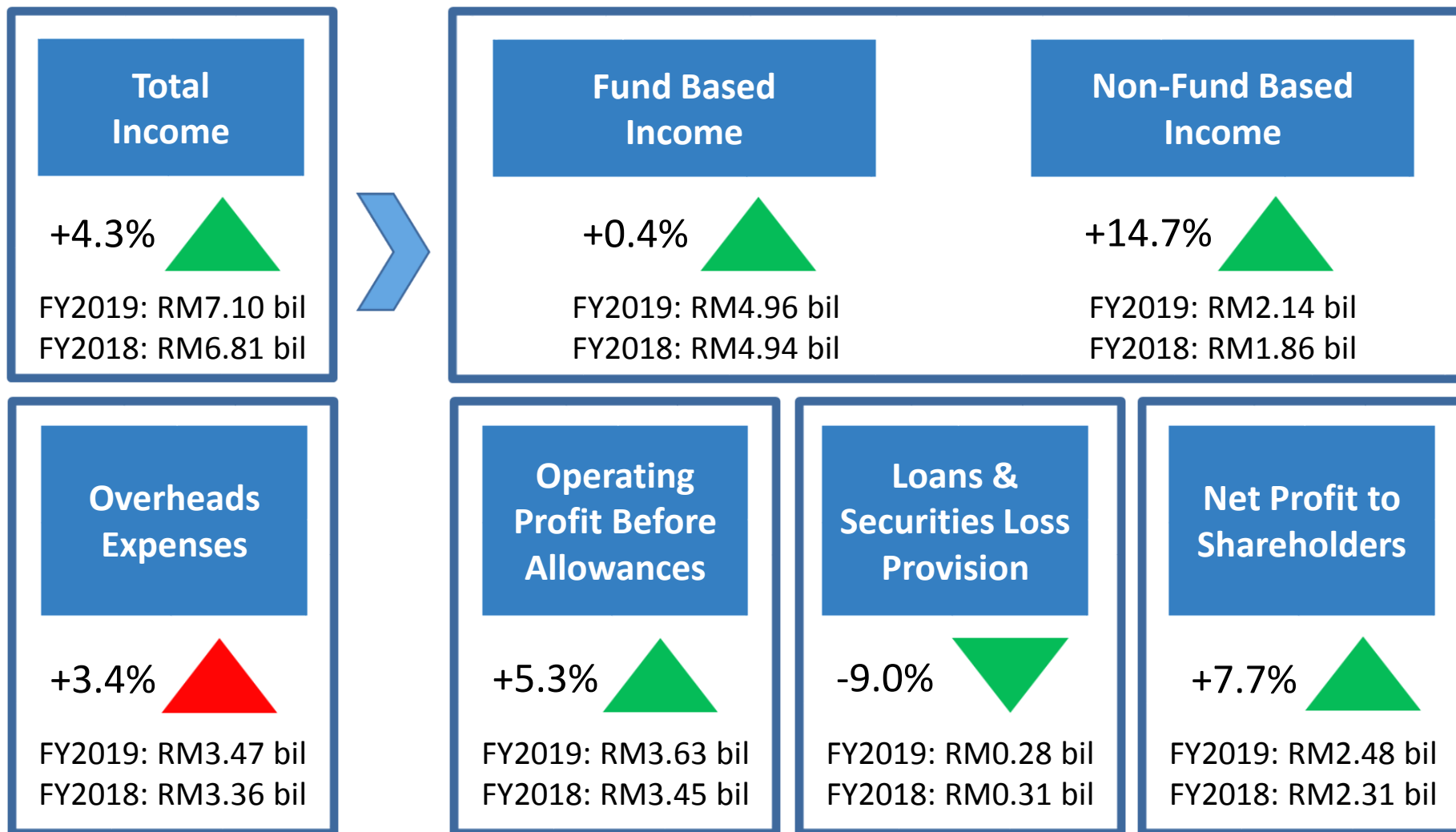
- **Achieved record net profit of RM2.48 billion, 7.7% Y-o-Y increase**
- **ROE at 10.3%; 10.5% if normalised for FVOCI reserves growth Y-o-Y**
- **Fundamentals continued to strengthen; improved both asset quality and cost-income-ratio (CIR), robust capital position and ample liquidity**
- **Proposed final dividend of 18.5 sen per share, bringing full year 2019 dividend to 31.0 sen per share; Highest ever dividend payout ratio for the Group at 50.1%**
- **2019 total shareholder return (TSR) at 14.2%**
- **FIT22 strategy execution continued to gain traction, focusing on building a winning operating model through AGILE way of working, digitalisation and workforce skills enhancement**
- **Institutionalised sustainability practices driven by 3 thematic pillars of the Sustainability Framework – (i) Sustainable & Responsible Banking, (ii) Embedding Good Practices and (iii) Enriching & Empowering Communities**



