



RHB Bank records net profit of RM2.31 billion, up 18.2% for FY 2018

- ◆ Total income grew 6.6% Y-o-Y
- ◆ Pre-tax profit rose 21.9% Y-o-Y to RM3.12 billion
- ◆ Cost-to-income ratio improved to 49.3% from 49.9% a year ago
- ◆ Gross loans up 5.5% Y-o-Y to RM168.9 billion while domestic loans grew 5.6% Y-o-Y supported by resilient growth in mortgages and SME;
- ◆ Customer deposits increased 7.2% Y-o-Y to 178.9 billion; CASA stood at 25.9% of total deposits
- ◆ Islamic Banking contributes 34.2% of total domestic loan and financing from 29.7% a year ago
- ◆ ROE at 10.3%
- ◆ Proposed final dividend of 13.0 sen per share, dividend payout of 35.7% for FY2018
- ◆ Future dividend payouts to be at least 30% of net profit

Kuala Lumpur, 27 February 2019

RHB Bank Berhad (“the Group”) announced today its financial results for the financial year ended 31 December 2018.

- The Group posted a record net profit of RM2.31 billion, up 18.2% year-on-year (Y-o-Y). Key contributors include:
 - Increase in net fund based income by 8.5% to RM4.94 billion from a year ago.
 - Gross fund based income increased by 7.8% on the back of a 5.5% increase in gross loans and financing, whilst funding and interest expense rose 7.3% year-on-year.
 - The Group registered a higher NIM of 2.24% for the full year compared to 2.18% in 2017 supported by growth in loans and continued prudence in the management of funding cost.
 - Non-fund based income grew by 1.8% to RM1.86 billion, contributed largely by higher net foreign exchange gain and trading and investment income.
- Operating expenses increased by 5.4% to RM3.36 billion from a year ago driven by a rise in personnel costs and IT-related expenses as the Group continued to invest in technology infrastructure and Digital capabilities. Nevertheless, cost-to-income (CIR) ratio improved to 49.3% from 49.9% a year ago.
- Allowances for credit losses on loans was RM322.4 million, 22.8% lower Y-o-Y primarily due to certain recoveries recorded in the current period, coupled with substantial impairment provided for oil and gas related companies in the corresponding period.
 - Full year credit charge ratio stood at 0.19% compared with 0.26% over the same period last year.
- Allowances for credit losses on other financial assets were significantly lower by RM241.8 million mainly due to improved ratings of investment portfolio and the absence of impairment provided on an oil and gas related bond in Singapore last year.



Fourth Quarter 2018 Earnings Against Fourth Quarter 2017

- On a quarter Y-o-Y basis, net profit for the current quarter was at RM565.4 million, 22.9% higher than RM460.1 million recorded in the same quarter ended 31 December 2017. This was due to higher net fund based income and lower allowances for credit losses on loans and other assets.

Balance Sheet & Capital Position Remained Robust

- Total assets of the Group increased by 5.6% Y-o-Y to RM243.2 billion as at 31 December 2018. Shareholders' equity stood at RM23.4 billion, with net assets per share at RM5.82.
- Our capital position remains strong; Common equity tier-1 ("CET-1") and total capital ratio of the Group after the FY2018 final dividend are among the highest in the industry, at 15.49% and 18.78% respectively.
- The Group's gross loans and financing grew by 5.5% year-on-year to RM168.9 billion. Domestic loans and financing grew 5.6% year-on-year contributed by resilient growth in mortgages and SME. The Group's domestic loan market share stood at 9.1% as at end December 2018.
- Customer deposits increased by 7.2% to RM178.9 billion with a healthy liquidity coverage ratio ("LCR") of 143.0%.
- Total current and savings account ("CASA") composition stood at 25.9% of total deposits.
- Gross impaired loans ratio improved to 2.06% from 2.23% a year ago with gross impaired loans at RM3.48 billion as at 31 December 2018
- We continue to be prudent in loan loss provision with loan loss coverage standing at 103.0% as at end December 2018.



Performance Review of Key Business Units

- **Retail Banking**
 - Retail Banking reported a pre-tax profit of RM1,002.7 million, 4.4% higher than the previous year. This was due to higher net fund based income and non-fund based income.
 - Retail loans and financing rose 11.1% to RM84.6 billion as at 31 December 2018, driven mainly by growth in mortgages and personal financing. Mortgage loans grew strongly by 14.0% from December 2017.
 - Retail deposits increased by 10.4 % year-on-year to RM52.5 billion, contributed by 18.3% increase in fixed deposits.

- **Group Business Banking**
 - Group Business Banking recorded a pre-tax profit of RM397.7 million, a 1.3% increase year-on-year mainly due to higher net fund based income.
 - Gross loans and financing expanded by 5.7% to RM25.3 billion driven primarily by Retail SME portfolio.
 - Customer deposits recorded a robust 15.8% growth to reach RM25.7 billion as at 31 December 2018 due to strong growth in fixed deposits and current account.

