

ANNUAL REPORT **2016**



RHB Bank Berhad



DRIVING  
**SUSTAINABLE**  
PERFORMANCE



TOGETHER WE PROGRESS

# 51<sup>st</sup> ANNUAL GENERAL MEETING FOR RHB BANK BERHAD

Refer to pages 306 to 314 for  
Annual General Meeting Information

Ballroom 1 & 2, Level 2  
InterContinental Kuala Lumpur  
165 Jalan Ampang, 50450 Kuala Lumpur

**26 April 2017 at 10.30 a.m.**

## **Feedback**

We need your feedback to make sure we are covering the things that matter to you.  
Email us at [marketing.communications@rhbgroup.com](mailto:marketing.communications@rhbgroup.com)

With a strong presence in the ASEAN region, our focus is on driving performance as we look to improve revenue and productivity by identifying new opportunities and implementing strategies that create measurable improvements in sustainability and business performance.

As we progress on our journey to becoming a Leading Multinational Financial Services Group, we will continue to invest for the future, particularly in our people, technology and digital capabilities. Investments in our digital environment are aimed at delivering customer-centric innovations that supports a fast, simple and seamless banking experience as well as fuels business growth for the organisation.

Working with our customers, business partners and shareholders, we are committed to a sustainable future as we drive RHB Banking Group towards being a regional powerhouse in ASEAN.

**Together, we progress.**

**DRIVING  
SUSTAINABLE  
PERFORMANCE**

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# RHB BANKING GROUP OVERVIEW



## Our Presence, Operations & Performance

<p><b>MALAYSIA</b></p> <p>278 Branches/Offices 11,651 employees</p> <p>Total Income <b>RM5.2 billion</b></p>	<p><b>SINGAPORE</b></p> <p>9 Branches/Offices 708 employees</p> <p>Total Income <b>SGD201.6 million</b></p>	<p><b>LAO PDR</b></p> <p>2 Branches/Offices 45 employees</p> <p>Total Income <b>LAK29.2 billion</b></p>	<p><b>HONG KONG/CHINA</b></p> <p>3 Branches/Offices 123 employees</p> <p>Total Income <b>HKD112.2 million</b></p>	<p><b>CAMBODIA</b></p> <p>13 Branches/Offices 245 employees</p> <p>Total Income <b>USD21.3 million</b></p>
<p><b>INDONESIA</b></p> <p>13 Branches/Offices 361 employees</p> <p>Total Income <b>IDR270.2 billion</b></p>	<p><b>THAILAND</b></p> <p>13 Branches/Offices 441 employees</p> <p>Total Income <b>THB866.6 million</b></p>	<p><b>BRUNEI</b></p> <p>1 Branch 22 employees</p> <p>Total Income <b>BND3.6 million</b></p>	<p><b>VIETNAM</b></p> <p>Representative Office</p>	<p><b>MYANMAR</b></p> <p>Representative Office</p>

## WHO WE ARE

RHB BANK is the **4th largest**, fully integrated financial services group in Malaysia, listed on the Main Board of Bursa Malaysia. RHB Bank assumed the listing status of RHB Capital Berhad on 28 June 2016.

TOTAL ASSETS  
**RM236.7  
billion**

MARKET CAPITALISATION  
as at 31 December 2016  
**RM18.9  
billion**

**LISTED**  
on BURSA MALAYSIA  
on 28 June 2016

## WHAT WE DO

WE provide a comprehensive range of financial services under our core business pillars.

- Group Retail Banking
- Group Business & Transaction Banking
- Group Wholesale Banking
- Group Shariah Business
- Group Insurance
- Group International Business

## WHERE WE OPERATE

- Malaysia
- Singapore
- Indonesia
- Thailand
- Brunei
- Cambodia
- Vietnam
- Myanmar
- Lao PDR
- Hong Kong/China

# ASPIRATIONS, VISION & VALUES

## PROFESSIONAL

- Committed
- High level of proficiency, competency and reliability

## RESPECT

- Courteous
- Humble

## DYNAMIC

- Proactive
- Responsive
- Forward thinking

## INTEGRITY

- Honest
- Ethical
- Uphold a high standard of governance

## EXCELLENCE

- Continuously achieve high standards of performance and service deliverables



# VALUE

## Our Vision by 2020...

# TO BE A LEADING MULTINATIONAL FINANCIAL SERVICES GROUP

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## RHB'S ASPIRATIONS

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- **Top 3 in Malaysia/Top 8 in ASEAN**  
by performance
- **Strong Market Leadership in Malaysia**  
across targeted products and segments
- **Regional Powerhouse in ASEAN**  
+20% profit contribution from International Operations
- **Next Generation Customer Centric Bank**  
delivering innovative and personalised customer offerings
- **Prominent Employer of Choice**  
within the region

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## OUR STRATEGY STATEMENT

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To be a multinational regional financial services provider that is committed to deliver complete solutions to our clients through differentiated segment offerings and an ecosystem that supports a simple, fast and seamless customer experience, underpinned by our cohesive and inspired workforce and relationships built with our stakeholders

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## OUR BRAND PROMISE

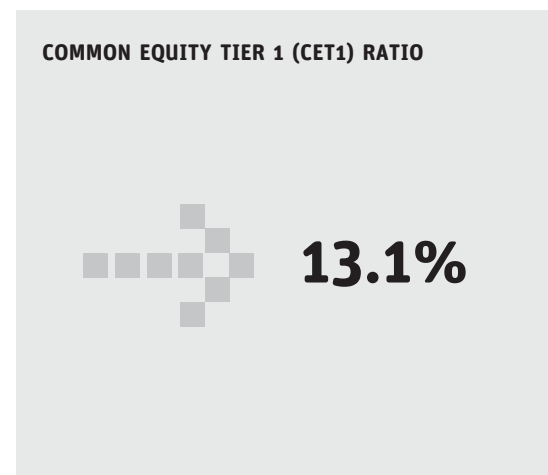
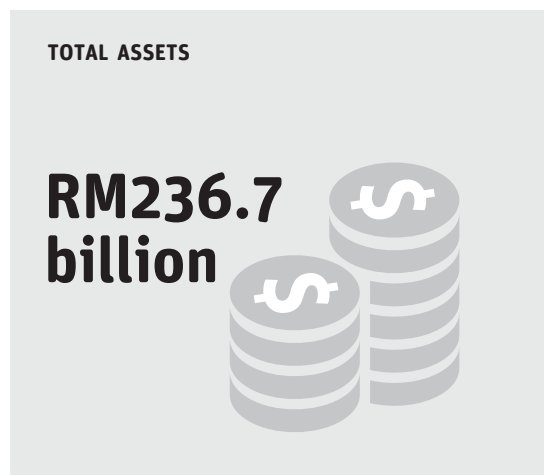
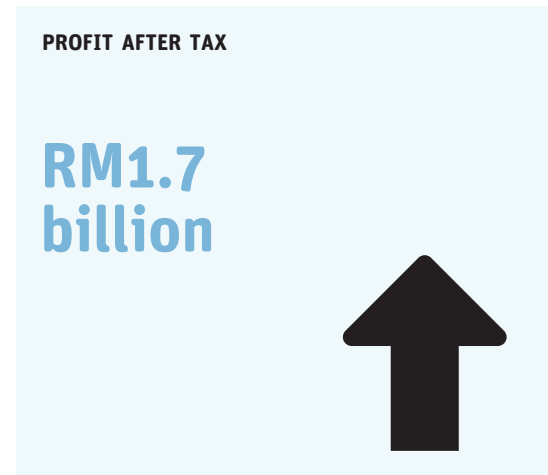
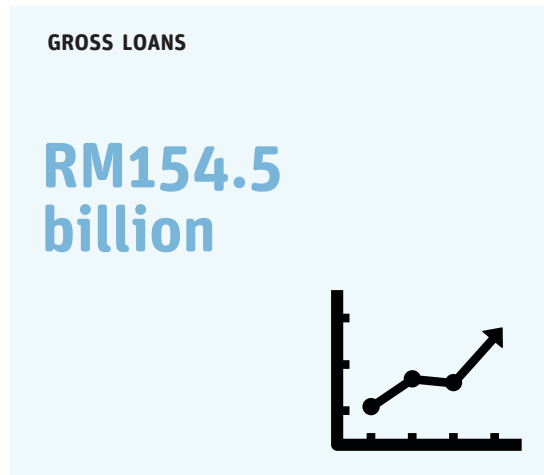
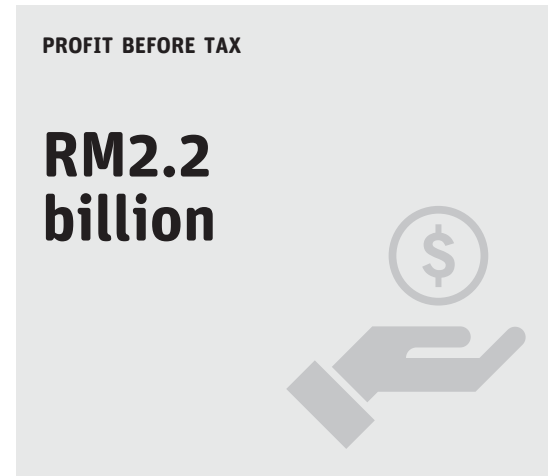
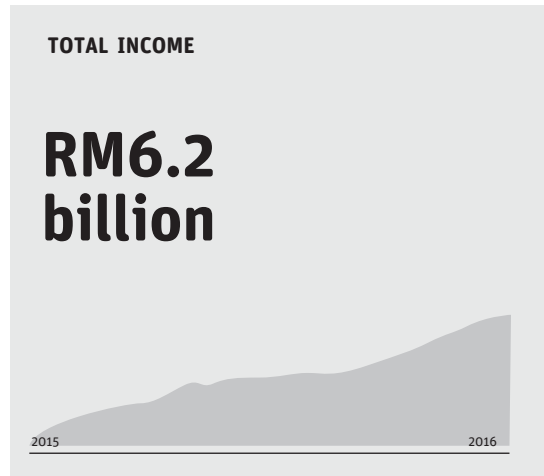
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### Together We Progress

- Being your trusted partner
- Delivering simple, fast and seamless experiences
- Providing solutions that help achieve your goals
- Nurturing future generations



# 2016 KEY HIGHLIGHTS



**RHB**  
Foundation  
established  
in 2015

OVER   
**330 branches/  
offices**  
IN 10 COUNTRIES

MORE THAN  
**13,500**  
employees

ACROSS 10 COUNTRIES



**2,126**  
Self-Service  
Terminals  
in Malaysia



PRESENCE IN  
**10 COUNTRIES**



**4<sup>TH</sup> LARGEST  
BANK**  
IN MALAYSIA





**BUILDING RELATIONSHIPS**





We are committed to building and maintaining long-term relationships with our customers and the community at large through sound banking practices, innovative products and service, and excellent service delivery.