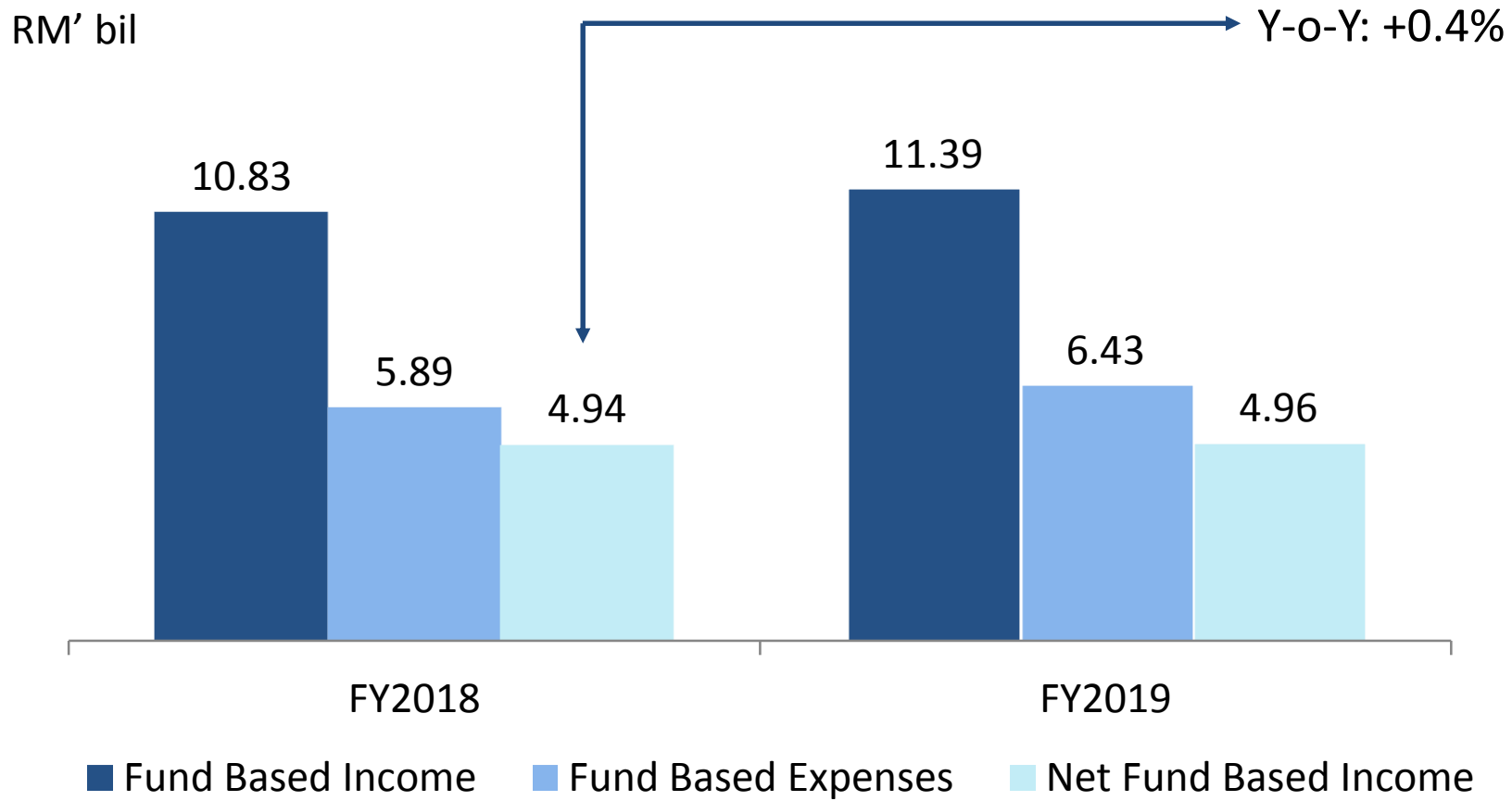
**FY2019 Performance Review**

# FY2019 Performance Review

We delivered 7.7% growth in net profit for FY2019 from resilient income growth and lower allowances for expected credit losses, while closely managing our overheads



**FY2019 net fund based income growth was small, impacted by OPR cut in May 2019 and higher funding cost**



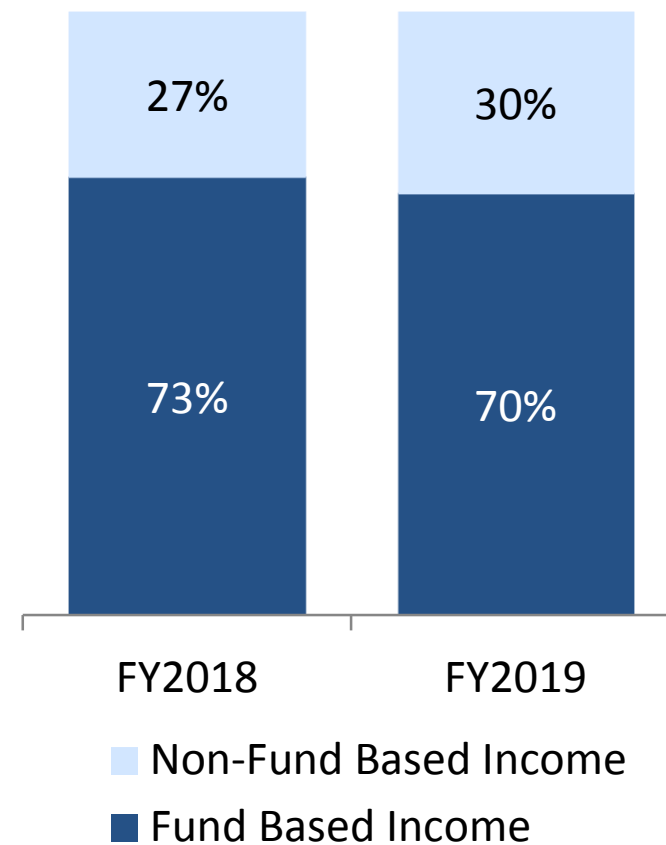
<b>NIM</b>	<b>2.24%</b>	<b>2.12%</b>
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# FY2019 Performance Review

