



RHB Bank achieves Net Profit of RM761.7 million for Q1 2023

- ◆ Pre-tax profit grew 15.8% Y-o-Y to RM1,005.2 million
- ◆ Net profit grew 30.8% Y-o-Y to RM761.7 million
- ◆ Total income grew 3.0% Y-o-Y to RM1,907.7 million mainly from higher non-fund based income of RM534.0 million
- ◆ Cost-to-income ratio increased marginally to 44.9% from 44.8% a year ago
- ◆ Expected credit losses (ECL) reduced by 70.1% Y-o-Y to RM46.0 million
- ◆ Gross loans grew 6.0% Y-o-Y to RM213.4 billion primarily driven by mortgage, auto finance, SME and Singapore
- ◆ Customer deposits remained stable at RM226.4 billion. CASA made up 28.1% of total deposits
- ◆ Islamic financing grew 8.1% Y-o-Y, contributing 44.9% of total domestic loans and financing
- ◆ ROE at 10.3%
- ◆ Baseline Credit Assessment upgrade from baa2 to baa1 by Moody's Investors Service

Kuala Lumpur, 26 May 2023

RHB Bank Berhad (“the Group”) announced today its financial results for the first quarter ended 31 March 2023.

- The Group’s net profit for the first three months ended 31 March 2023 rose 30.8% year-on-year to RM761.7 million attributed mainly to higher non-fund based income and lower ECL.
- Net fund based income declined by 6.6% to RM1,373.7 million on the back of higher funding costs, attributed mainly to fixed deposits growth of 9.9% year-on-year. NIM for the quarter was 1.90% compared with 2.16% recorded in the corresponding period last year.
- Non-fund based income increased by 39.7% to RM534.0 million, primarily from higher net gain on forex and derivatives, and higher net trading and investment income.
- Operating expenses increased by 3.1% to RM856.5 million mainly from higher establishment, marketing, and administration and general costs. Cost-to-income ratio increased marginally to 44.9% compared with 44.8% a year ago.
- ECL reduced by 70.1% to RM46.0 million from lower ECL on loans and net writeback for ECL on securities. Correspondingly, the annualised credit charge ratio improved to 0.10% compared with 0.29% for the same period last year.

Balance Sheet & Capital Position Remained Robust

- Total assets for the Group increased 0.5% from December 2022 to RM312.4 billion as at 31 March 2023. Net assets per share was RM7.04, with shareholders’ equity at RM29.9 billion as at end-March 2023.
- Our capital position remained strong; the Group’s Common Equity Tier-1 (CET-1) and total capital ratio stood at 16.9% and 19.7% respectively.



- The Group's gross loans and financing grew 6.0% year-on-year to RM213.4 billion, mainly supported by growth in mortgage, auto finance, SME and Singapore. Domestic loans and financing grew 4.7% year-on-year.
- Gross impaired loans was RM3.4 billion as of March 2023 with gross impaired loans ratio of 1.59%, compared with RM3.3 billion and 1.55% respectively as of December 2022. Loan loss coverage ratio for the Group, excluding regulatory reserves, remained healthy at 109.4% as at end-March 2023, compared with 112.8% in December 2022.
- Customer deposits remained stable year-on-year at RM226.4 billion, attributed to growth in fixed deposits of 9.9%. CASA composition stood at 28.1% whilst liquidity coverage ratio (LCR) remained sound at 147.3% as at 31 March 2023.

Performance Review of Key Business Units

- **Group Community Banking**
 - Group Community Banking posted a 23.4% year-on-year increase in pre-tax profit to RM496.2 million mainly due to higher net fund based income and lower ECL.
 - Gross loans and financing grew 6.4% year-on-year to RM134.5 billion, primarily driven by growth in mortgages (+9.8%), auto finance (+8.0%) and SME (+5.7%).
 - Deposits increased by 4.5% year-on-year to RM106.7 billion, mainly contributed by growth in fixed deposits (+10.4%).
- **Group Wholesale Banking**
 - Group Wholesale Banking posted a pre-tax profit of RM418.5 million, 10.6% lower year-on-year mainly due to lower net fund based income and higher operating expenses.
 - Gross loans and financing grew marginally by 0.6% year-on-year to RM50.2 billion, driven by growth in Commercial (+2.7%).
 - Deposits contracted 7.9% year-on-year to RM92.0 billion primarily from lower money market time deposits (-30.5%).
- **Group International Business** posted a 216.6% year-on-year increase in pre-tax profit to RM66.5 million.
 - **RHB Bank Singapore** reported a pre-tax profit of SGD15.3 million, >100% higher than SGD1.3 million recorded in the corresponding period last year attributed to higher net fund based and non-fund based income, and lower ECL. Gross loans and advances grew by 6.4% year-on-year to SGD7.0 billion, while deposits increased by 8.0% to SGD7.1 billion.
 - **RHB Bank Cambodia** reported a pre-tax profit of USD2.8 million, 40.6% year-on-year increase attributed to higher non-fund based income and lower ECL. Gross loans and advances grew by 18.8% year-on-year to USD785.4 million while deposits contracted by 9.4% to USD487.7 million.
- **RHB Insurance** registered a pre-tax profit of RM21.7 million, 44.7% year-on-year increase attributed to higher net investment income and lower operating expenses.



