



RHB Bank's 9-month net profit declines 14.4% year-on-year

- ◆ Total income declined 2.0% to RM5,117.7 million
- ◆ Cost-to-income ratio at 48.8% from 47.6% a year ago
- ◆ Allowance for credit losses increased >100.0% to RM540.7 million
- ◆ Gross loans up 5.6% Y-o-Y to RM182.4 billion supported primarily by mortgages, SME and Singapore
- ◆ Customer deposits increased 7.5% Y-o-Y to RM196.8 billion mainly from CASA and fixed deposits; CASA made up 31.3% of total deposits
- ◆ Islamic financing grew 15.0% from a year ago and contributes 40.6% of total domestic loans and financing
- ◆ ROE at 8.0%
- ◆ Completed the divestment of RHB Securities Singapore

Kuala Lumpur, 30 November 2020

RHB Bank Berhad ("the Group") announced today its financial results for the first nine months ended 30 September 2020.

- The Group recorded a net profit of RM1,593.9 million, a decrease of 14.4% from the corresponding period last year, mainly due to net modification loss of RM392.4 million arising from the moratorium given to our customers and higher allowances for credit losses. Higher net fund based income and non-fund based income helped to mitigate the profit reduction.
- Net fund based income increased by 1.7% year-on-year to RM3,736.1 million driven by proactive management of funding costs, which dropped 19.3% year-on-year, supported by an increase in CASA composition from 25.4% to 31.3% and the redemption of certain Hybrid Tier-1 Capital and sub-debt instruments over the course of 2019 and 2020. NIM for the quarter dropped to 1.99% compared with 2.13% for the same period last year mainly from the impact of OPR cuts.
- Non-fund based income improved by 14.3% to RM1,774.0 million, contributed largely by higher net trading and investment income, brokerage income and insurance underwriting surplus.
- Operating expenses increased slightly by 0.4% to RM2,497.3 million from a year ago mainly attributed to higher personnel cost and IT expenses. Cost-to-income ratio was at 48.8% from 47.6% recorded a year ago, contributed largely by the one-off net modification loss.
- The Group remained prudent and continued to build up provisions to absorb any potential negative effects to asset quality as the extent of the pandemic impact is still uncertain especially with the resurgence in cases recently. As a result, allowances for credit losses on loans, advances and financing increased to RM525.9 million, up from RM238.8 million for the corresponding period last year. Annualised credit charge ratio was at 0.38% compared with 0.18% over the same period last year.



Third Quarter 2020 Earnings Against Third Quarter 2019

- The Group's profit before tax excluding discontinued operations dropped 6.4% year-on-year to RM789.9 million for the third quarter of 2020 mainly due to higher allowances for credit losses on loans and other financial assets, and operating expenses, offset by higher non-fund based income.

Balance Sheet & Capital Position Remained Robust

- Total assets for the Group increased by 2.1% from December 2019 to RM263.0 billion as at 30 September 2020, primarily due to an increase in loans, advances and financing and securities portfolios. Net assets per share was at RM6.81, with shareholders' equity at RM27.3 billion as at 30 September 2020.
- Our capital position remains strong; Common Equity Tier-1 (CET-1) and total capital ratio of the Group stood at 16.42% and 18.25% respectively.
- The Group's gross loans and financing grew by 5.6% year-on-year to RM182.4 billion, mainly supported by growth in mortgages, SME and Singapore. Domestic loans and financing grew 4.7% year-on-year. The Group's domestic loan market share stood at 9.0% as at end-September 2020.
- Gross impaired loans was RM3.1 billion as at 30 September 2020, with a gross impaired loans ratio of 1.69% compared with RM3.5 billion and 1.97% as at 31 December 2019. Loan loss coverage ratio for the Group, excluding regulatory reserves, stood at 108.3% as at end-September 2020.
- Customer deposits increased by 7.5% year-on-year to RM196.8 billion, largely attributed to growth in CASA and fixed deposits. CASA increased by 32.6% year-on-year, with CASA composition at 31.3% as at 30 September 2020. Liquidity coverage ratio (LCR) remained healthy at 142.8%.