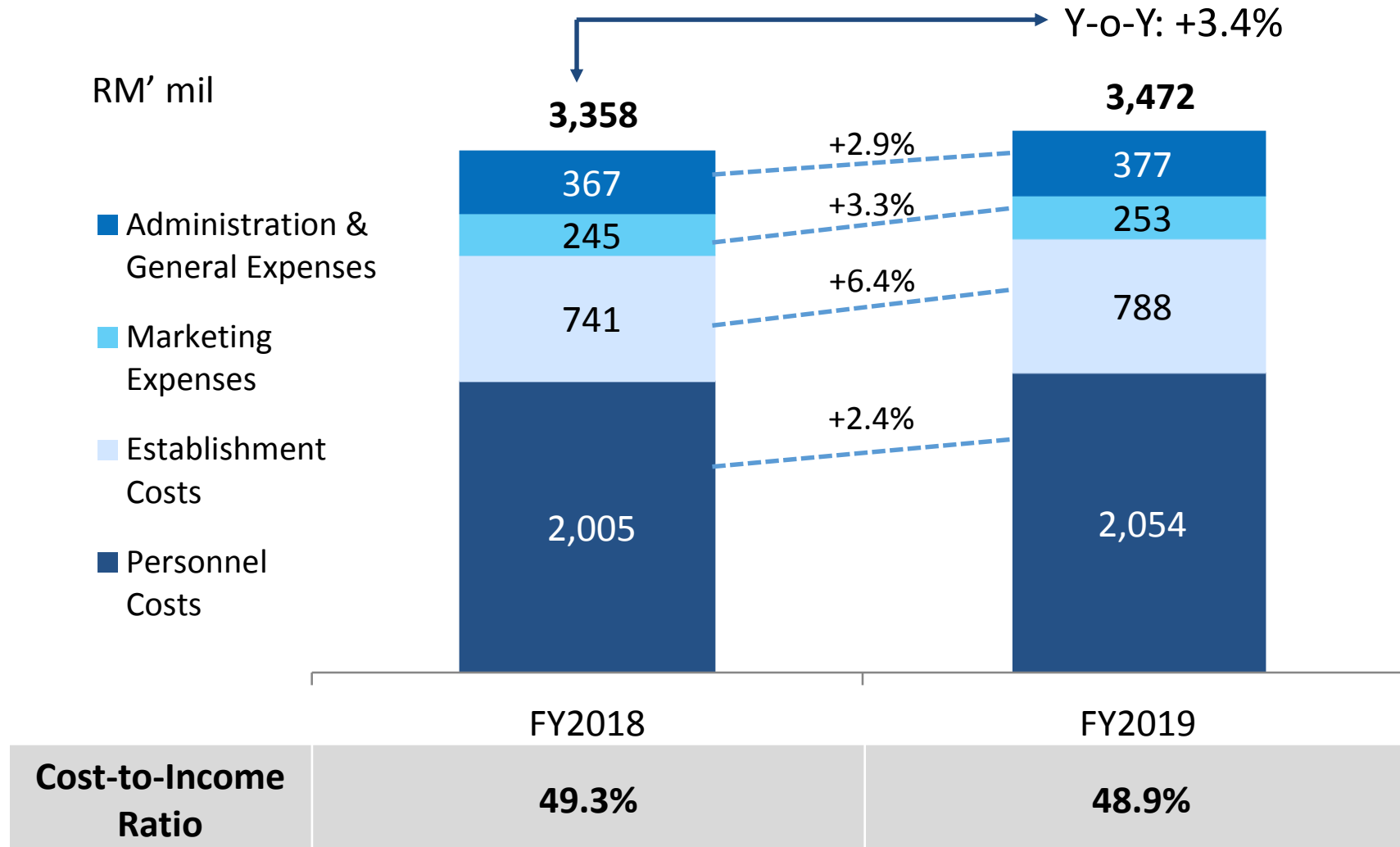
**Non-fund based income grew strongly at 14.7% driven by higher investment and trading income, insurance underwriting surplus and IB related fee income**

Non-Fund Based Income RM'mil	FY2018	FY2019	Y-o-Y Change
Total Fee Income (A)	1,070	1,066	-0.4%
<i>of which: IB related</i>	102	123	+21.0%
Insurance Underwriting Surplus (B)	165	193	+16.7%
Treasury Related Income (C)	566	794	+40.3%
<i>of which: Gain &amp; MTM on Securities</i>	189	480	>+100%
Others (D)	61	83	+35.1%
<b>Total (A) + (B) + (C) + (D)</b>	<b>1,863</b>	<b>2,136</b>	<b>+14.7%</b>





## Operating expenses tightly managed; Positive JAWS maintained with CIR improving further to 48.9%



**Group loans grew 4.3% Y-o-Y led by mortgage, SME and Singapore; Further progress achieved in portfolio rebalancing**

Gross Loans (RM' bil)	FY2018	FY2019	% Change	Composition	
				FY2018	FY2019
Retail Banking	84.6	90.1	+6.4%	50%	52%
<i>of which: Mortgage</i>	53.5	58.6	+9.6%	32%	33%
Business Banking	25.3	25.9	+2.7%	15%	14%
<i>of which: SME</i>	19.0	19.9	+4.9%	11%	11%
Wholesale Banking	43.0	42.9	-0.3%	26%	24%
Group International Business	16.0	17.3	+8.1%	9%	10%
<b>Total Gross Loans</b>	<b>168.9</b>	<b>176.2</b>	<b>+4.3%</b>	<b>100%</b>	<b>100%</b>
<i>of which : Domestic Loans</i>	152.9	158.9	+3.9%	91%	90%

**Total deposits grew 6.5% Y-o-Y mainly from higher fixed deposits; CASA posted an encouraging annual growth of 5.5% with CASA ratio standing at 25.7%, LCR comfortable, improved to 152.7%**