## CHAIRMAN'S STATEMENT

“THE CORPORATE RESTRUCTURING EXERCISE TO TRANSFER THE GROUP'S LISTING STATUS FROM RHB CAPITAL BERHAD TO RHB BANK BERHAD (“RHB BANK” OR “THE GROUP”), WHICH BECAME OUR NEW HOLDING COMPANY, WAS SUCCESSFULLY COMPLETED ON 28 JUNE 2016.”

### Dear Shareholders,

2016 was a year of progress for the Group against a somewhat challenging economic backdrop. The Group registered a strong performance, while continuing to deliver profits and long-term organic growth in key business segments. The Malaysian economy was somewhat subdued due to uncertainty surrounding the US elections and concerns over the slower than anticipated growth from the larger emerging markets.

On a high note, the corporate restructuring exercise to transfer the Group's listing status from RHB Capital Berhad to RHB Bank Berhad (“RHB Bank” or “the Group”), which became our new holding company, was successfully completed on 28 June 2016. The listing gave RHB Bank direct access to the capital markets to raise funds for continued growth, whilst enhancing our corporate reputation, expanding our customer base and delivering long-term value to our shareholders.



## CREATING SHAREHOLDER VALUE

In line with our commitment to consistently deliver value to our shareholders, a final dividend of 7.0 sen, amounting to RM280.7 million has been proposed. Together with the interim dividend of 5.0 sen paid in September 2016, the total dividend for 2016 is 12.0 sen per share, representing a dividend pay-out ratio of 28.6% out of the Group's net profit attributable to shareholders of RM1,681.6 million for the financial year 2016.

At the start of the year, RHB Banking Group embarked on a major transition by unveiling its re-energised and enhanced brand promise "Together We Progress" in response to business needs and the evolving demands of customers in a highly competitive market environment.

The reframed Group Strategy, which focuses on performance and on institutionalising the benefits of the IGNITE 2017 programme in the effort to achieve our aspiration to be a Leading Multinational Financial Services Group by 2020.

## A COMMITMENT TO GOOD CORPORATE GOVERNANCE

The Group is committed to upholding the highest standards of corporate governance, gaining recognition for our continuous efforts to enhance corporate governance practices within the Group. These efforts saw the Group winning significant awards including the Merit Award for Corporate Governance Disclosures by the Minority Shareholders Watchdog Group ('MSWG'), the Platinum Award for Excellence in Governance, Corporate Social Responsibility and Investor Relations Benchmarking at the Asset Corporate Awards 2016 and the Best Governed and Most Transparent Company by The Pinnacle Group Limited. In 2016 the Group became a constituent of the FTSE4Good Bursa Malaysia ESG Index.



TOTAL DIVIDEND

**12.0** SEN  
PER SHARE



DIVIDEND  
PAYOUT RATIO

**28.6%**



NET PROFIT ATTRIBUTABLE TO  
SHAREHOLDERS

**RM1,681.6**  
MILLION

For further details of our corporate governance activities this year, I invite you to read our Corporate Governance Statement in this Annual Report.

## TOWARDS SUSTAINABLE GROWTH

During the year, RHB continued to embody good values in all of our activities. We believe in giving back to the communities and the environment as part of our effort to achieve sustainable growth. The RHB Foundation, spearheads the Group's corporate responsibility initiatives, which include building and nurturing our future generation, developing community engagements and building strong relationships with the community, Government bodies and NGOs to stimulate positive social change and promoting and protecting a healthy environment. The details of our corporate responsibility endeavours are outlined in the Sustainability Statement in this Annual Report.

## MOVING FORWARD

Our business continues to thrive despite the challenging operating environment. Given our flexibility and strength to adapt ourselves to the realities of the new marketplace, we are ready to transform challenges into opportunities to enhance growth and profitability in 2017.

## APPRECIATION

On behalf of the Board of Directors, I would like to express our deepest gratitude to our shareholders for their confidence in RHB Banking Group, our customers and business partners for their unwavering support and confidence in us. I would like to thank Bank Negara Malaysia for their guidance, other regulatory authorities and relevant government bodies for their continued support to the Group throughout the year.

My special appreciation to my fellow Board Members for their leadership and commitment as we work together towards achieving the Bank's aspirations and objectives.

Finally, I would like to thank the management and staff of RHB Banking Group for their dedication and commitment in implementing sustainable strategies and improving the Group's performance. I am certain that with continued focus and support of all stakeholders, the years ahead will be even more promising for the Group.

**TAN SRI AZLAN ZAINOL**

Chairman



Further details on the roles of the Chairman and Group Managing Director are contained in the Statement on Corporate Governance Report on page 222.

# Group Managing Director's STATEMENT

## Dear Shareholders,

2016 marked a significant milestone for RHB Banking Group as we brought our group corporate exercise initiated in April 2015 to a close in June 2016, resulting in RHB Bank being the holding company of the Group. The exercise has placed the Group in a leaner position, with stronger capital base after the rights issue that put us in good stead for business growth.

We weathered challenging market conditions in 2016 to deliver a healthy 8.4% growth in operating profit before allowances (excluding Career Transition Scheme (“CTS”) in 2015). This was underpinned by healthy net fund based income growth of 3.1% and effective cost management initiatives which saw our cost-to-income (“CIR”) ratio improving significantly from 53.8% to 50.0%. Our Current Account and Savings Account (“CASA”) grew by 11.9%, strengthening our CASA composition from 24.0% in 2015 to 25.6% in 2016. However, we had to take in higher allowances on loans and investment securities, especially in the oil and gas sector and in our steel portfolio resulting in our net profit reporting a 1% increase or an 11% decline on normalised basis.

**Group Retail Banking** remained the biggest contributor to the Group in 2016. Retail loans and financing grew by 2.9% to RM70.1 billion, driven by growth in mortgages, partly offset by a contraction in auto financing and loans for purchase of securities. Mortgage loans grew at a strong rate of 13.3% year-on-year, resulting in an increase in domestic market share to 8.6% from 8.2% as at December 2015.

A stellar performance by our **Group Business and Transaction Banking** resulted in a 45.4% increase in pre-tax profit to RM446.6 million. This was mainly due to higher net funding income, lower operating expenses and reduced allowances for loans and financing. Gross loans and financing expanded strongly by 12.0%, driven mainly by the SME portfolio growth. Our SME market share stood at 8.82% compared to 8.68% in 2015.



GROUP  
OPERATING PROFIT  
**8.4%**  
GROWTH



CASA  
**11.9%**  
GROWTH



Further details on the roles of the Group Managing Director are contained in the Corporate Governance Report on page 222.



**DATO' KHAIRUSSALEH RAMLI**  
Group Managing Director



GROUP RETAIL BANKING  
LOANS AND FINANCING  
**RM70.1**  
BILLION



GROUP BUSINESS BANKING  
PRE-TAX PROFIT  
**RM446.6**  
MILLION



GROUP WHOLESALE BANKING  
OPERATING PROFIT  
**3.4%**  
GROWTH

Despite a softer operating environment, **Group Wholesale Banking** continued to see growth, where its maintainable operating profit increased by 3.4%. Group Investment Banking continued to hold leading positions in Malaysia, improving its standing in the regional markets and clinching key landmark deals. RHB IB closed the year 2016 with Top three positions in M&A, Malaysian Ringgit Islamic Sukuk and ECM league tables for Malaysia and significant improvement in M&A positions in both Indonesia and Singapore.

Group Treasury and Global Markets recorded a stable pre-tax profit of RM881.9 million. Our customer-focused initiatives with close collaboration among all business groups resulted in 23% growth in sales revenue from RM202.4 million in 2015 to RM249.7 million in 2016. Non-sales revenue from trading, investment and funding activities decreased 8% from RM370.0 million in 2015 to RM340.2 million in 2016 largely due to lower gain from fixed income and derivatives trading.

RHB Banking Group was ranked No. 1 and No. 2 respectively in 2016 secondary market for Ringgit Sukuk and the conventional fixed income distribution.

## AWARDS



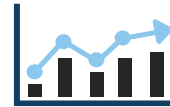
### MOST INNOVATIVE PRODUCT AWARD FOR MALAYSIA AND SINGAPORE

Our Asset Management business also improved its overall ROE to 17% from 11% in 2015. The business launched a total of 19 funds across the region during the year, of which two received the Most Innovative Product Award for Malaysia and Singapore in Asia Asset Management's 2016 Best of the Best Awards. We also garnered a total of 15 awards from The Edge-Lipper Malaysia Fund Awards 2016.

**Group International Business**, excluding Singapore which was affected by oil and gas exposure, registered a pre-tax profit of RM36.1 million, 2.8% higher over a year ago. This was mainly due to improved profitability in Cambodia whilst Lao PDR recorded a pre-tax profit in its second year of operation. Singapore unfortunately was affected by our exposure in oil and gas.

Finally, the **Group Shariah Business** continued on its upward trajectory with a 23.8% growth in profit before tax to RM431.7 million in 2016. Our Shariah business now contributes 24.8% of total domestic financing compared to 23.0% in 2015 and 19.5% in 2014.

For further details on our operations in 2016, I invite you to read the overview of the performance of our operating business presented on pages 112 to 151 of this Annual Report.



GROUP SHARIAH BUSINESS  
PROFIT BEFORE TAX

**RM431.7**  
MILLION



COST-TO-INCOME RATIO

**50%**

## STRATEGIES TO POWER GROWTH

The year also saw the launch of our new brand promise “Together We Progress” to mark our commitment to our customers, as well as to rally the organisation behind a collective “call-to-action” by placing our customers at the heart of our business. “Together We Progress” is built upon four key pillars, namely “Being your trusted partner”; “Delivering simple fast and seamless experiences”; “Providing solutions that help achieve your goals”; and “Nurturing future generations”.