Performance Review of Key Business Units

- **Group Retail Banking**
 - Group Retail Banking reported a 1.9% year-on-year decline in pre-tax profit to RM754.4 million for the period ended 30 September 2020. This was mainly due to lower non-fund based income and higher allowances for credit losses on loans.
 - Retail loans and financing rose 5.2% year-on-year to RM93.5 billion, primarily driven by growth in mortgages, personal financing and auto financing.
 - Retail deposits increased by 13.0% year-on-year to RM64.6 billion, mainly contributed by growth in fixed deposits and CASA.
- **Group Business Banking**
 - Group Business Banking recorded a 26.4% year-on-year decline in pre-tax profit to RM263.3 million for the period ended 30 September 2020 due to higher allowances for credit losses on loans and lower non-fund based income.
 - Gross loans and financing expanded by 8.0% year-on-year to RM28.1 billion, driven by growth in SME and Commercial portfolios of 9.0% and 4.5% respectively.
 - Deposits grew 15.7% year-on-year to RM33.1 billion attributed to growth in current account and fixed deposits.
- **Group Wholesale Banking** posted a pre-tax profit of RM1,459.2 million, reduction of 2.2% from the previous year.
 - Group Corporate and Investment Banking registered a pre-tax profit of RM509.9 million, a 1.3% decrease on the back of higher expected credit losses on loans and other financial assets.
 - Group Treasury and Global Markets recorded a 2.7% decrease in pre-tax profit to RM949.3 million over the year, mainly due to lower net fund based income, lower net gain on foreign exchange and derivatives, and lower expected credit losses written back on financial assets.
- **RHB Bank Singapore** reported a pre-tax profit of SGD10.3 million, 3.9% higher year-on-year mainly attributed to higher non-fund based income and lower operating expenses. Loans and advances increased by 19.9% year-on-year to SGD4.9 billion, while deposits increased by 17.9% to SGD5.8 billion.
- **Group International Business** excluding Singapore registered a pre-tax profit of RM33.1 million, 49.9% lower than the corresponding period last year mainly due to lower profitability in Cambodia, Thailand and Lao.
- **RHB Islamic Bank** recorded a pre-tax profit of RM284.6 million.
 - Gross financing recorded a robust double digit growth of 15.0% year-on-year to RM66.3 billion.
 - Islamic business contributed 40.6% of the Group's total domestic gross loans and financing, up from 37.0% a year ago.



Conclusion

Global economic growth is forecast to recover in 2021, premised on appropriate intervention and stimulus undertaken by central banks and policy responses by governments worldwide, further supported by the potential discovery of an effective COVID-19 vaccine.

Malaysia's GDP is projected to rebound to a growth of between 5.0% and 7.0% in 2021 from a forecast contraction of 4.0% in 2020, on the back of continued government stimulus and expected recovery of its major trading partners.

“Despite the recent resurgence in COVID-19 cases, there seem to be early indicators pointing to global economic recovery, but the trajectory remains highly uncertain at this juncture. The Group therefore remains vigilant and continue to navigate carefully through the impacts of the pandemic and bolster our provisions to tide through uncertainties ahead. While our liquidity and capital positions remain solid, it is important that we continue to strengthen these areas.

We remain committed in providing targeted repayment assistance to our customers in weathering the effects of economic challenges brought about by the COVID-19 pandemic. We have made our Repayment Assistance programme even easier for our customers to obtain the needed financial assistance, in particular those registered under the Bantuan Sara Hidup and Bantuan Prihatin Nasional packages as well as the microenterprise segments with loan and financing facilities of up to RM150,000. We urge all our customers who have difficulty in paying their loan and financing instalments to contact us as soon as possible.