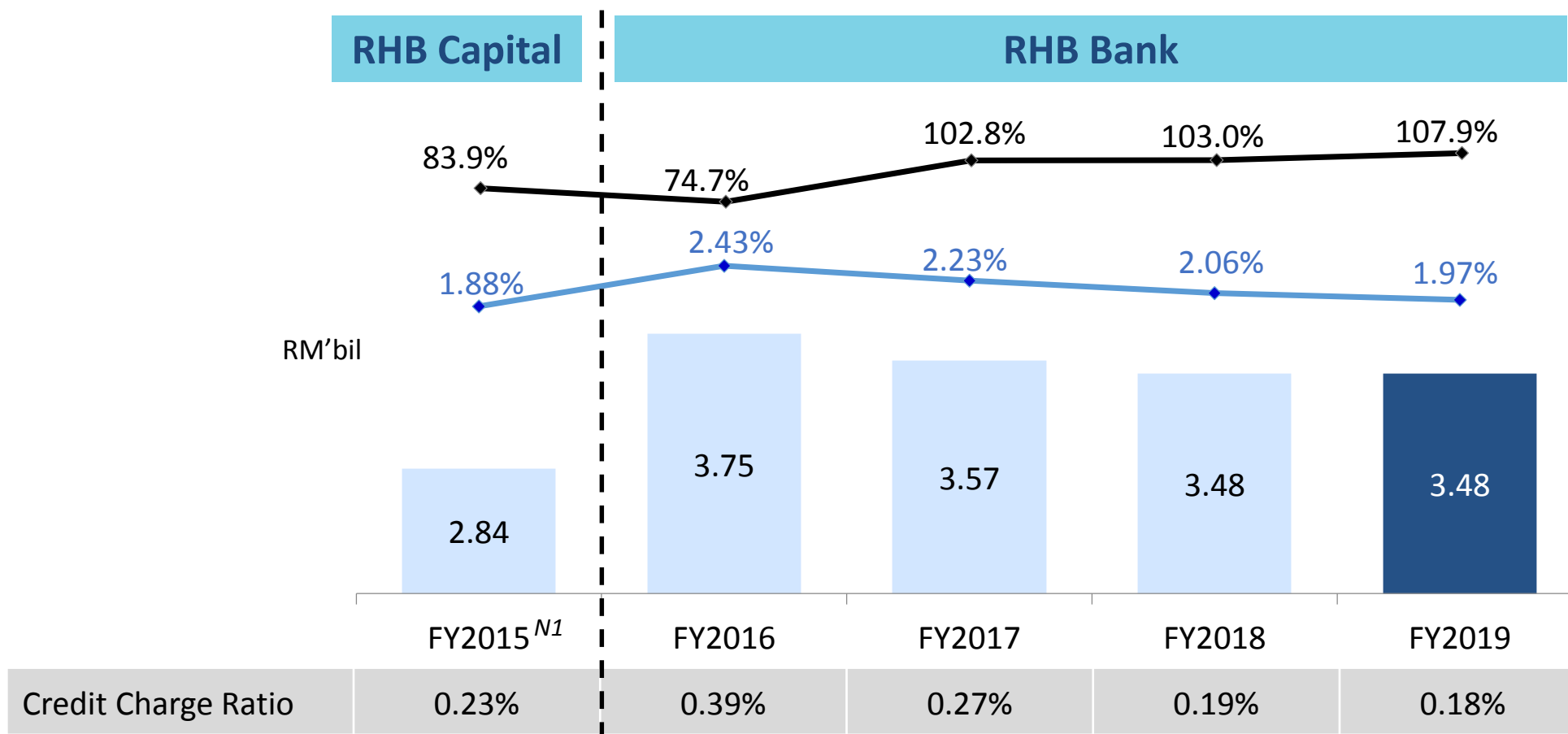
Deposits by Type (RM'bil)	FY2018	FY2019	% Change
Fixed Deposits <sup>N1</sup>	132.5	141.7	+6.9%
CASA	46.4	48.9	+5.5%
<i>Demand Deposits</i>	36.3	38.4	+5.8%
<i>Savings Deposits</i>	10.1	10.5	+4.4%
<b>Total Deposits</b>	<b>178.9</b>	<b>190.6</b>	<b>+6.5%</b>
CASA Ratio	25.9%	25.7%	-0.2%
Loan-to-Deposit Ratio	94.4%	92.5%	-1.9%
Liquidity Coverage Ratio (LCR) <sup>N2</sup>	143.0%	152.7%	+9.7%

N1 Including investment deposits and MMTD

N2 Bank Consolidated Level (All Currencies)

# FY2019 Performance Review

**Asset quality improved from active account management, credit charge ratio declined and loan loss coverage remained above 100%**



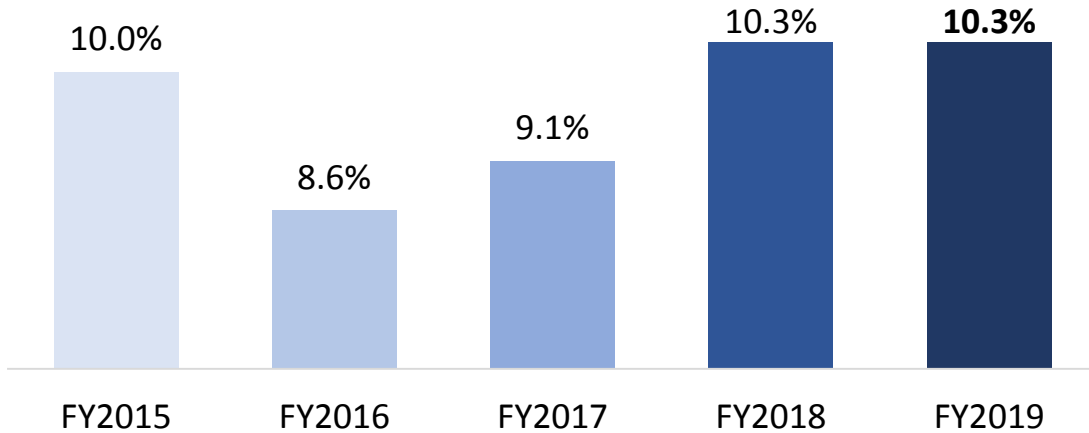
*N1 Excludes write-back from refinement performed on mortgage portfolio of RM131 million*