We continued to focus on executing our “Reframed Strategy”, which is set against three broad themes, namely “Funding Our Journey”, “Winning by Differentiating Ourselves in the Medium Term”, and “Getting the People and Organisation Right”. We managed to grow our mortgage business by 13.3%, our affluent asset under management increased by 12%, our SME loans and financing grew 11.3% and our Asset Management AUM increased by 2.0%. Our cost-to-income ratio improved from 53.8% to 50.0%, as we optimised our resources, streamlined EASY channels into the branch network and rationalised our office space in Malaysia and Singapore. We also managed to reduce our Risk Weighted Assets by RM5.87 billion, making sure that we required less capital compared to our asset growth and we boosted our Risk Adjusted Return on Capital (RAROC) from dynamic portfolio optimisation.



## GROUP MANAGING DIRECTOR'S STATEMENT



Financial Supply Chain Online Platform and the introduction of our SME eRetail Point of Sales solution. We are also investing for the future through technology, such as our retail and non-retail loan origination systems, our treasury system and transaction banking system.

The Group continued its investment in human capital and boosted management strength with key senior hires. The Group also recognises the need to sustain a dynamic workforce by embracing engagement initiatives with our employees through our Employee Value Proposition (EVP) of RHB Cares, Leads, Inspires, Progresses and Rewards, or CLIP-R in short. Our progress in this area is evident as our 2016 Employee Engagement Survey score leaped from 73% in 2013 to 76% in 2016.

To support our strategy, we enhanced our organisation structure with the establishment of Group Wholesale Banking in the third quarter of 2016. Bringing Corporate Banking, Investment Banking, Asset Management and Treasury & Global Markets under the new business pillar has enabled the Group to serve our corporate clients more holistically across all products.



## “THE GROUP REMAINS DETERMINED TO EXECUTE OUR PLANNED STRATEGIES OF FOCUSING ON PERFORMANCE”

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Our Investment Banking team led several landmark deals which include

- AirAsia Berhad’s RM1.06 billion share placement (Joint Principal Adviser & Sole Placement Agent) (largest placement of shares to founders in recent years);
- Lebuhraya Duke Fasa 3 Sdn Bhd’s RM3.64 billion Sukuk Wakalah issuance (Joint Lead Manager)
- Sarawak Hidro Sdn Bhd’s RM5.54 billion Sukuk Murabahah issuance (Joint Lead Manager)
- Malaysia Building Society Berhad’s RM2.90 billion Rights Issue (Joint Principal Adviser, Joint Managing Underwriter and Joint Underwriter) (largest equity fundraising in Malaysia in 2016)
- Eco World Development Group Bhd’s RM562.2 million share placement (Sole Principal Adviser & Sole Placement Agent)
- Housing & Development Board of Singapore’s SGD600 million Notes Issue (Joint Lead Manager/Joint Bookrunner)
- Krungthai Card of Thailand’s THB4,800 million Debenture Issuance (Joint Lead Arranger & Joint Bookrunner)
- PT Aneka Gas Industri of Indonesia’s IDR800 billion IPO (Joint Lead Underwriter)

### LOOKING AHEAD

Malaysia’s GDP is forecast to grow by 4.5% in 2017, on the back of domestic demand. Exports are expected to show a moderate recovery, whilst public spending and private investment are expected to rise, supported by the implementation of major infrastructure projects under various economic programmes. Growth in the Malaysian banking sector is expected to be modest with moderate corporate loans growth and on-going consolidation of household loans. Furthermore, new regulatory requirements for the Malaysian banking sector such as MFRS9 and Basel III are expected to weigh on banks’ earnings and capital positions. We remain cautious on the business environment that we operate in and we shall monitor the development in both the domestic and external markets closely.

Notwithstanding these developments, the Group remains determined to execute our planned strategies of focusing on performance. The Group’s priorities for the coming year are responsible growth while effectively managing asset quality with focus on enhancing productivity, and allocating resources to enhance customer experience and digitisation across the group.

RHB Banking Group is present in ten countries, namely Malaysia, Singapore, Thailand, Indonesia, Cambodia, Lao PDR, Brunei, Hong Kong/China, Vietnam and Myanmar. We believe that we still have great opportunities to strengthen and grow our Malaysian franchise, while we explore strategic partnerships and expansion into other ASEAN countries.

### APPRECIATION

My sincere appreciation and gratitude to my fellow colleagues, better known as RHBians for their continued dedication, commitment and contributions. I would also like to take this opportunity to thank the Board of Directors for their valued leadership and support, our regulatory authorities for their continued guidance and to our shareholders for their trust in us.

I look forward to working with the Board of Directors and my fellow RHBians to achieve our aspirations towards delivering better shareholders’ value.



**DATO’ KHAIRUSSALEH RAMLI**  
Group Managing Director

# GROUP MANAGING DIRECTOR'S STATEMENT



# CORPORATE INFORMATION

As at 14 February 2017

## BOARD OF DIRECTORS

**Tan Sri Azlan Zainol**

*Non-Independent Non-Executive Chairman*

**Tan Sri Saw Choo Boon**

*Senior Independent Non-Executive Director*

**Ong Seng Pheow**

*Independent Non-Executive Director*

**Abdul Aziz Peru Mohamed**

*Independent Non-Executive Director*

**Tan Sri Ong Leong Huat @ Wong Joo Hwa**

*Non-Independent Non-Executive Director*

**Mohamed Ali Ismaeil Ali Alfahim**

*Non-Independent Non-Executive Director*

**Dato' Sri Haji Syed Zainal Abidin Syed**

**Mohamed Tahir**

*Independent Non-Executive Director*

**Tan Sri Dr Rebecca Fatima Sta Maria**

*Independent Non-Executive Director*

**Dato' Khairussaleh Ramli**

*Group Managing Director*

## BOARD RISK COMMITTEE#

**Tan Sri Saw Choo Boon**

*Senior Independent Non-Executive Director/  
Chairman*

**Patrick Chin Yoke Chung**

*Non-Independent Non-Executive Director*

**Tuan Haji Md Ja'far Abdul Carrim**

*Non-Independent Non-Executive Director*

**Chin Yoong Kheong**

*Independent Non-Executive Director*

## BOARD CREDIT COMMITTEE#

**Patrick Chin Yoke Chung**

*Non-Independent Non-Executive  
Director/Chairman*

**Abdul Aziz Peru Mohamed**

*Independent Non-Executive Director*

**Tuan Haji Md Ja'far Abdul Carrim**

*Non-Independent Non-Executive Director*

**Dato' Sri Haji Syed Zainal Abidin Syed**

**Mohamed Tahir**

*Independent Non-Executive Director*

**Dato' Abd Rahman Dato' Md Khalid**

*Independent Non-Executive Director*

## BOARD NOMINATING & REMUNERATION COMMITTEE#

**Tan Sri Saw Choo Boon**

*Senior Independent Non-Executive Director/  
Chairman*

**Tan Sri Azlan Zainol**

*Non-Independent Non-Executive Director*

**Dato' Sri Haji Syed Zainal Abidin**

**Syed Mohamed Tahir**

*Independent Non-Executive Director*

**Ong Seng Pheow**

*Independent Non-Executive Director*

**Tan Sri Ong Leong Huat @ Wong Joo Hwa**

*Non-Independent Non-Executive Director*

## ISLAMIC RISK MANAGEMENT COMMITTEE^

**Dato' Mohd Ali Mohd Tahir**

*Independent Non-Executive Director/  
Chairman*

*(Resigned with effect from 28 February  
2017)*

**Tuan Haji Md Ja'far Abdul Carrim**

*Non-Independent Non-Executive Director*

**Datuk Haji Faisal Siraj**

*Non-Independent Non-Executive Director*

## BOARD AUDIT COMMITTEE#

**Tan Sri Dr Rebecca Fatima Sta Maria**

*Independent Non-Executive Director/Chairman*

**Tan Sri Saw Choo Boon**

*Senior Independent Non-Executive Director*

**Ong Seng Pheow**

*Independent Non-Executive Director*

**Dato' Sri Haji Syed Zainal Abidin Syed**

**Mohamed Tahir**

*Independent Non-Executive Director*

## BOARD TECHNOLOGY COMMITTEE#

**Chin Yoong Kheong**

*Independent Non-Executive Director/Chairman*

**Ong Seng Pheow**

*Independent Non-Executive Director*

**Dato' Sri Haji Syed Zainal Abidin Syed**

**Mohamed Tahir**

*Independent Non-Executive Director*

## SHARIAH COMMITTEE

**Dr Ghazali Jaapar** (*Chairman*)

**Professor Dr Joni Tamkin Borhan**

**Assoc. Prof. Dr. Amir Shaharuddin**

**Mohd Fadhly Md Yusoff**

**Wan Abdul Rahim Kamil Wan Mohamed Ali**

**Shabnam Mohamad Mokhtar**

### Notes:

# The Committee is shared with the relevant subsidiaries of the Group.

^ The Committee resides at RHB Islamic Bank Berhad.

## GROUP SENIOR MANAGEMENT & GROUP INTERNAL AUDIT

**Dato' Khairussaleh Ramli**

*Group Managing Director/Chief Executive Officer*

**Syed Ahmad Taufik Albar**

*Group Chief Financial Officer*

**U Chen Hock**

*Head, Group Retail Banking*

**Datin Amy Ooi Swee Lian**

*Head, Group Business & Transaction Banking*

**Dato' Adissadikin Ali**

*Managing Director/Chief Executive Officer – RHB Islamic Bank Berhad*

**Robert Huray**

*Chief Executive Officer, RHB Investment Bank/ Head, Group Investment Banking, Group Wholesale Banking*

**Kong Shu Yin**

*Managing Director, RHB Insurance Berhad*

**Mike Chan Cheong Yuen**

*Country Head, Singapore and Chief Executive Officer, RHB Bank Singapore*

**Christopher Loh Meng Heng**

*Group Chief Strategy Officer*

**Mohd Rashid Mohamad**

*Group Treasurer*

**Rohan A/L Krishnalingam**

*Group Chief Operations Officer*

**Patrick Ho Kwong Hoong**

*Group Chief Risk Officer*

**Jamaluddin Bakri**

*Group Chief Human Resource Officer*

**Norazzah Sulaiman**

*Group Chief Marketing & Communications Officer*

**Wong Yih Yin**

*Group Chief Internal Auditor*

## COMPANY SECRETARIES

**Azman Shah Md Yaman**

(LS 0006901)

**Ivy Chin So Ching**

(MAICSA No. 7028292)

## REGISTERED OFFICE

Level 9, Tower One

RHB Centre, Jalan Tun Razak

50400 Kuala Lumpur

Tel : 603 9287 8888

Fax : 603 9281 9314

Website : www.rhbgroup.com

## BUSINESS ADDRESS

### Head Office

Towers Two & Three RHB Centre

Jalan Tun Razak

50400 Kuala Lumpur Malaysia

Tel : 603 9287 8888

Fax : 603 9287 9000 (General)

Swift : RHBBMYKL

Call Centre : 603 9206 8118

(Peninsular Malaysia – 24 hours)

6082 276 118

(Sabah & Sarawak – 7 a.m. to 7 p.m.)

