



FOR IMMEDIATE RELEASE

RHB Bank Records 16% growth in Net Profit to RM1.95 billion for Financial Year 2017

- ◆ Pre-tax profit rose 14.6% to RM2.6 billion
- ◆ Cost-to-income ratio improved to 49.9%
- ◆ Gross loans up by 3.7% to RM160.1 billion supported by growth in mortgages and SME; Domestic loans grew 5.2% Y-o-Y
- ◆ Current and savings account balances up by 18.8%, improving CASA composition to 30.4%
- ◆ Customer deposits stable at RM166.2 billion as more expensive short term deposits were released
- ◆ Islamic Banking contributes 29.7% of total domestic loan and financing from 24.8% in 2016

Kuala Lumpur, 27 February 2018

RHB Bank Berhad (“the Group”) announced today its financial results for the financial year ended 31 December 2017. The Group reported a net profit of RM1,950.1 million compared with RM1,681.6 million recorded in 2016 or an increase of 16.0%. The improved performance was largely driven by higher net funding income, lower loan loss impairment and lower impairment losses on other assets, partially offset by higher overheads and lower non-fund based income.

Net fund based income increased by 5.4% to RM4,554.0 million year-on-year (Y-o-Y). This was mainly underpinned by growth in loans and prudent funding cost management particularly reflected in the healthy 18.8% CASA growth and replenishment of new sub-debts issuances at lower rates as well as redemption of a portion of senior notes during the year. The efforts brought about a stable NIM performance at 2.18% for the full year.

Non-fund based income declined 1.9% to record RM1,832.7 million from lower net gain on derivatives, commercial/investment banking fee income and insurance underwriting surplus. However, the impact was partly compensated by higher brokerage income in line with better trading volumes, higher Treasury trading and investment income, increase in net wealth management fee income and higher net foreign exchange gain.

Operating expenses were closely managed and rose by 2.9% to RM3,186.5 million from the previous financial year, attributed to higher personnel costs and IT-related expenses arising from investment in technology infrastructure and capabilities but a decline in office rental and related premises maintenance cost partially negated the impact. As a result, the Group's effective cost management continued to deliver positive results, translating to cost-income ratio of 49.9% from 50.0% a year ago.

Allowances for impairment on loans and financing declined by 28.3% to RM426.8 million, primarily due to pre-emptive provisions for legacy steel related exposure provided in the previous year. This led to improvement in credit charge for the full year to 0.27%, compared with 0.39% recorded last year.

Overall, impairment losses on other assets was lower by 19.6%, even after the Group took a more prudent approach for impairment of corporate bonds in Singapore.

Fourth Quarter 2017 Earnings Against Preceding Quarter

On a quarter-on-quarter ("Q-o-Q") basis, net profit for the fourth quarter of 2017 was 5.9% lower at RM460.1 million compared with RM488.8 million recorded in the preceding quarter. While operating profit before allowances grew 3.7% Q-o-Q, more prudent stance in impairment losses on other assets resulted in the reduction in profit.

Balance Sheet and Capital Position Strengthened

Total assets of the Group stood at RM230.2 billion as at 31 December 2017 while shareholders' fund improved further by 6.5% to RM23.1 billion. Net assets per share also rose 6.5% to RM5.77 from RM5.42 previously.

As at 31 December 2017, common equity tier-1 ("CET-1") and total capital ratio of the Group after the proposed final dividend, remained strong at 13.9% and 17.2% respectively. These capital ratios are well above the Basel III minimum transitional arrangement requirements of 5.75% and 9.25% respectively, positioning the Group as one of the best capitalised banking groups in Malaysia.

The Group's gross loans and financing grew by 3.7% Y-o-Y to RM160.1 billion. Domestic loans and financing grew 5.2% Y-o-Y with the Group's domestic loan market share up to 9.1% by end 2017 from 9.0% in 2016. The increase came mainly from mortgages and SME which grew 13.2% and 8.7% respectively, negated by a decline in corporate loans which is in line with the Group's strategy to rebalance its loan composition.

Customer deposits remained stable at RM166.2 billion as the Group consciously released more expensive deposits. The continued strong growth of total CASA at 18.8% over the year helped improve CASA composition to 30.4% from 25.6% a year ago. Liquidity coverage ratio and net stable funding ratio were above the regulatory requirements as at December 2017.