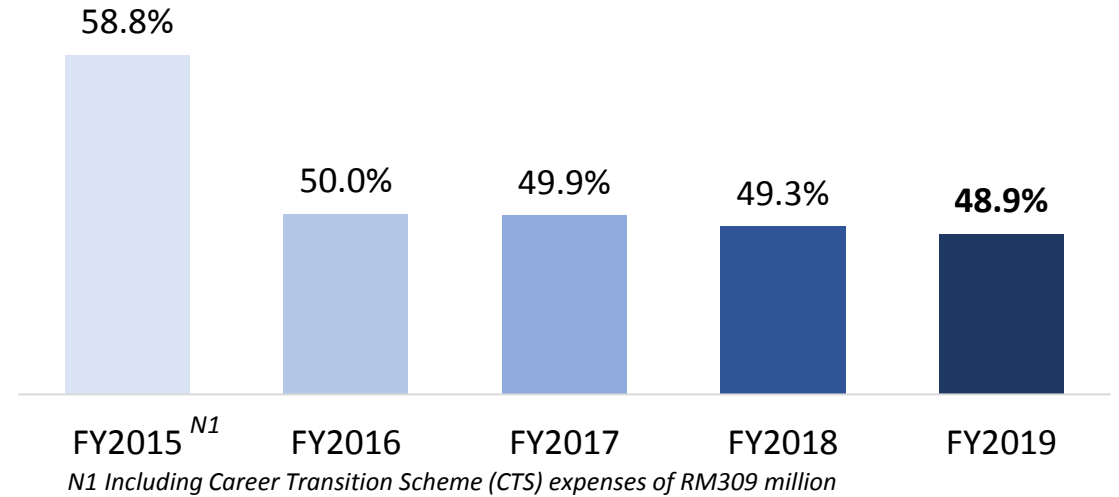
- Impaired Loans (Pre MFRS 9)
- Impaired Loans (Post MFRS 9 Adoption)
- Loan Loss Coverage Ratio
- Impaired Loans Ratio