## COMPANY NO.

6171-M

## AUDITORS

PricewaterhouseCoopers

Chartered Accountants

Level 10, 1 Sentral

Jalan Rakyat, Kuala Lumpur Sentral

50470 Kuala Lumpur

P. O. Box 10192, 50706 Kuala Lumpur

Tel : 603 2173 1188

Fax : 603 2173 1288

## SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

Pusat Dagangan Dana 1, Jalan PJU 1A/46

47301 Petaling Jaya, Selangor

Tel : 603 7849 0777

Fax : 603 7841 8151/8152

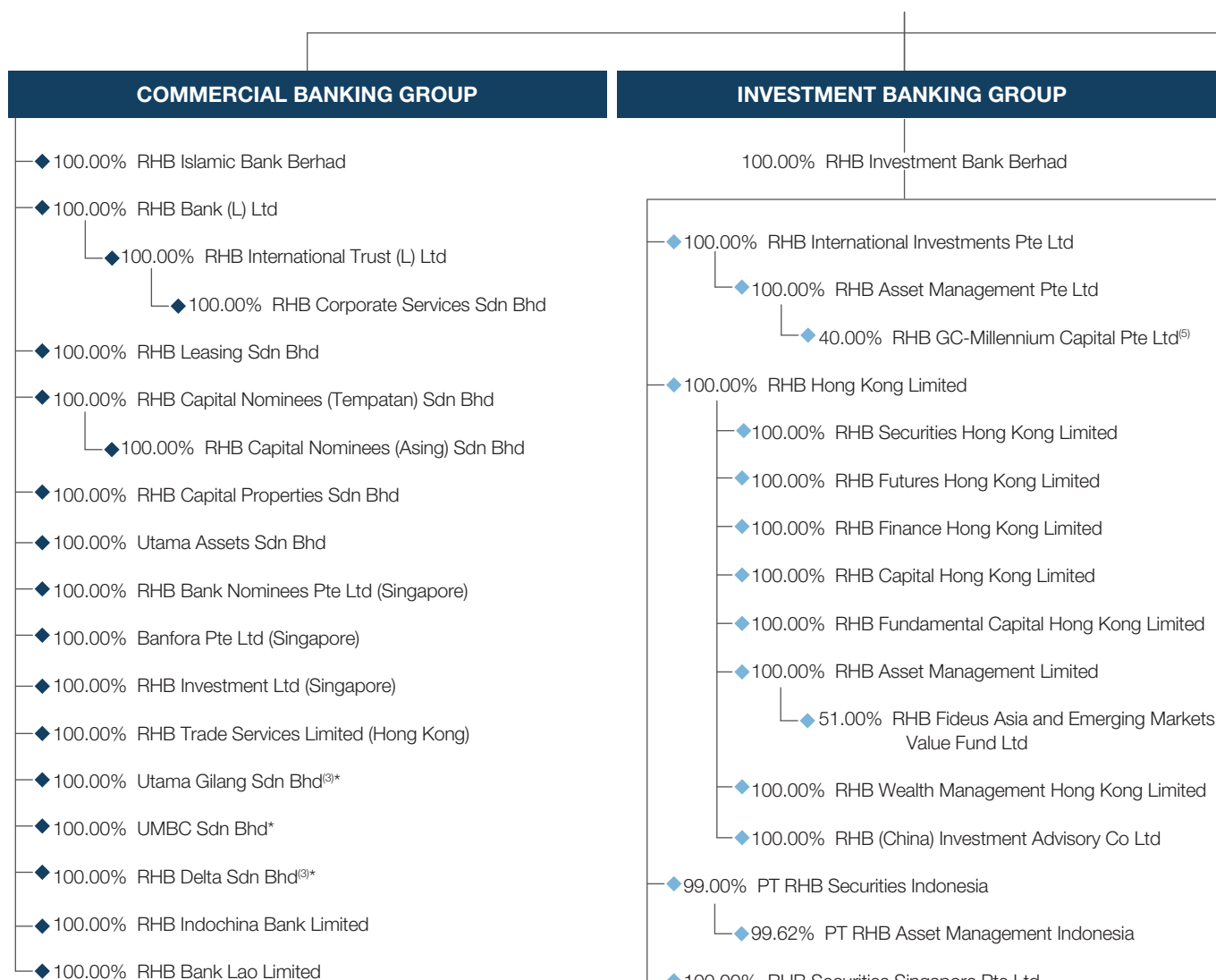


# GROUP CORPORATE STRUCTURE

As at 14 February 2017



**RHB Bank Berhad**



**Notes:**

\* Dormant Company

# Inactive

(1) With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.

(2) The company has ceased operations from the close of business on 10 December 2001.

(3) The company has commenced members' voluntary winding-up on 16 February 2011.

(4) The company has commenced members' voluntary winding-up on 28 March 2012.

(5) Jointly controlled entity

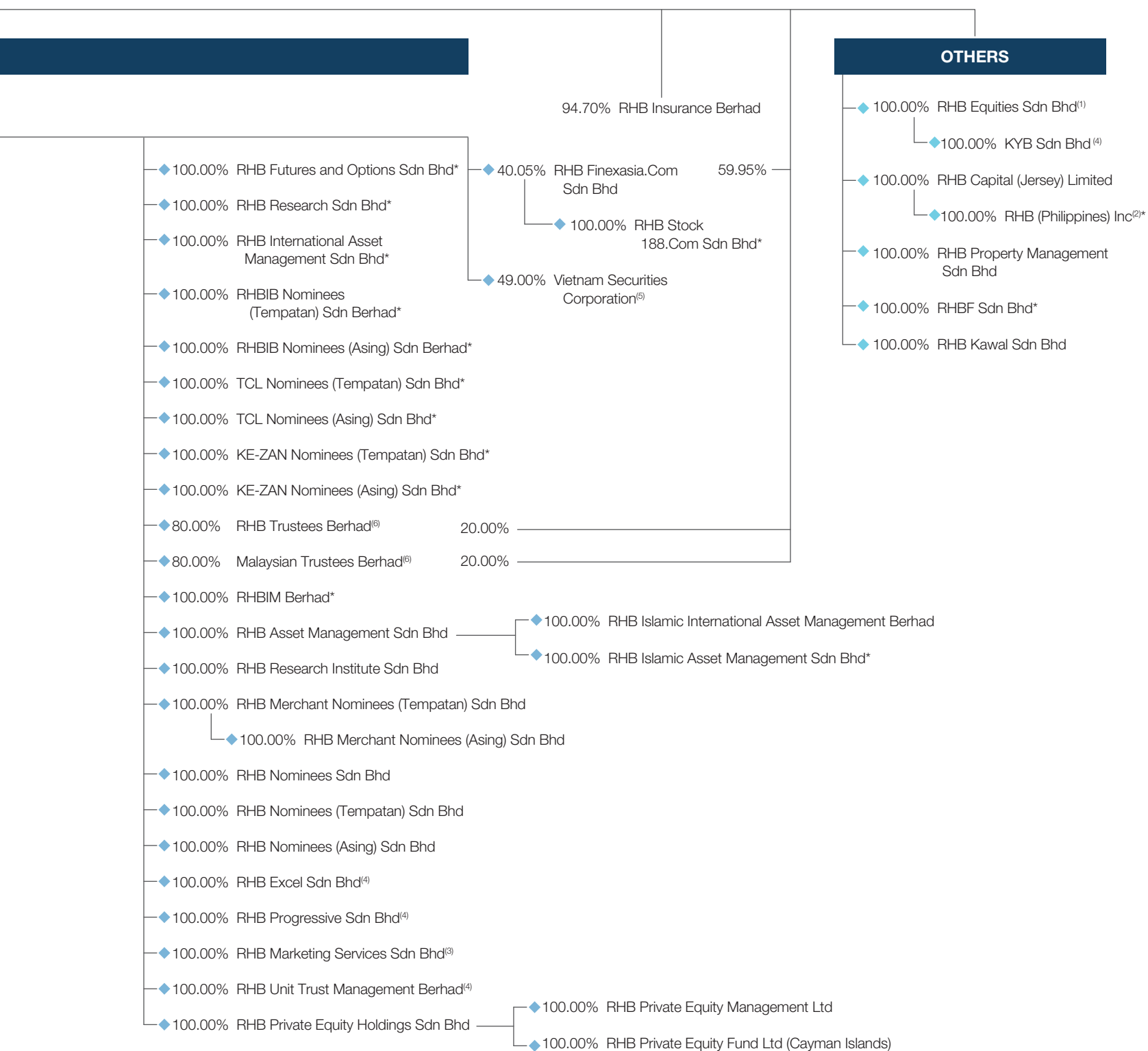
(6) Held by: (i) RHB Investment Bank Berhad; (ii) RHB Nominees (Tempatan) Sdn Bhd; (iii) RHB Nominees (Asing) Sdn Bhd; and (iv) RHB Futures and Options Sdn Bhd with direct shareholdings of 20.00% each.

(7) RHB Bank Berhad became the holding company of RHB Investment Bank Berhad, RHB Insurance Berhad, RHB Equities Sdn Bhd, RHB Kawal Sdn Bhd, RHB Capital (Jersey) Limited, RHB Property Management Sdn Bhd and RHBFS Sdn Bhd on 14 April 2016.

RHB Bank Berhad also holds direct shareholding of 20% in RHB Trustees Berhad and Malaysian Trustees Berhad as well as 59.95% in RHB Finexasia.Com Sdn Bhd w.e.f. 14 April 2016.