As we navigate through the financial, operational and humanitarian impact of COVID-19 pandemic, we remain steadfast in our commitment to emerge from this crisis stronger - accelerating digital transformation and IT infrastructure modernization, developing and upskilling our workforce, and implementing Agile@Scale.” said Dato Khairussaleh Ramli, Group Managing Director of RHB Banking Group



Key Financial Highlights

Financial Performance (RM'000)	9 Months Ended 30 September 2020	9 Months Ended 30 September 2019
Operating profit before allowances	2,620,357	2,736,799
Profit before taxation	2,070,196	2,528,725
Profit attributable to equity holders of the Company	1,593,899	1,861,424
Earnings per share (sen)	39.7	46.4
Balance Sheet (RM'000)	As at 30 September 2020	As at 31 December 2019
Gross loans, advances and financing	182,420,987	176,174,848
Gross impaired loans, advances and financing ratio (%)	1.69%	1.97%
Deposits from customers	196,773,044	190,555,225
Total assets	263,038,210	257,592,496
Equity attributable to equity holders of the Company	27,294,936	25,775,394
Net assets per share (RM)	6.81	6.43

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 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 cessation of business operations of subsidiaries in Hong Kong

RHB Hong Kong Limited ('RHB Hong Kong') and its subsidiaries (collectively, 'RHB Hong Kong Group'), had on 4 December 2019 decided that they will commence to cease their business operations ('Proposed Cessation'). RHB Hong Kong is a wholly-owned subsidiary of RHB Investment Bank, which in turn is wholly-owned by the Bank.

Pursuant to the Proposed Cessation, RHB Hong Kong Group will gradually discontinue offering financial services to its existing and potential clients. RHB Investment Bank, being the shareholder of RHB Hong Kong Group will provide the requisite support to ensure an orderly winding down of their business operations. RHB Investment Bank had on 14 February 2020 injected additional capital into RHB Hong Kong.

The increasingly challenging operating broking environment in Hong Kong has resulted in losses being recorded for RHB Hong Kong Group. As a result, it is no longer viable for RHB Hong Kong Group to continue its business operations. The Proposed Cessation would allow RHB Investment Bank to refocus efforts and resources in driving long-term growth in other ASEAN markets in line with the larger RHB Banking Group's FIT22 strategy.

As part of RHB Hong Kong Group, RHB (China) Investment Advisory Co. Ltd had commenced the application for dissolution and RHB Finance Hong Kong Limited has commenced the application for member's voluntary winding up.

2. Disposal of RHB Securities Singapore Pte Ltd ('RHB Securities Singapore')

RHB Investment Bank, a wholly owned subsidiary of the Bank has on 29 June 2020, entered into a conditional share purchase agreement with Phillip Securities Pte Ltd ('Purchaser') in respect of the disposal of its entire equity interest in its wholly owned subsidiary, RHB Securities Singapore ('Disposal').

Prior to the completion of the Disposal, RHB Securities Singapore undertook a corporate exercise to transfer the following businesses and assets to the Bank ('Business Transfer'):

- i. the client coverage team, research and advisory services in relation to corporate finance, mergers and acquisitions, equity capital markets and institutional equities sales;
- ii. the entire equity interests of RHB Securities Singapore's wholly-owned subsidiaries in RHB Nominees Singapore Pte Ltd, Summit Nominees Singapore Pte Ltd and RHB Research Institute Singapore Pte Ltd; and;
- iii. other assets and liabilities in respect of item (i) above.

The Disposal is conditional upon the completion of the Business Transfer but not vice versa.



With the Disposal, the Bank will be in a position to better serve its wholesale clients in Singapore with the transfer of the capital markets business to RHB Bank Singapore. The increasingly competitive broking environment has made it no longer viable for RHB Securities Singapore to continue its stock broking business.

The Business Transfer and the Disposal were completed on 31 August 2020 and 11 September 2020 respectively, following approvals from the relevant regulatory authorities in Malaysia and Singapore.