## Best capitalised bank in Malaysia with all key financial ratios on improving trend

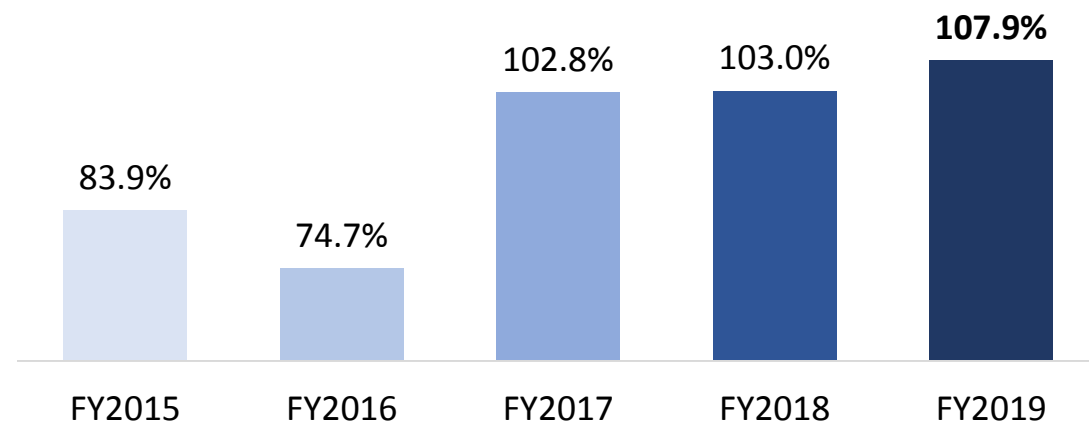
### Return on Equity



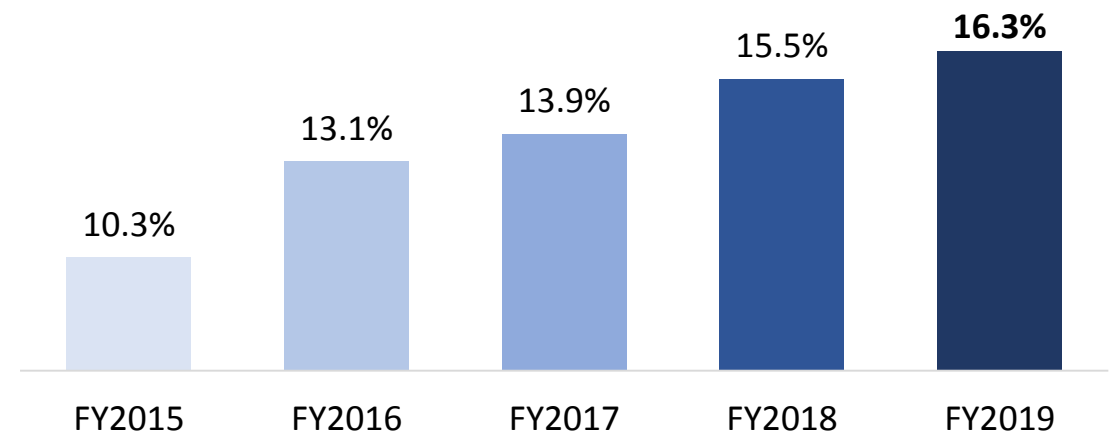
### Cost-to-Income Ratio



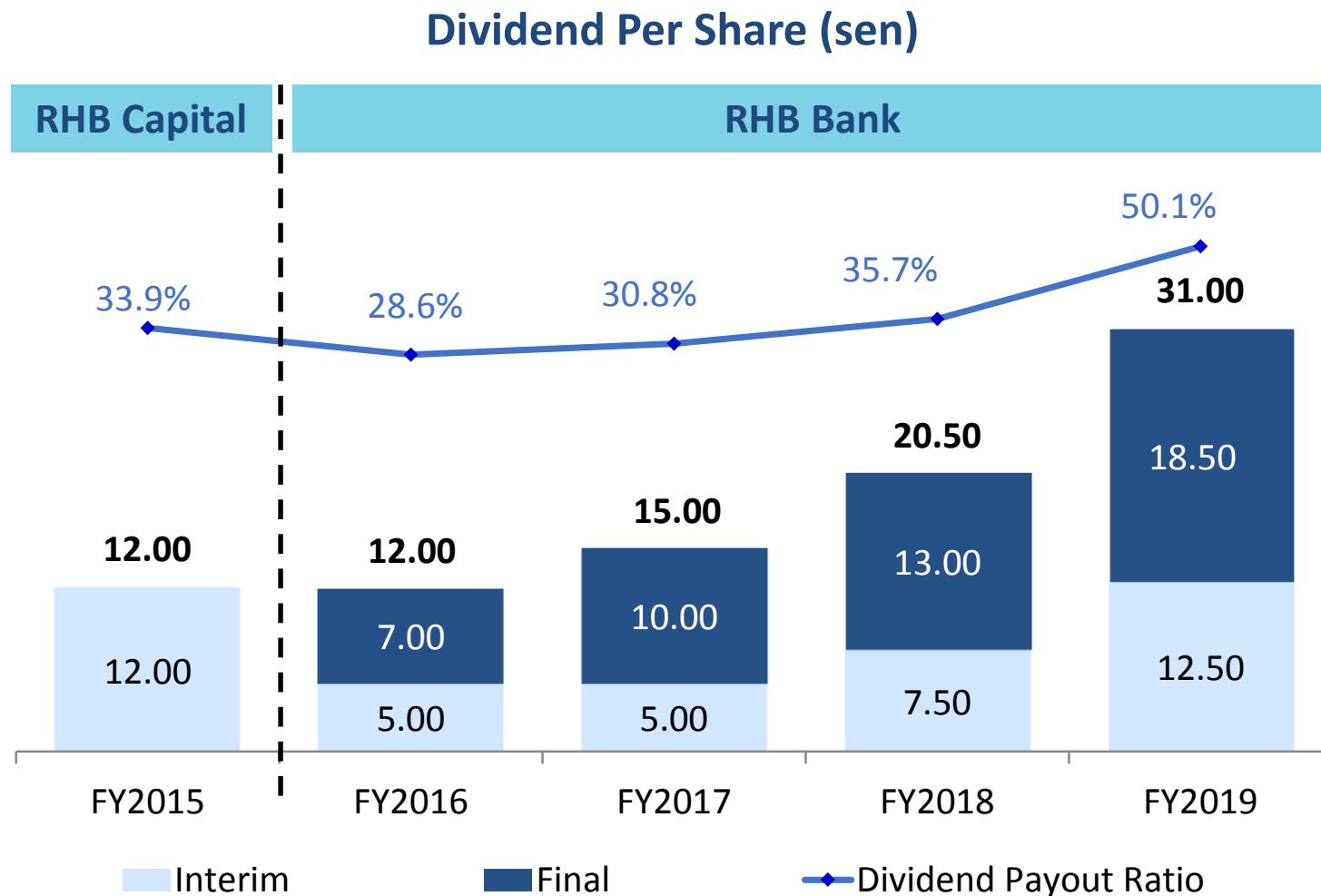
### Loan Loss Coverage



### Group CET 1 Capital Ratio



The Board has proposed a final cash dividend of 18.5 sen per share; Together with the interim dividend paid, total dividend of 31.0 sen per share for FY2019 represented 50.1% payout





**Strategy Update**

# FIT22 Key Highlights in FY2019



## Fund our Journey

### Grow Affluent, leveraging on SME customer base

- Premier customers up 15.2% to 69.8k, 34.4% are SME owners
- AUM of Premier customers up 14.0% to RM33.4 bil

### Continue to win in the SME space

- SME loans 4.9% to RM19.9 bil, RSME grew 4.2%
- SME e-Solutions enhanced through API integration - customers grew to 6.3k (>100% YoY)

### Increase share of wallet: Large Caps & Mid Caps

#### Fee Income Market Share

- Large Cap 25.2% (2018: 23.4%), penetration rate at 82.6% (2018: 82.5%)
- Mid Cap 20.6% (2018: 27.8%), penetration rate at 61.2% (2018: 58.6%)

### Boost retail deposits

- Deposits grew by 10.0% to RM57.7 bil



## Invest to Win

### Digital & Analytics

- RHB MyHome App 1st in ASEAN. Interfaced RHB MyHome App with new mortgage origination system (FLASH)
- SME Online Financing loan application portal/web to apply for financing within 10 minutes; ≤24 months, ≤RM500k
- Revenue from analytics use cases of RM50.4 mil

- Launched RHB Mobile Banking App in April 2019 with user friendly functionalities;
- >400k customers onboarded

## Transform the Organisation

### Implement AGILE@Scale

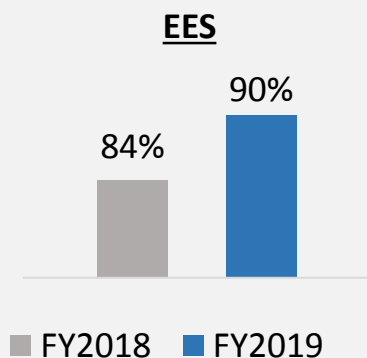
- Wave 2 – business and functional units (Group Retail Banking, Group Business & Transaction Banking, Group Technology Services and Group Human Resources).
- 351 FTE enhancements from pilot, Wave 1 and Wave 2 rollouts



# Other Group Achievements in FY2019

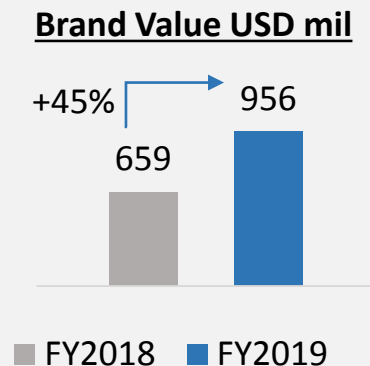
## Strengthen Talent Base

- Identified 1,153 talents across the Group and enrolled them into accelerated leadership development programs
- Hired and groomed 48 Management Associates to secure our talent pipeline
- Set up RHB Digital Academy to train staff to be next-generation digital leaders and workforce. We have to-date trained >1,000 staff
- Employee Engagement score (EES) of 90% (84% in 2018) higher than financial industry average of 89%
- Employer ranking (M100) improved to #2 among local banks (2018: #6), #13 overall (2018: #40)