- **RHB Islamic Bank** recorded a 1.8% year-on-year increase in pre-tax profit to RM259.7 million mainly due to higher non-fund based income and lower ECL.
 - Gross financing grew 8.1% year-on-year to RM82.8 billion.
 - Islamic business contributed 44.9% of the Group's total domestic gross loans and financing, an improvement from 44.6% in December 2022.

Conclusion

Malaysia economy is projected to grow by 5.0% year-on-year in 2023 anchored on resilient domestic demand arising from robust labour market conditions and household income. Despite continued risks from the slowdown in external demand, stabilisation of global financial conditions is expected, with policy interest rate reaching its peak and inflationary momentum easing on a sustained basis potentially in the latter part of the year.

The domestic banking sector is projected to remain resilient with strong fundamentals whilst the monetary policy remains accommodative, displayed by the recent normalisation of OPR to 3.00%.

“The Group posted higher net profit for the first quarter ended 31 March 2023 compared with the same period last year, delivering resilient performance amid continued challenges in the operating environment. The Group remains focused on strengthening our balance sheet and will continue to uphold our strong capital and liquidity positions. Our prudent management stance has put us in good stead, as reflected by the Baseline Credit Assessment upgrade to baa1 by Moody's Investors Service in March 2023.

From a sustainability standpoint, we have achieved more than RM3 billion in Sustainable Financial Services for the first quarter ending 31 March 2023. We are on track in achieving our 2026 aspirations under our Sustainability Strategy and Roadmap, with a cumulative achievement of more than RM14 billion in Sustainable Financial Services, equivalent to 73% of our 2026 target of RM20 billion. We will continue to intensify our efforts in integrating ESG considerations into our business and decision-making process, with emphasis on establishing the Group's financed emissions baseline in line with the Group's aspiration to develop a pathway to net zero by 2050 as well as facilitating our customers, particularly the SMEs, towards sustainable business practices.

We continue to promote financial inclusivity amongst Malaysian youths through the Kad Prihatin Siswa (“KPS”) Project, in collaboration with the Ministry of Higher Education, which involves all public universities (“IPTAs”) and their students nationwide. As the sole banking partner, RHB Islamic Bank will be offering basic banking services together with specially designed RHB Debit Cards, which double as university matriculation identification cards to a targeted number of 1.2 million students by 2026. As at 1Q 2023, approximately 438,000 students from 17 IPTAs have opened their RHB Pro Savings Account-i and we target to complete the KPS activation to a total of 20 IPTAs within this year. Under the KPS Project, students will be able to conveniently access and manage their funds including the distribution of Perbadanan Tabung Pendidikan Tinggi (“PTPTN”) funds.



Building a strong service culture will be one of our key priorities under TWP24, in line with our aspiration of becoming a leader in Service Excellence. We will double down on our effort towards re-energising our service culture and elevate our service levels through continuous employee upskilling to ensure improved product knowledge in order to deliver market leading service differentiation,” said Mohd Rashid Mohamad, Group Managing Director / Group Chief Executive Officer of RHB Banking Group.

Key Financial Highlights

Financial Performance (RM'000)	3 Months Ended 31 March 2023	Restated 3 Months Ended 31 March 2022
Net income	1,907,725	1,852,911
Operating profit before allowances	1,051,217	1,022,023
Profit before taxation	1,005,182	868,206
Profit attributable to equity holders of the Company	761,668	582,328
Earnings per share (sen)	17.9	14.1

Balance Sheet (RM'000)	As at 31 March 2023	Restated As at 31 December 2022
Gross loans, advances and financing	213,358,642	212,200,142
Gross impaired loans, advances and financing ratio (%)	1.59%	1.55%
Deposits from customers	226,432,406	227,159,762
Total assets	312,372,829	310,771,262
Equity attributable to equity holders of the Company	29,883,961	28,736,072
Net assets per share (RM)	7.04	6.77

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 ('MOU') with Axiata Group Berhad ('Axiata Group')

On 2 June 2021, the Bank entered into a MOU with Axiata Group to jointly explore the potential strategic collaboration opportunities. Following the signing of the MOU, the Bank had on the same day entered into a heads of agreement with Boost Holdings Sdn Bhd ('Boost Holdings'), a 75.36% subsidiary of Axiata for the purpose of regulating the terms for 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 has 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').

The Bank, Boost Holdings and Boost Berhad had on 31 March 2023 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, the Bank, Boost Holdings and Boost Berhad had on 31 March 2023 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 further disclosed in Note B6(a) of the Interim Financial Statements.

Subject to satisfying the operational readiness requirements by BNM and barring any unforeseen circumstances, the Proposed Digital Bank is targeted to be operational in the second half of 2023, and shall focus on the underserved, unserved and/or unbanked segment primarily within Malaysia with the aim of building a more inclusive financial sector in Malaysia.