Overall, asset quality for the Group has improved. Gross impaired loans declined 4.9% to RM3.6 billion, while gross impaired loans ratio improved to 2.23% from 2.43% in 2016. Loan loss coverage for the Group including regulatory reserve has also surged to 101.6% from 74.7% a year ago.

Performance Review of Key Business Units

Retail Banking reported a pre-tax profit of RM1,089.9 million, 3.0% higher than the previous year driven by higher non fund based income and lower allowances for loans and financing. The impact was partially offset by lower net fund based income as yield competition intensified.

Retail loans and financing grew 8.7% to RM76.3 billion, boosted by expansion in mortgages and personal loans but were affected by contraction recorded in loans for purchase of securities and auto financing. Mortgage loans grew 15.8%, resulting in an improvement in domestic market share to 9.1% from 8.6% as at December 2016.

Retail deposits increased by 7.6% to RM47.6 million from higher fixed deposits and CASA account balances.

Group Business Banking achieved 4.8% growth in revenue. However, pre-tax profit declined by 12.1% to RM392.5 million owing to higher allowances for loans and financing and higher operating expenses.

Gross loans and financing registered an 8.6% growth driven mainly by the SME portfolio which improved its market share from 8.8% in 2016 to 9.0% as at December 2017. Strong current account growth contributed to the overall deposits growth of 2.3% from December 2016.

Group Wholesale Banking (“GWB”) registered a stronger performance for the year reflected in its pre-tax profit growth of 23.3% to RM1,735.6 million.

- (i) **Group Corporate and Investment Banking** recorded pre-tax profit of RM570.3 million or 8.5% increase arising from lower loan impairment, partially offset by lower net funding income and non-fund based income. Investment Banking in particular registered higher brokerage income but was affected by softer capital market and higher provision on margin accounts from overseas business. Asset management on the other hand recorded a 20.5% increase in pre-tax profit to RM59.3 million.

Gross loans and financing declined slightly by 1.9% to RM45.3 billion due to a few scheduled large corporate repayments.

Deposits increased by 7.7% to RM56.8 billion supported by 4.7% growth in fixed deposits and 24.7% growth in current account.

- (ii) **Group Treasury and Global Markets** recorded a strong 32.1% growth in pre-tax profit to RM1,165.3 million mainly due to higher net fund based income and higher net foreign exchange gain, partially offset by lower trading/investment income.

RHB Bank Singapore recorded a pre-tax loss of SGD102.3 million compared with a pre-tax loss of SGD90.3 million in the previous year, as the Group took a prudent approach to impairment losses made on corporate bonds and loans, especially those relating to the oil and gas industry. Singapore loans and advances declined 10.4% to SGD3.7 billion as the Group continued its strategy to rebalance its Singapore lending portfolio.

International Business excluding Singapore registered a pre-tax profit of RM60.6 million or 68.3% higher than a year ago, mainly due to improved profitability in Cambodia and Lao.

RHB Group’s Islamic business recorded 11.2% growth in pre-tax profit to RM479.9 million. This was mainly due to higher net fund based income and lower impairment losses on financing, partially offset by higher operating expenses.

Islamic gross financing continued its robust double digit growth momentum, with 26.1% growth to RM43.0 billion. It now contributes 29.7% to the Group’s total domestic gross loans and financing, up from 24.8% as at 31 December 2016. Asset quality of RHB Islamic continued to improve to 0.80% from 1.15% as at December 2016.

Conclusion

Malaysia's 2018 real GDP is projected to grow at a healthy pace of 5.2% on the back of sustained strong growth in private consumption and private investments.

The Malaysian banking sector is expected to see a recovery in loans growth primarily from stronger demand for business loans. Capital market activities are also expected to pick up which would help support non-interest income of banks.

"The results we have achieved attest to our resilience and ability to sustain growth momentum despite the challenging operating environment. The Group delivered a higher net profit Y-o-Y, underpinned by a strong domestic loans growth and prudent funding cost management, as we saw improvement in asset quality and operating cost management.

Moving into 2018, we expect a positive momentum across our core businesses. This, and our strong capital position will place the Group in a good position to drive growth and further value creation. With the conclusion of IGNITE 2017, the Group has embarked on a new 5-year Strategy which is underpinned by three key strategic thrusts, namely Funding the Group Journey, Invest to Win in the medium term and Transform the Organisation or FIT22 in short. Within this Strategy, digital enablement will be a core priority towards better productivity and efficiency, enhanced customer centricity and improved workplace for our employees", said Dato' Khairussaleh Ramli, Group Managing Director of RHB Banking Group.