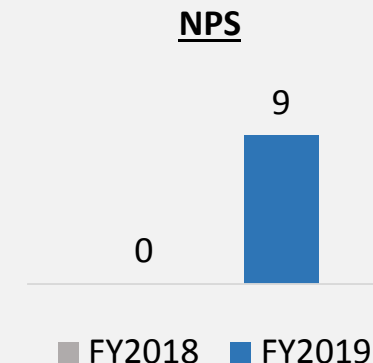
## Enhance Brand Value

- RHB brand refresh led to improved brand recognition
- Putra Brand Awards 2019 - Silver in Banking, Investment & Insurance (Bronze in 2018)
- Increased brand value by 45% to USD956 million, from increased customer preference towards RHB
- Malaysia's 14<sup>th</sup> most valuable brand (from 18<sup>th</sup> in 2018)



## Improve Customer Experience

- Rolled out the RHB Way Service Culture
- Improvement in Net Promoter Score ("NPS") by +9 points for Malaysia and +20 points for RHB Singapore
- Abandoned call rate at 3.1%, (vs industry at 5%), 82% of calls answered within 20 seconds.
- Learning workshops on customer service skills for frontliners and senior leaders
- "Chat over Teh Tarik" with over 3,000 SME customers at >150 branches nationwide to better understand their needs



# Agile has delivered meaningful benefits to RHB across 4 key objectives



## Improved customer experience

Delivered innovative and first-of-its kind product in Malaysia

- SME e-Solution
- SME Online Financing
- RHB Rewards Motion Code credit card *(with dynamic CVV feature, 1<sup>st</sup> in SEA)*
- Bulk Account Opening service for payroll accounts *(first fully digital service in Malaysia)*



## Faster speed-to-market

~30% accelerated TAT speed and product launch process

~4x faster speed to market for marketing campaign



## Increased productivity

15% improved in productivity

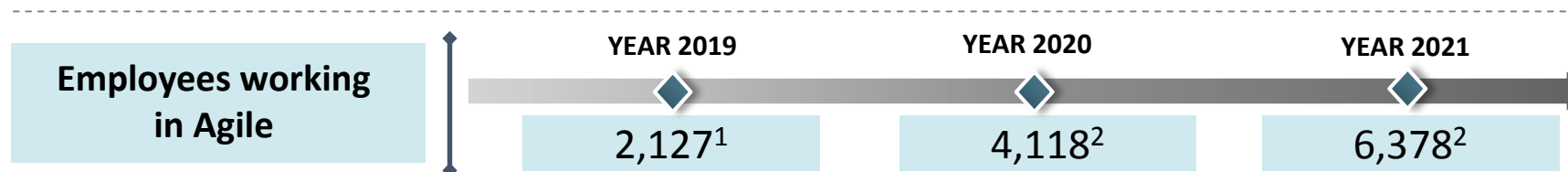
351 FTE enhancement



## Greater employee engagement

Strong improvement across “Purpose, Autonomy, Teamwork and Resources” (by ~50%) for the AGILE squads

Improvement in EES from 84 to 90 in 2019 with positive sentiments around Agile ways of working



1. FTEs from Agile Transformation of Retail, SME, Transaction Banking & Technology Services  
 2. Estimated FTEs from Agile Transformation of Grp HR, Wholesale Business and Functional groups



4

**Sustainability Update**

# Group Sustainability Framework and ESG Accolades



## Sustainable & Responsible Banking



### ESG Risk Management:

- ESG risk-related activities identified under Prohibited Credits
- ESG Sensitive Sectors with ESG vulnerabilities have been identified
- Developed ESG Risk Assessment Tool for identified ESG Sensitive Sectors

### Sustainable Financing:

- Committed to extend RM5 billion by 2025, to support green activities (RM2.8 billion extended as at Dec 2019)
- Transition to a low-carbon and climate-resilient economy through either lending, advisory and/or investment activities



## Embedding Good Practices



### Effective Employee Engagement:

- Improved Employee Engagement score to 90%, higher than the Malaysian financial industry average (89%)
- Invested approximately RM43 million in learning and development programmes for employees in FY2019

### Diverse and inclusive leadership (women's representation):

- 27% of Directors on the Board
- 27% of Senior Management
- 50% of Management



## Enriching & Empowering Communities



### Nurturing future generations through quality education:

- 1,200+ students from underprivileged backgrounds benefitted from RHB X-Cel Academic Excellence Programme since 2018
- 10 students received RHB X-Cel Star Scholarship in 2019, with plans to increase to 15 per annum
- Engaged over 22,000 students through Money Ma\$ter financial literacy programme since 2018

### RHB Touch Hearts:

Touching the lives of underprivileged and underserved community members

Over the last four years through RHB TouchHearts programme:

- RM1.7 million raised by RHB employees, benefitting more than 100,000 people



ESG ACCOLADES & RECOGNITION



FTSE4Good

### FTSE4Good Index Series constituent

- FTSE4Good Bursa Malaysia Index
- FTSE4Good ASEAN5 Index
- FTSE4Good Emerging Index

'AA'  
as at  
Sept 2019

### MSCI ESG Rating

- 2019: AA (Leader)
- 2018: A (Average)
- 2017: BB (Average)



**COVID-19 Updates**

# RHB implemented comprehensive measures to mitigate effects of COVID-19

## Customers

- **Retail and SME:**
  - 6-month automatic moratorium for Retail and SME customers
  - Focused effort to extend Special Relief Fund (SRF) financing. As at 15 May, total of RM1,264 mil approved
- **Corporate and Commercial:**
  - Proactively reached out to customers, giving options for moratorium
  - As at 15 May, moratorium approved is RM7,975 mil
  - Assist in R&R where appropriate
- No compounding of interest on the deferred amount
- Delivered a series of financial management content to provide market insights and guidance to customers:
  - Co-sponsored webinars with The Star and Google
  - Produced Global Market Outlook podcast twice a week
- Sole disbursement bank for KWSP i-Lestari and Bantuan Khas Sarawaku Sayang, totaling RM3.6 mil for 400k recipients