RHB Bank Berhad became the ultimate holding company of the Group on 13 June 2016.





# STRATEGIC BUSINESS ENTITIES

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 structured 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 & 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.



**RHB Bank Berhad**



**RHB Investment Bank Berhad**

RHB Investment Bank Berhad (“RHBIB”) is a leading player in the Malaysian capital markets with presence in Singapore, Hong Kong/China, Indonesia, Thailand, Cambodia and Vietnam. Supported by an award-winning team of research analysts, RHBIB offers a complete suite of capital market solutions, securities broking, asset management and trustee services to a wide range of corporate, institutional, retail and high net worth clients. RHBIB continues to win industry awards and accolades which recognise its leading roles in successfully completing numerous landmark capital market transactions locally and regionally.



**RHB Islamic Bank Berhad**

Established in 2005, RHB Islamic Bank Berhad is the first full-fledged Malaysian Islamic bank that has matured from an Islamic banking window operations. As a wholly-owned subsidiary of RHB Bank Berhad, it is the key driver of Shariah business for the entire RHB Banking Group offering a full suite of shariah compliant financial products and solutions to all retail, commercial and corporate customers.



**RHB Insurance Berhad**

RHB Insurance Berhad was established in 1979. The company has close to four decades of experience in providing a full range of general insurance products and services to its customers.

The company offers its products and renders its services via a wide network of RHB Insurance branches, RHB Bank Berhad branches, Pos Malaysia Bhd offices and authorised agents' offices throughout Malaysia.



### RHB Asset Management Sdn Bhd

RHB Asset Management Sdn Bhd is a wholly-owned subsidiary of RHB Investment Bank Berhad. On 1 December 2013, RHB Asset Management Sdn Bhd officially merged with OSK-UOB Investment Management Berhad and the merged entity now operates under the legal entity name of RHB Asset Management Sdn Bhd (RHBAM). The combined strength of these two businesses has greatly enhanced the strength and depth of our service capabilities across Malaysia, ASEAN and Greater China markets.

RHBAM offers a full suite of award winning investment management products and solutions to retail, corporate and institutional customers, and continues to be recognised for its investment performance as well as market innovation.

## Our Regional Presence



### SINGAPORE

With more than half a century of presence in Singapore, RHB Bank and RHB Securities Singapore Pte. Ltd. have garnered invaluable financial experience and made their mark in service excellence. Today, RHB Bank with its a branches is among market leaders for several products across both loans and deposits portfolios by offering attractive value propositions that meet the needs of its customers.



### THAILAND

RHB has had a presence in Thailand since 1964. Today, RHB Banking Group offers both conventional banking services as well securities business through RHB Bank Thailand and RHB Securities (Thailand) PCL.



### CAMBODIA

Established in 2008, RHB Indochina Bank together with RHB OSK Indochina Securities offers Retail and Commercial products and services as well as Equity Sales and Brokerage services.



### INDONESIA

PT RHB OSK Securities Indonesia had been established in the Indonesian financial landscape since 1990 and is one of the most enduring securities firms in the country.



### HONG KONG S.A.R.

RHB Holdings Hong Kong Limited acts as an underwriter, broker and dealer, as well as to provide trading services to retail and institutional investors.



### LAO PDR

RHB Bank Lao Limited commenced operations in 2014. The Bank offers commercial banking products and services together with loan facilities.



### VIETNAM

Vietnam has achieved rapid economic growth over the past two decades by continuously implementing market-oriented reforms. Acknowledging the importance of the growing market, RHB Banking Group established a Representative office here.



### BRUNEI

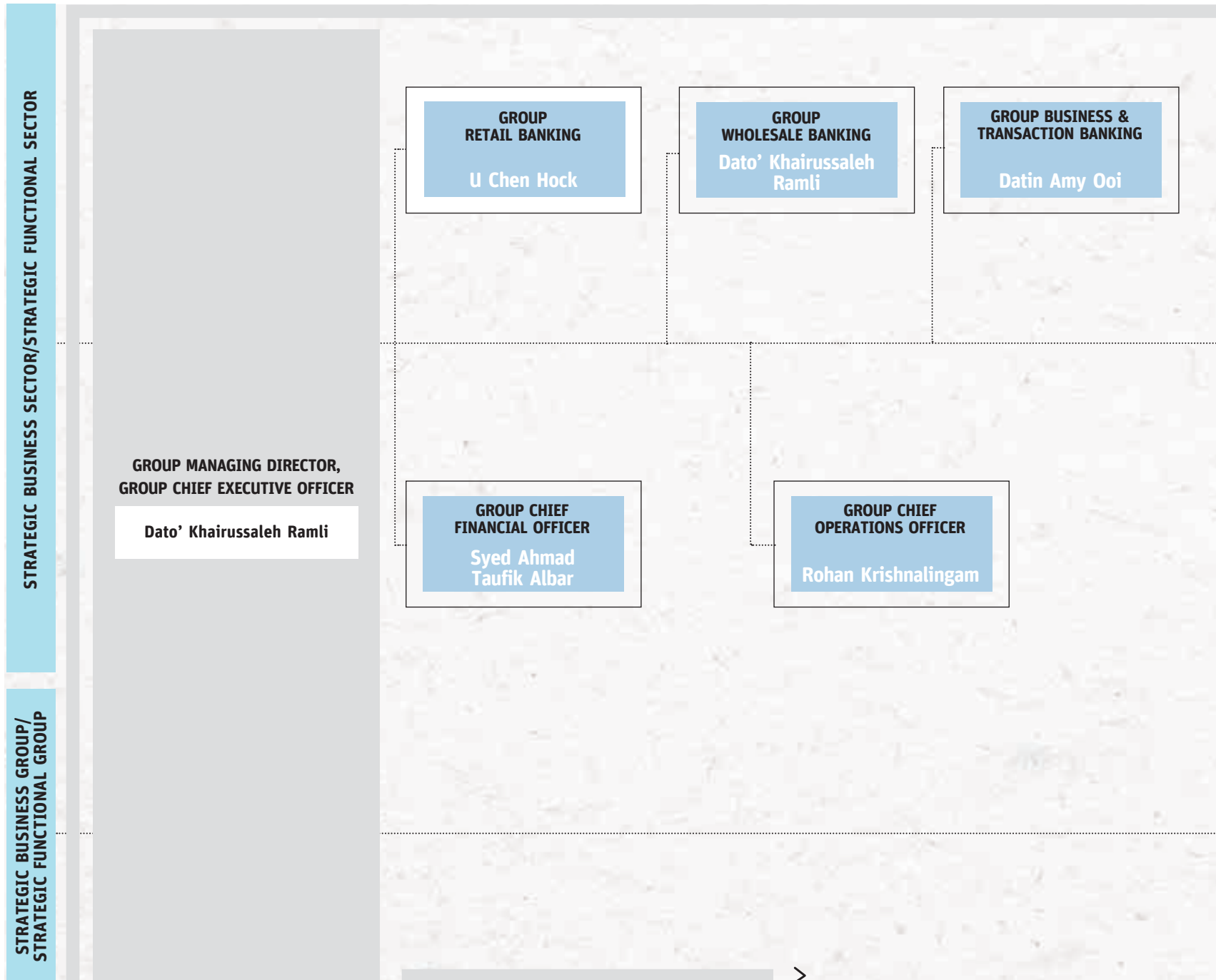
RHB Brunei was established in 1965. The Bank's offerings include commercial products and services.



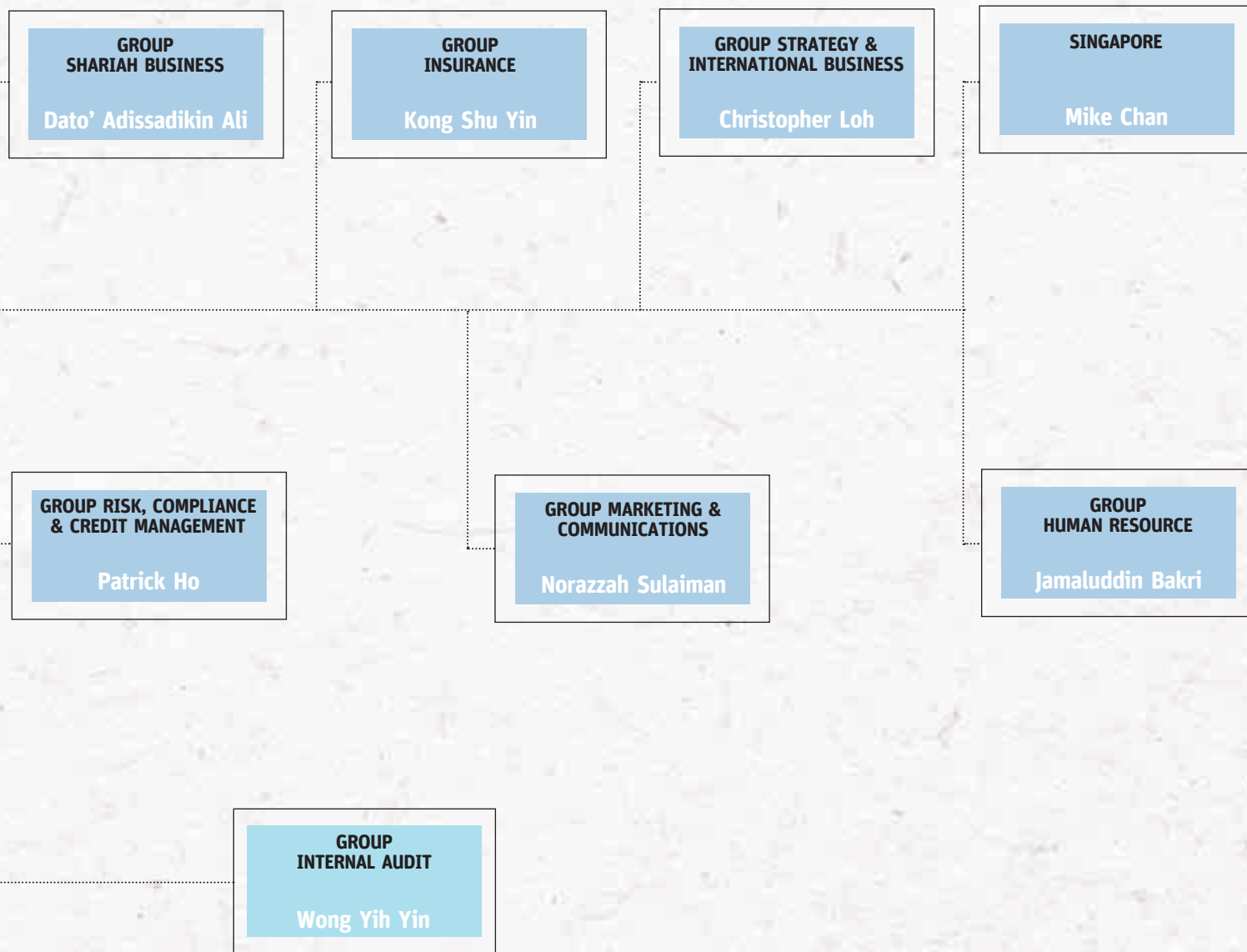
### MYANMAR

Myanmar officially the Republic of the Union of Myanmar, is a sovereign state in South East Asia bordered by Bangladesh, India, China, Laos and Thailand. Acknowledging the importance of the growing market, RHB Banking Group established a Representative office here.