Key Financial Highlights

Financial Performance (RM'000)	2017	2016
Operating profit before allowances	3,200,194	3,094,506
Profit before taxation	2,558,132	2,231,841
Profit attributable to equity holders of the Company	1,950,145	1,681,624
Earnings per share (sen)	48.6	43.6
Balance Sheet (RM'000)	2017	2016
Gross loans, advances and financing	160,123,910	154,469,396
Gross impaired loans, advances and financing ratio (%)	2.23%	2.43%
Deposits from customers	166,157,751	165,636,253
Total assets	230,209,926	236,678,829
Equity attributable to equity holders of the Company	23,149,714	21,744,778
Net assets per share (RM)	5.77	5.42

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 the RHB Banking Group

The RHB Banking Group 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, Singapore Business Operations, Group Shariah Business, Group International Business and Group Insurance. Group Wholesale Banking comprises Corporate Banking, Investment Banking, Client Coverage, Group Treasury and Global Markets, Asset Management and Private Equity. All the seven business pillars are offered through RHB Bank Berhad and 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, Vietnam, Lao PDR and Myanmar. It is RHB Banking Group's aspiration to continue to deliver superior customer experience and shareholder value; and to be recognised as a Leading Multinational Financial Services Group.

APPENDIX

Significant Events/Corporate Development

1. Proposed Establishment of a Share Grant Scheme for Eligible Employees and Executive Directors of the Bank and its subsidiaries (“Proposed SGS”)

The Bank had on 26 August 2016 announced that it proposed to establish and implement a share grant scheme of up to 5% of the issued and paid-up share capital of the Bank (excluding treasury shares, if any) at any point in time during the duration of the Proposed SGS for employees and Executive Directors of the Bank and its subsidiaries (excluding subsidiaries which are dormant) who fulfil the eligibility criteria (“Eligible Employees”).

The Proposed SGS is to allow the Bank to award the grant of ordinary shares of RM1.00 each in the Bank (“RHB Bank Share(s)”) (“Grant(s)”) to be vested in selected Eligible Employees (“Selected Employees”) for the attainment of identified performance objectives. The Proposed SGS serves to attract, retain, motivate and reward valuable Eligible Employees.

The Proposed SGS is to be administered by a committee (‘SGS Committee’) comprising such persons as may be appointed by the Board from time to time. The SGS Committee will have the discretion in administering the Proposed SGS in accordance with the by-laws governing the Proposed SGS (‘By-Laws’).

The Proposed SGS shall be in force for a period of eight (8) years commencing from the effective date of implementation of the Proposed SGS, being the date of full compliance with all relevant provisions of the Main Market Listing Requirements of Bursa Securities Berhad (‘Bursa Securities’) in relation to the Proposed SGS, more particularly set out in the By-Laws.

In implementing the Proposed SGS, the SGS Committee may at its discretion decide that the vesting of any RHB Bank Shares comprised in a Grant under the Proposed SGS be satisfied by any of the following methods:

- (i) allotment and issuance of new RHB Bank Shares by the Bank to the Selected Employees, who accepted the Grants’ offers being made in writing to the Selected Employees (‘Offer(s)’) (‘Grantee(s)’);
- (ii) acquisition of existing RHB Bank Shares from the Main Market of Bursa Securities by the trustee, followed by the transfer of such RHB Bank Shares purchased by the trustee to the Grantees;
- (iii) cash payment in lieu of (i) or (ii) above;
- (iv) any other methods as may be permitted by the Companies Act, 2016; or
- (v) any combination of any of the above.

The new RHB Bank Shares to be allotted and issued pursuant to the Proposed SGS shall, upon allotment and issuance, rank equally in all respects with the then existing issued RHB Bank Shares.

The Proposed SGS is subject to approvals being obtained from the following:

- (i) Bursa Securities, for the listing of the new RHB Bank Shares to be issued pursuant to the Proposed SGS on the Main Market of Bursa Securities;
- (ii) Bursa Malaysia Depository Sdn Bhd for the transfer of existing RHB Bank Shares from the Trustee to the Grantees pursuant to the Proposed SGS at any point in time during the duration of the Proposed SGS, if required;
- (iii) Bank Negara Malaysia (“BNM”) for the increase in the issued and paid-up share capital of the Bank pursuant to the Proposed SGS;
- (iv) shareholders of the Bank at an extraordinary general meeting (“EGM”) to be convened; and
- (v) any other relevant authorities/parties, if required.