- **Group Wholesale Banking** recorded a pre-tax profit of RM1.8 billion, an increase of 2.7% from the previous year.
 - **Group Corporate and Investment Banking** registered a 4.1% increase in pre-tax profit to RM593.8 million on the back of higher non-fund based income and net fund based income. Gross loans and financing decreased by 3.8% to RM43.6 billion due to several large corporate repayments. Deposits decreased by 11.6% over the same period to RM50.6 billion primarily due to a decrease in fixed deposits.
 - **Group Treasury and Global Markets** recorded a 2.0% growth in pre-tax profit to RM1,188.7 million, mainly due to higher net fund based income and net foreign exchange gain. Total deposits increased by 51.3% to RM32.7 billion to meet the Group's funding requirements.

- **RHB Bank Singapore** recorded a pre-tax profit of SGD42.0 million compared with a pre-tax loss of SGD102.3 million in the previous year.
 - This was mainly attributed to lower expected credit losses as substantial allowances were provided for corporate bonds and loans in the oil and gas industry in the previous financial year.
 - Singapore loans and advances grew by 3.3% to SGD3.9 billion, whereas customer deposits declined by 11.7% to SGD4.4 billion.

- **International Business** excluding Singapore registered a pre-tax profit of RM89.6 million, 47.9% higher than a year ago, mainly attributed to improved profitability in Cambodia and Thailand.



- **RHB Group's Islamic business** recorded 20.7% Y-o-Y growth in pre-tax profit to RM579.2 million due to higher net fund based and non-fund based income.
 - Gross financing recorded a robust double digit growth of 21.6% Y-o-Y to RM52.3 billion.
 - Islamic business contributes 34.2% to the Group's total domestic gross loans and financing, up from 29.7% as at 31 December 2017.



Conclusion

Malaysia's GDP is expected to grow by 4.6% in 2019. Private sector activity will continue to be the primary driver of growth while a recovery in the commodity output is anticipated to support export growth.

For the banking sector, loans is expected to grow between 5% and 5.5%, supported both by the consumer and business segments.

"We are pleased to have delivered a good set of performance in 2018, improving our ROE in excess of 10%. Our fundamentals are strong with high capital ratios, healthy liquidity position and adequate coverage for loan losses.

We will continue to invest in technology infrastructure and digital capabilities and promote the culture of an AGILE way of working to enhance our competitive edge, improve operational efficiency and serve our customers better. In the first year since the launch of our five-year strategy, FIT22, we have gained positive traction. Nevertheless, we remain cautious of the continued challenging global economic environment," said Dato' Khairussaleh Ramli, Group Managing Director of RHB Banking Group.



Key Financial Highlights

Financial Performance (RM'000)	12 Months Ended 31 December 2018	12 Months Ended 31 December 2017
Operating profit before allowances	3,447,958	3,200,194
Profit before taxation	3,119,055	2,558,132
Profit attributable to equity holders of the Company	2,305,196	1,950,145
Earnings per share (sen)	57.5	48.6

Balance Sheet (RM'000)	As at 31 December 2018	As at 31 December 2017
Gross loans, advances and financing	168,878,527	160,123,910
Gross impaired loans, advances and financing ratio (%)	2.06%	2.23%
Deposits from customers	178,856,330	166,865,031
Total assets	243,165,679	230,209,926
Equity attributable to equity holders of the Company	23,357,987	23,149,714
Net assets per share (RM)	5.82	5.77

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.

For analyst enquiries, contact:
Syed Ahmad Taufik Albar
Group Chief Financial Officer
Tel: 603 9280 7090
Email: taufik.albar@rhbgroup.com

Website: www.rhbgroup.com

For media enquiries, contact:
Norazzah Sulaiman
Group Chief Communications Officer
Tel: 603 9280 2125
Email: norazzah@rhbgroup.com



About the 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 acquisition by RHB Investment Bank of the remaining 51% equity interest in Vietnam Securities Corporation ('VSEC') ('Proposed Acquisition')

RHB Investment Bank, a wholly-owned subsidiary of the Bank, has on 9 February 2018 entered into a conditional share purchase agreement ('CSPA') with Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company for the acquisition of the remaining 51% equity interest in VSEC, comprising 6,885,000 existing common shares of VND10,000 each in VSEC for a purchase consideration of VND121,629,915,000 (equivalent to approximately USD5.365 million or RM21.285 million) to be satisfied wholly in cash.

The Proposed Acquisition is amongst others, subject to the approvals of BNM and State Securities Commission of Vietnam ('Vietnam SSC'). The Bank and RHB Investment Bank have submitted applications to BNM for the approval of the Proposed Acquisition and VSEC has also submitted an application to Vietnam SSC for the approval of the Proposed Acquisition and the conversion of the status of VSEC from a joint stock company into a single-member limited liability company ('Conversion').

Vietnam SSC and BNM had on 17 October 2018 and 12 December 2018 respectively, granted their approval to VSEC for the Proposed Acquisition.

RHB Investment Bank, Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company had on 27 December 2018, by way of an exchange of letter, mutually agreed to extend the period to satisfy or waive the conditions precedent of the CSPA to 28 February 2019.

On 29 January 2019, Vietnam SSC had granted its approval for the Conversion and the issuance of an amended license as a single-member limited liability company. VSEC has since become a wholly-owned subsidiary of RHB Investment Bank effective 19 February 2019.