# GROUP ORGANISATION STRUCTURE







# BOARD OF DIRECTORS



from left (sitting): 1. Dato' Khairussaleh Ramli – Group Managing Director, 2. Tan Sri Azlan Zainol – Chairman  
from left (standing): 3. Ong Seng Pheow, 4. Tan Sri Saw Choo Boon, 5. Tan Sri Dr Rebecca Fatima Sta Maria



sitting: 6. Tan Sri Ong Leong Huat @ Wong Joo Hwa  
from left (standing): 7. Mohamed Ali Ismaeil Ali Alfahim, 8. Abdul Aziz Peru Mohamed,  
9. Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir

# BOARD BALANCE & COMPOSITION

## Board Balance & Composition

**4** INDEPENDENT  
NON-EXECUTIVE  
DIRECTORS

- ▶ Ong Seng Pheow
- ▶ Abdul Aziz Peru Mohamed
- ▶ Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir
- ▶ Tan Sri Dr Rebecca Fatima Sta Maria

**3** NON-  
INDEPENDENT  
NON-EXECUTIVE  
DIRECTORS

- ▶ Tan Sri Azlan Zainol
- ▶ Tan Sri Ong Leong Huat @ Wong Joo Hwa
- ▶ Mohamed Ali Ismaeil Ali Alfahim

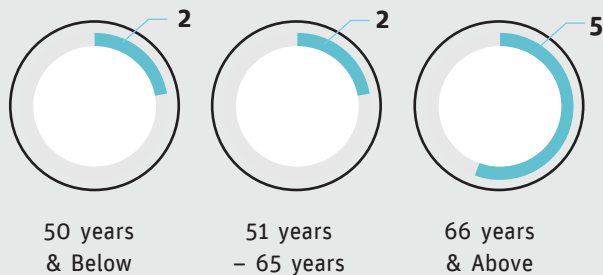
**1** SENIOR  
INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR

- ▶ Tan Sri Saw Choo Boon

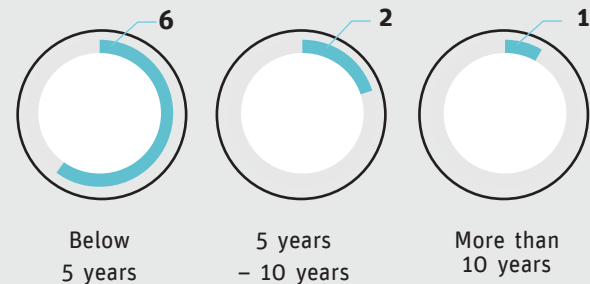
**1** GROUP  
MANAGING  
DIRECTOR

- ▶ Dato' Khairussaleh Ramli

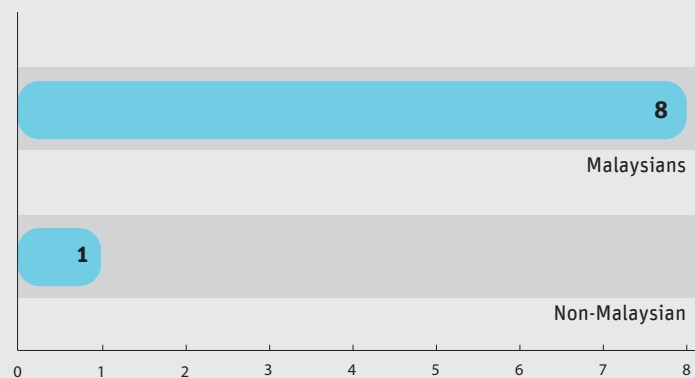
## Age Group



## Tenure of Service in the Bank



## Nationality



## Ethnicity





# PROFILE OF THE BOARD OF DIRECTORS

As at 14 February 2017



**TAN SRI AZLAN ZAINOL**  
Non-Independent Non-Executive Chairman

Nationality: **Malaysian**, Age: **66**, Gender: **Male**,

Date of Appointment: **27 July 2005**,

Length of Service in the Bank: **11 years 7 months**,

Date of Last Re-Election: **29 April 2015**

#### BOARD COMMITTEE MEMBERSHIPS:

- Board Nominating & Remuneration Committee (Member)

#### OTHER DIRECTORSHIPS:

##### Listed Entities:

- Malaysian Resources Corporation Berhad (Chairman)
- Kuala Lumpur Kepong Berhad
- Jardine Cycle & Carriage Limited (Singapore)

##### Public Companies:

- RHB Investment Bank Berhad (Chairman)
- Eco World International Berhad (Chairman)

- Yayasan Astro Kasih (Chairman/Trustee)
- OSK Foundation (Trustee)
- RHB Capital Berhad (In Member's Voluntary Liquidation)
- Rashid Hussain Berhad (In Members' Voluntary Liquidation)
- Financial Reporting Foundation

#### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:

- 12/13

#### QUALIFICATIONS:

- Fellow of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants
- Fellow of Asian Institute of Chartered Bankers

#### SKILLS AND EXPERIENCE:

Tan Sri Azlan Zainol was previously the Chief Executive Officer of the Employees Provident Fund Board until his retirement in April 2013. He has more than 30 years of experience in the financial sector, having served as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.

#### DECLARATION:

- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil



**TAN SRI SAW CHOO BOON**  
Senior Independent  
Non-Executive Director

Nationality: **Malaysian**, Age: **70**,  
Gender: **Male**, Date of Appointment:  
**15 June 2016**, Length of Service  
in the Bank: **8 months\***, Date of Last  
Re-Election: **Not Applicable**

\* Served the Board of RHB Capital Berhad (the former holding company) for more than 6 years

**BOARD COMMITTEE MEMBERSHIPS:**

- Board Nominating & Remuneration Committee (Chairman)
- Board Risk Committee (Chairman)
- Board Audit Committee (Member)

**OTHER DIRECTORSHIPS:**

**Listed Entities:**

- Digi.Com Berhad
- Ranhill Holdings Berhad

**Public Companies:**

- Phoenix Petroleum (M) Berhad
- RHB Capital Berhad (In Member's Voluntary Liquidation)

**Associations:**

- Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH) as the Co-Chair

- Federation of Malaysian Manufacturers (FMM) Council as the Immediate Past President
- Socio-Economic Research Centre (SERC) Board of the Associated Chinese Chambers of Commerce and Industry Malaysia

**NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:**

- 8/8

**QUALIFICATIONS:**

- Bachelor of Science (Chemistry) from the University of Malaya

**SKILLS AND EXPERIENCE:**

Tan Sri Saw Choo Boon ("Tan Sri Saw") joined Shell in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Berhad. He then served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and Netherlands. In 1996, Tan Sri Saw was appointed Managing Director of Shell MDS (Malaysia) Sendirian Berhad. In 1998 – 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia and Managing Director of Shell Refining Company (Federation of Malaya) Berhad.

In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice-President of the commercial business in the Asia-Pacific region and in 2004 he became the President of Shell Oil Product East. In 2005, he assumed the role of Vice-President Global Marine Products.

Tan Sri Saw was appointed the Chairman of Shell Malaysia on 1 March 2006. He was also the Vice-President Business Development Asia Pacific responsible for developing the commercial businesses in new market entries in Asia – China, India, Indonesia and Vietnam. From 1 January 2010, Tan Sri Saw was appointed the Senior Advisor of Shell Malaysia until his retirement on 30 June 2010.

**DECLARATION:**

- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil



**ONG SENG PHEOW**  
Independent  
Non-Executive Director

Nationality: **Malaysian**, Age: **68**,  
Gender: **Male**, Date of Appointment:  
**20 November 2006**, Length of Service  
in the Bank: **10 years 3 months**,  
Date of Last Re-Election: **29 April 2015**

**BOARD COMMITTEE MEMBERSHIPS:**

- Board Audit Committee (Member)
- Board Nominating & Remuneration Committee (Member)
- Board Technology Committee (Member)

**OTHER DIRECTORSHIPS:**

**Listed Entities:**

- Daiman Development Berhad
- LCTH Corporation Berhad
- George Kent (Malaysia) Berhad

**Public Companies:**

- RHB Insurance Berhad (Chairman)
- HELP International Corporation Berhad
- RHB Indochina Bank Limited (Chairman)

- RHB Indochina Securities PLC (Chairman)
- RHB Bank Lao Limited (Chairman)

**NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:**

- 12/13

**QUALIFICATIONS:**

- Member of the Malaysian Institute of Certified Public Accountants (MICPA)
- Member of the Malaysian Institute of Accountants

**SKILLS AND EXPERIENCE:**

Ong Seng Pheow has over 34 years of audit and accounting experience. He was a partner of Ernst & Young from 1984 to 2003. His last held position in Ernst & Young was as the National Director of Assurance and Advisory Business Services. He also served on committees and working groups of MICPA.