The Proposed SGS is not conditional or inter-conditional upon any other corporate exercise/scheme by the Bank.

Bursa Securities has, vide its letter dated 15 December 2016, approved the listing of and quotation for the new RHB Bank Shares to be issued pursuant to the Proposed SGS subject to the following conditions:

- (i) RHB Investment Bank, the adviser for the Proposed SGS, is required to submit a confirmation to Bursa Securities of full compliance of the SGS pursuant to paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders approving the Proposed SGS in a general meeting; and
- (ii) the Bank is required to furnish Bursa Securities on a quarterly basis a summary of the total number of RHB Bank Shares listed as at the end of each quarter together with a detailed computation a listing fees payable.

Subsequent thereto, Bursa Securities had, vide its letter dated 5 January 2017, granted the Bank an extension of time until 28 April 2017 to comply with Paragraph 9.33(1)(b) of the Main Market Listing Requirements of Bursa Securities.

On 11 April 2017, the Bank has submitted the following two applications to Bursa Securities:

- (i) Extension of time until 29 December 2017 to implement the Proposed SGS; and
- (ii) Further extension of time from 28 April 2017 to 14 December 2017 for the Bank to comply with Paragraph 9.33(1)(b) of the Main Market Listing Requirements of Bursa Securities.

Bursa Securities had on 21 April 2017 granted the Bank the extension of time until 29 December 2017 to implement the Proposed SGS, and further extension of time from 28 April 2017 to 14 December 2017 to comply with Paragraph 9.33(1)(b) of the Main Market Listing Requirements of Bursa Securities.

The Bank had on 21 December 2017 announced that it has decided to explore alternative schemes for its employees and Executive Directors. In this regard, the Bank shall not proceed with the implementation of the Proposed SGS. As such, the approval from Bursa Securities for an extension of time until 29 December 2017 above will therefore be allowed to lapse.

2. Internal reorganisation - transfer of certain businesses of RHB Investment Bank Berhad (“RHB Investment Bank”) to the Bank

During the current financial period, the Bank and its wholly-owned subsidiary, RHB Investment Bank have undertaken an internal reorganisation which includes the following:

(i) Transfer of Treasury Business and Transfer of Structured Lending Business

The Transfer of Treasury Business and Transfer of Structured Lending Business entailed the transfer of treasury business and structured lending business of RHB Investment Bank to the Bank by way of a business transfer scheme pursuant to Section 100 of the Financial Services Act, 2013 ('FSA') and the Order of the High Court of Malaya pursuant to Sections 102 and 104 of the FSA.

Approvals from the relevant regulatory authorities have been obtained and the transfer of the businesses was effectively completed on 24 July 2017, based on the respective carrying value of the related securities and structured lending, with the corresponding goodwill in accordance with predecessor accounting at the Bank level. The business transfers do not have any significant effect to the financial results of the Bank and there is no financial impact from the Group's perspective.

(ii) Capital Repayment

The capital repayment entailed RHB Investment Bank cancelling a portion of its consolidated share capital (which includes the issued and paid-up share capital and the share premium).

The High Court of Malaya had on 18 September 2017, granted an order confirming the cancellation of 718,646,000 shares of RHB Investment Bank amounting to RM846,023,000 from the entire consolidated issued capital of RM2,333,796,000 (representing issued capital of RM818,646,000 and the share premium amount formerly in the share premium account being RM1,515,150,000) pursuant to Section 116 of the Companies Act 2016. The capital repayment was effectively completed on 25 September 2017, and RHB Investment Bank remains a wholly-owned subsidiary of the Bank upon completion of the capital repayment.

3. 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 subject to the approvals of BNM and State Securities Commission of Vietnam ('Vietnam SSC'). With the signing of the CSPA, the Bank will submit an application to BNM for the approval of the Proposed Acquisition and 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').

Upon completion of the Proposed Acquisition and subject to approval from Vietnam SSC for the Conversion, VSEC will become a wholly-owned subsidiary of RHB Investment Bank.

The Proposed Acquisition is expected to be completed by the second quarter of 2018.