## Employees

- During MCO, ~50% of branches closed, only ~20% of branch staff working and shorter hours
- At HQ and other offices, ~70% of staff worked from home, enabled by laptops and VPNs, or mobile devices
- Post MCO, staff to return in a coordinated basis and 20% of staff to work from home as part of new normal
- Learning and engagement activities shifted to online/virtual platforms
- Humanitarian fund established to assist staff with immediate family members affected by the MCO – RM450k raised, benefited some 500 employees

## Community

- Contributed RM1 mil to Ministry of Health for essential supplies needed by frontliners
- Contributed RM1 mil to MERCY Malaysia, for programmes under MERCY's COVID-19 Strategic Preparedness and Response Plan
- Committed RM1 mil for other COVID-19 initiatives RHB will be undertaking
- Supplied 600 meals daily from 23 Mar to frontliners in 8 hospitals across Klang Valley, Selangor, Johor and Sarawak
- Re-purposed RM300k festive gift budget to help the B40 group instead, benefiting 393 families and 20 orphanage/shelter homes in Malaysia, Cambodia and Laos

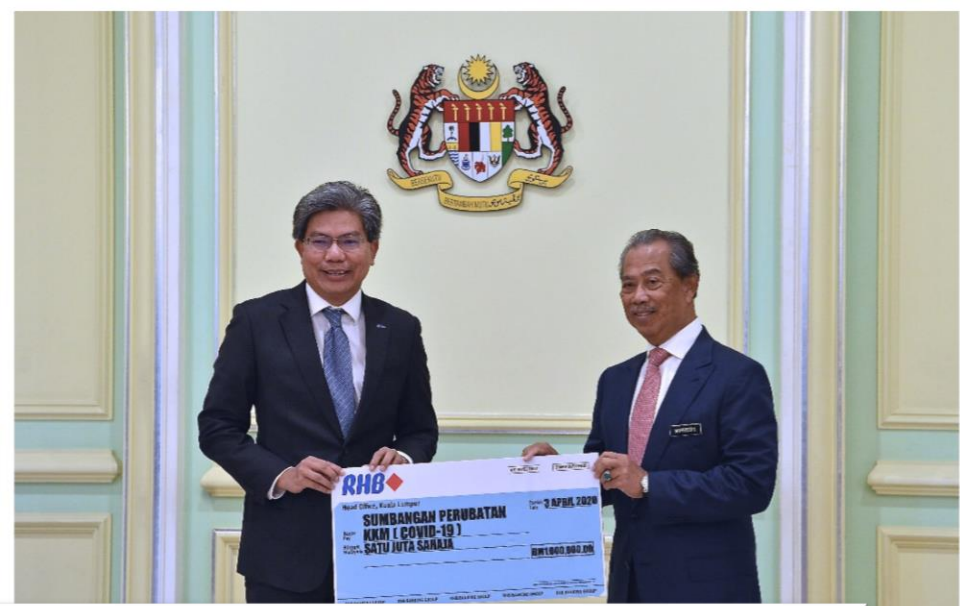


**Concluding  
Remarks**

- **The Group recorded its highest ever profit in 2019 and continued to make improvements in its business fundamentals**
- **Results demonstrate the Group's strengths and resilience operating under challenging environment and continued progress in FIT22 strategy implementation**
- **COVID-19 pandemic, coupled with low commodities prices, has caused a significant disruption to economic and business activities. Business environment is unprecedented and remains fluid**
- **We remain cautious, placing utmost importance in ensuring business continuity, attending to urgent customer needs and assisting our staff who may be facing difficulties. Moving forward, we have shifted our gears towards coming out of this pandemic stronger**
- **We are confident that the Group will remain resilient, with sufficient liquidity and ample capital to steer through the uncertain and challenging outlook**
- **Stay the course with our FIT22 strategy but will prioritise initiatives to overcome the threats and capitalise on opportunities**
- **Thank you shareholders for your faith and trust in us!**



# RHB CSR Programme



**SME Special Relief Facility** 

Trying times may bring you down.  
We're here to keep you  
*up and running.*



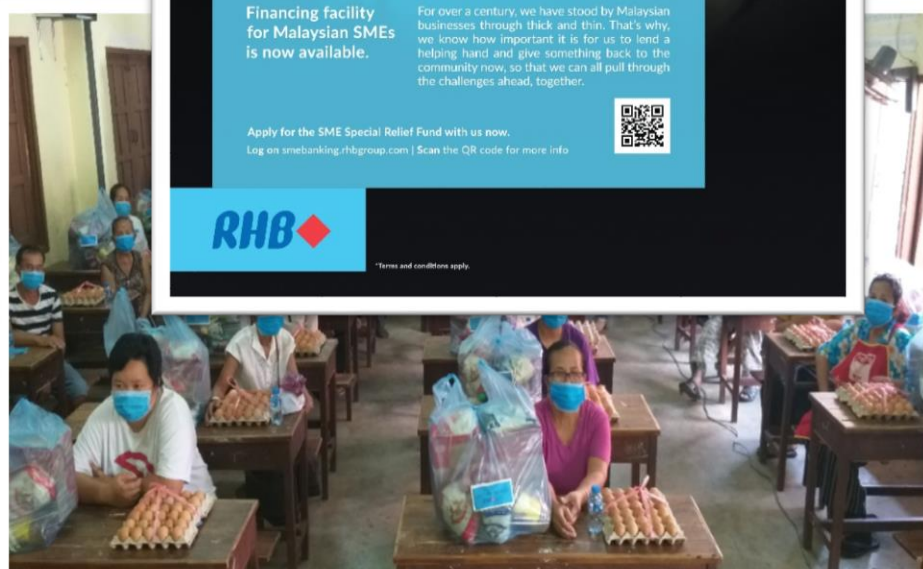
**Financing facility for Malaysian SMEs is now available.** For over a century, we have stood by Malaysian businesses through thick and thin. That's why, we know how important it is for us to lend a helping hand and give something back to the community now, so that we can all pull through the challenges ahead, together.

Apply for the SME Special Relief Fund with us now.  
Log on [smebanking.rhbgroup.com](http://smebanking.rhbgroup.com) | Scan the QR code for more info



**RHB** 

\*Terms and conditions apply.



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