**DECLARATION:**

- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil

# PROFILE OF THE BOARD OF DIRECTORS

As at 14 February 2017

ABOUT US

LEADERSHIP

STRATEGIC REVIEW

Nationality: **Malaysian**, Age: **68**,  
Gender: **Male**, Date of Appointment:  
**7 February 2011**, Length of Service  
in the Bank: **6 years**, Date of Last  
Re-Election: **11 May 2016**

#### BOARD COMMITTEE MEMBERSHIPS:

- Board Credit Committee (Member)

#### OTHER DIRECTORSHIPS:

##### Listed Entities:

- Nil

##### Public Companies:

- RHB Insurance Berhad
- RHB Islamic International Asset Management Berhad
- As-Salihin Trustee Berhad
- RHB Indochina Bank Limited
- RHB Bank Lao Limited

#### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:

- 13/13

#### QUALIFICATIONS:

- Harvard Business School
- Pacific Bankers Rim programmes in the United States of America

#### SKILLS AND EXPERIENCE:

Abdul Aziz Peru Mohamed is currently the Chief Executive Officer/Director of As-Salihin Trustee Berhad, a trust company specialising in Islamic estate planning. He held various senior management positions in the banking industry with almost 30 years in an accomplished career track spanning management of branch network and retail banking. He spent most of his working years at Malayan Banking Berhad, where his last position was General Manager, Consumer Banking Division. He was also formerly the Senior General Manager of AmBank Berhad from 2002 to 2005. During the years in the banking industry, he was appointed as Chairman of the Rules Committee of the Association of Banks of Malaysia and has held several other key positions including as a Board Member of Mayban Property Trust and Mayban Trustees Bhd.

#### DECLARATION:

- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil



**ABDUL AZIZ PERU MOHAMED**  
Independent Non-Executive Director

Nationality: **Malaysian**, Age: **72**,  
Gender: **Male**, Date of Appointment:  
**20 November 2012**, Length of Service  
in the Bank: **4 years 3 months**, Date  
of Last Re-Election: **11 May 2016**

#### BOARD COMMITTEE MEMBERSHIPS:

- Board Nominating & Remuneration Committee (Member)

#### OTHER DIRECTORSHIPS:

##### Listed Entities:

- OSK Holdings Berhad
- OSK Ventures International Berhad

##### Public Companies:

- RHB Investment Bank Berhad
- PJ Development Holdings Berhad (Chairman)
- OSK Property Holdings Berhad
- KE-ZAN Holdings Berhad
- OSK Foundation (Trustee)

#### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:

- 12/13

#### QUALIFICATIONS:

- Senior Cambridge, Federation of Malaysia Certificate awarded by Methodist English School
- Capital Markets and Services Representative's licence issued by the Securities Commission of Malaysia under the Capital Markets and Services Act, 2007 for dealing in securities

#### SKILLS AND EXPERIENCE:

For over 17 years since 1969, Tan Sri Ong Leong Huat was attached to a leading financial institution where he last held the position of Senior General Manager. He was the Managing Director/Chief Executive Officer ("CEO") of OSK Investment Bank Berhad (now known as OSKIB Sdn Bhd) from July 1985 to January 2007 and thereafter was appointed as the Group Managing Director/CEO. He was then re-designated as a Non-Independent Non-Executive Director and subsequently resigned on 30 April 2013.

Tan Sri Ong Leong Huat was also a Director of MESDAQ from July 1999 to March 2002 and a member of the

Capital Market Advisory Council appointed by the Securities Commission in 2004 to advise on issues relating to the implementation of the Capital Market Master Plan. He was a director on the Board of Bursa Malaysia Berhad from 2008 to 2015 and was previously a member of the Securities Market Consultative Panel of Bursa Malaysia.

#### DECLARATION:

- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Tan Sri Ong Leong Huat and his spouse, Puan Sri Khor Chai Moi are deemed major shareholders of RHB Bank pursuant to Section 8(4) of the Companies Act 2016, by virtue of shares held through OSK Holdings Berhad
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil



**TAN SRI ONG LEONG HUAT @ WONG JOO HWA**  
Non-Independent Non-Executive Director





**MOHAMED ALI ISMAEIL  
ALI ALFAHIM**  
Non-Independent Non-Executive  
Director

Nationality: **United Arab Emirates,**  
Age: **40,** Gender: **Male,** Date of  
Appointment: **9 May 2014,** Length of  
Service in the Bank: **2 years 9 months,**  
Date of Last Re-Election: **29 April 2015**

**BOARD COMMITTEE MEMBERSHIPS:**

- Nil

**OTHER DIRECTORSHIPS:**

**Listed Entities:**

- EDP Energia de Portugal

**Public Companies:**

- RHB Capital Berhad (In Member's Voluntary Liquidation)
- Aabar Investments PJS

**NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:**

- 11/13

**QUALIFICATIONS:**

- Bachelor of Science in Business Administration from the University of Suffolk, Boston

**SKILLS AND EXPERIENCE:**

Mohamed Ali Ismaeil Ali Alfahim commenced his professional career at Abu Dhabi National Oil Company from 2000 to 2008. His role as Head of Group Financing Department focused on the identification and pursuit of investment strategies reflecting a balanced investment portfolio. During that time, Mohamed Ali Ismaeil Ali Alfahim also worked as a corporate finance consultant for KPMG-Dubai from 2001 to 2002 and for HSBC Bank at Project and Export Finance Division-London in 2006.

Since September 2008, Mohamed Ali Ismaeil Ali Alfahim has been Head of Finance at the Finance & Accounts Department of International Petroleum Investment Company PJSC ("IPIC"). He represents IPIC as a board member on various boards of investee companies, including EDP Energia de Portugal and Aabar Investments PJS.

**DECLARATION:**

- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil



**DATO' SRI HAJI SYED  
ZAINAL ABIDIN SYED  
MOHAMED TAHIR**  
Independent Non-Executive  
Director

Nationality: **Malaysian,** Age: **54,**  
Gender: **Male,** Date of Appointment:  
**6 October 2015,** Length of Service in  
the Bank: **1 year 4 months,** Date of  
Last Re-Election: **11 May 2016**

**BOARD COMMITTEE MEMBERSHIPS:**

- Board Nominating & Remuneration Committee (Member)
- Board Credit Committee (Member)
- Board Audit Committee (Member)
- Board Technology Committee (Member)

**OTHER DIRECTORSHIPS:**

**Listed Entities:**

- Nil

**Public Companies:**

- RHB Islamic Bank Berhad

**NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:**

- 13/13

**QUALIFICATIONS:**

- Bachelor of Science in Civil Engineering from University of Maryland, USA

**SKILLS AND EXPERIENCE:**

Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir began his career as a Project Engineer with Petronas Gas Sdn Bhd in 1987, prior to joining Petroliam Nasional Berhad in 1992 as the Senior Executive of the Company's Corporate Planning & International Business Development Unit. He then left to join HICOM Holdings Berhad in 1995, where he assumed various senior positions in the Company. Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir lent his expertise to PERODUA when he was appointed as Senior General Manager in 1999. Subsequently, he was appointed Executive Director of PERODUA Auto Corporation Sdn Bhd in 2002, and later promoted to Deputy Managing Director of PERODUA in October 2005.

On 1 January 2006, he was appointed as the Group Managing Director of PROTON Holdings Berhad. He also sits on the Boards of various subsidiaries within the PROTON Group before he left the Company in May 2012. Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir received various awards during his stint in the automotive industries.

**DECLARATION:**

- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil



# PROFILE OF THE BOARD OF DIRECTORS

As at 14 February 2017

ABOUT US

LEADERSHIP

STRATEGIC REVIEW

Nationality: **Malaysian**, Age: **59**,  
 Gender: **Female**, Date of Appointment:  
**1 August 2016**, Length of Service  
 in the Bank: **6 months**, Date of Last  
 Re-Election: **Not Applicable**

#### BOARD COMMITTEE MEMBERSHIPS:

- Board Audit Committee (Chairperson)

#### OTHER DIRECTORSHIPS:

##### Listed Entities:

- Sunway Construction Group Berhad
- Hartalega Holdings Berhad
- Lafarge Malaysia Berhad

##### Public Companies:

- RHB Investment Bank Berhad

#### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:

- 6/6

#### QUALIFICATIONS:

- Bachelor of Arts (Honours) in English Literature from University of Malaya

- Diploma in Public Administration from National Institute of Public Administration (“INTAN”)
- M.S. in Counselling from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia)
- Ph.D from University of Georgia in Athens, USA

#### SKILLS AND EXPERIENCE:

Tan Sri Dr Rebecca Fatima Sta Maria was previously the Secretary General of the Ministry of International Trade and Industry (“MITI”). She began her career in the Administrative and Diplomatic Service in 1981 and served in various capacities in the then Ministry of Trade and Industry. In 1988, she was seconded to the ASEAN Plant Quarantine and Training Centre as its Chief Administration and Procurement Officer. She also served as the Senior Project Coordinator at the Leadership Centre, INTAN from 2000 to 2002. She also served at various divisions in MITI namely, Senior Director of the Investment Policy Division, Director of the Investment Policy and Manufacturing Related Services Division and Director

of the Strategic Planning Division before she became the MITI Deputy Secretary General of Trade. She was then involved in handling trade related matters of the Ministry, including administering Malaysia’s interests under bilateral and regional Free Trade Agreements (FTAs), as well as Malaysia’s engagements in various international organisations such as ASEAN, APEC and WTO. After 35 years in civil service, serving six trade ministers and overseeing twelve trade pacts, she retired as the Secretary General of the MITI in July 2016.

#### DECLARATION:

- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil



**TAN SRI DR REBECCA FATIMA STA MARIA**  
 Independent Non-Executive Director

Nationality: **Malaysian**, Age: **49**,  
 Gender: **Male**, Date of Appointment:  
**13 December 2013\*/5 May 2015\*\***,  
 Length of Service in the Bank: **3 years**  
**2 months**, Date of Last Re-Election:  
**11 May 2016**

\* *Managing Director of RHB Bank Berhad and Deputy Group Managing Director of RHB Banking Group*

\*\* *Group Managing Director/Group Chief Executive Officer of RHB Banking Group*

#### BOARD COMMITTEE MEMBERSHIPS:

- Nil

#### OTHER DIRECTORSHIPS:

##### Listed Entities:

- Nil

##### Public Companies:

- RHB Capital Berhad (In Member’s Voluntary Liquidation)
- RHB Indochina Bank Limited
- RHB Bank Lao Limited
- RHB Securities (Thailand) Public Company Limited
- RHB Foundation (Chairman/Trustee)

#### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:

- 13/13

#### QUALIFICATIONS:

- Bachelor of Science in Business Administration from Washington University, St. Louis
- Advanced Management Programme, Harvard Business School
- Fellow Chartered Banker, Asian Institute of Chartered Bankers

#### SKILLS AND EXPERIENCE:

Dato’ Khairussaleh Ramli has more than 20 years of experience in the financial services and capital markets industry, where he has held senior positions in well-established regional financial institutions. He is also a Council member of The Association of Banks in Malaysia and Asian Institute of Chartered Bankers.

His knowledge and experience earned him the “Best CFO in Malaysia Award” in 2010 and 2011 from Finance Asia and the “Best CFO in Malaysia Award” in 2012 from Alpha Southeast Asia.

#### DECLARATION:

- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil



**DATO’ KHAIRUSSALEH RAMLI**  
 Group Managing Director/  
 Group Chief Executive Officer

# PROFILE OF THE CHAIRMEN OF THE KEY OPERATING COMPANIES

As at 14 February 2017



## TAN SRI AZLAN ZAINOL

Non-Independent Non-Executive Chairman  
RHB Bank Berhad & RHB Investment  
Bank Berhad

Aged 66, Male, Malaysian

### BOARD COMMITTEE MEMBERSHIPS

Board Nominating & Remuneration Committee (Member)

### QUALIFICATIONS

- > Fellow of the Institute of Chartered Accountants in England and Wales
- > Member of the Malaysian Institute of Accountants
- > Member of the Malaysian Institute of Certified Public Accountants
- > Fellow of Asian Institute of Chartered Bankers

### SKILLS AND EXPERIENCE

Tan Sri Azlan Zainol was previously the Chief Executive Officer of the Employees Provident Fund Board until his retirement in April 2013. He has more than 30 years of experience in the financial sector, having served as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.



## TUAN HAJI MD JA'FAR ABDUL CARRIM

Non-Independent Non-Executive Chairman  
RHB Islamic Bank Berhad

Aged 62, Male, Malaysian

### BOARD COMMITTEE MEMBERSHIPS

- > Board Risk Committee (Member)
- > Board Credit Committee (Member)
- > Islamic Risk Management Committee (Member)

### QUALIFICATIONS

- > Member of the Institution of Engineers, Malaysia
- > Bachelor of Science in Civil Engineering from Loughborough University, United Kingdom
- > Ordinary National Diploma in Civil Engineering from Brighton Technical College, Brighton, United Kingdom

### SKILLS AND EXPERIENCE

A civil engineer by training, Tuan Haji Md Ja'far Abdul Carrim's career of some 32 years include a stint in the public sector as well as a broad range of activities in the corporate sector as Chief Executive Officer and at the Board of Directors level. His extensive experience covers inter alia, the areas of manufacturing, property development and construction.

Tuan Haji Md Ja'far Abdul Carrim is a Council Member for the Chair on Financial Planning for Old Age at University Malaya. He also sits on the Board of Employees Provident Fund, Malaysia.



## ONG SENG PHEOW

Independent Non-Executive Chairman  
RHB Insurance Berhad

Aged 68, Male, Malaysian

### BOARD COMMITTEE MEMBERSHIPS

- Board Audit Committee (Member)
- Board Nominating & Remuneration Committee (Member)
- Board Technology Committee (Member)
- Investment Committee of RHB Insurance Berhad (Member)

### QUALIFICATIONS

- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants

### SKILLS AND EXPERIENCE

Ong Seng Pheow has over 34 years of audit and accounting experience. He was a partner of Ernst & Young from 1984 to 2003. His last held position in Ernst & Young was as the National Director of Assurance and Advisory Business Services. He also served on committees and working groups of Malaysian Institute of Certified Public Accountants.



## PATRICK CHIN YOKE CHUNG

Non-Independent Non-Executive Chairman  
RHB Asset Management Sdn Bhd

Aged 71, Male, Malaysian

### BOARD COMMITTEE MEMBERSHIPS

- Board Credit Committee (Chairman)
- Board Risk Committee (Member)
- Investment Committee of RHB Asset Management Sdn Bhd (Member)

### QUALIFICATIONS

- Fellow of the Institute of Chartered Accountants in England and Wales
- Attended the Management Development Program at Harvard Business School

### SKILLS AND EXPERIENCE

Patrick Chin Yoke Chung rose from the Head of Corporate Finance to become Deputy Chief Executive Officer of Asian International Merchant Bankers Berhad from 1973 to 1993. He was appointed as the Executive Director of Morgan Grenfell Asia-Kenanga Sdn Bhd and also the Chief Representative of Morgan Grenfell responsible for co-coordinating Morgan Grenfell's activities and business interests in Malaysia from 1994 to 1995. Subsequently, he joined Bankers Trust Company, Kuala Lumpur as Chief Representative/Country Head from 1995 to 1999, managing and overseeing its Malaysian operations including the offshore bank in Labuan. He also served as the Chairman of Schroders Malaysia Sdn Bhd in 2000.

# PROFILE OF THE SHARIAH COMMITTEE



## DR. GHAZALI JAAPAR

Chairman, Shariah Committee of RHB Islamic Bank

Aged 46, Male, Malaysian

<b>Date Appointed:</b> 01 April 2011	<b>Date of Last Re-appointment:</b> 01 April 2015
<b>Number of Shariah Committee Meetings Attended in the Financial Year:</b> 8/9	<b>Present Membership of Shariah Committee in Other Institutions:</b> HSBC Amanah Takaful
<b>Qualifications:</b>	<ul style="list-style-type: none"> <li>➤ B.A. Shariah (Hons.), University of Malaya, Kuala Lumpur</li> <li>➤ Master of Comparative Law, International Islamic University Malaysia, Kuala Lumpur</li> <li>➤ Ph.D. Islamic Jurisprudence, University of Birmingham, United Kingdom</li> </ul>

### Skills, Experience and Expertise:

Dr. Ghazali bin Jaapar is currently serving as Assistant Professor of Ahmad Ibrahim Kulliyah of Laws (AIKOL), International Islamic University Malaysia (IIUM). Prior to that, he was the Director of Harun M. Hashim Law Centre, IIUM. His areas of expertise are Islamic Legal System, Principles of Islamic Jurisprudence (*Usul al-Fiqh*), Islamic Law of Transaction, Islamic Legal Maxims, *Siyasah Shar'iyah* (Shariah-oriented policy). He had participated in various workshops, seminars and conferences on Islamic finance locally and abroad.



## PROFESSOR DR. JONI TAMKIN BORHAN

Member, Shariah Committee of RHB Islamic Bank Berhad

Aged 50, Male, Malaysian

<b>Date Appointed:</b> 01 April 2005	<b>Date of Last Re-appointment:</b> 01 April 2015
<b>Number of Shariah Committee Meetings Attended in the Financial Year:</b> 9/9	<b>Present Membership of Shariah Committee in Other Institutions:</b> MAA Takaful Berhad
<b>Qualifications:</b>	<ul style="list-style-type: none"> <li>➤ B.Sh (Shariah) (Hons.), University of Malaya, Kuala Lumpur</li> <li>➤ Master of Islamic Economics (Shariah), University of Malaya, Kuala Lumpur</li> <li>➤ Ph.D. in Islamic Banking, University of Edinburgh, Scotland</li> </ul>

### Skills, Experience and Expertise:

Prof. Dr. Joni Tamkin bin Borhan is currently a professor at Shariah and Economics Department, Academy of Islamic Studies, University of Malaya, Kuala Lumpur. His areas of specialisation are Islamic banking, Islamic transactions and Islamic economics. He has been teaching at the University of Malaya since 1997 both at postgraduate and undergraduate levels and successfully supervised more than 80 postgraduate thesis and dissertations. He has written and presented more than 200 articles and papers in journals and conference both locally and internationally. He has served as Senate Member, Deputy Director of Undergraduate and Postgraduate Degrees and Head of Shariah and Economics Department at the Academy of Islamic Studies, University of Malaya. He was also a member of National Shariah Advisory Council on Islamic Banking and Takaful (1999 – 2004), Visiting Professor of Edinburgh University (January – October 2010), Fellow at University of Leiden, Holland (June – September 2004) and Fellow at Religious Department at Victoria University of Wellington, New Zealand (Mac – May 2002).



## ASSOC. PROF. DR. AMIR SHAHARUDDIN

Member, Shariah Committee of RHB Islamic Bank Berhad

Aged 39, Male, Malaysian

<b>Date Appointed:</b> 01 April 2011	<b>Date of Last Re-appointment:</b> 01 April 2015
<b>Number of Shariah Committee Meetings Attended in the Financial Year:</b> 9/9	<b>Present Membership of Shariah Committee in Other Institutions:</b> Malaysian Airport Consultancy Berhad, Malaysian Electronic Payment System (MEPS)
<b>Qualifications:</b>	<ul style="list-style-type: none"> <li>➤ B.A. Shariah (Hons), Al-Azhar University, Egypt</li> <li>➤ Master of Business Administration in Islamic Banking &amp; Finance, International Islamic University Malaysia, Kuala Lumpur</li> <li>➤ Ph.D. in Islamic Studies, University of Exeter, United Kingdom</li> </ul>

### Skills, Experience and Expertise:

Assoc. Prof. Dr. Amir bin Shaharuddin was the first recipient of Scholar of Residence in Islamic Finance Award, jointly initiated by Malaysia Securities Commission and Oxford Centre for Islamic Studies (OCIS). He is presently the Dean of Economic and Muamalat Faculty, Universiti Sains Islam Malaysia (USIM) since December 2013. He has published numerous articles in refereed journals including Journal of Muamalat and Islamic Finance Research, Arab Law Quarterly and ISRA International Journal of Islamic Finance. He has written articles in Islamic Banking & Finance, Zakat, Islamic Law Principles of Islamic Jurisprudence (*Usul al-Fiqh*), Islamic Legal Maxims and *Siyasah Shar'iyah* (Shariah-oriented policy) for forums and seminars. He has also presented academic papers in various international seminars such as in Indonesia, Bahrain, United Kingdom and Italy.



## WAN ABDUL RAHIM KAMIL WAN MOHAMED ALI

Member, Shariah Committee of RHB Islamic Bank Berhad

Aged 68, Male, Malaysian

<b>Date Appointed:</b> 13 April 2013	<b>Date of Last Re-appointment:</b> 01 April 2015
<b>Number of Shariah Committee Meetings Attended in the Financial Year:</b> 9/9	
<b>Qualifications:</b>	<ul style="list-style-type: none"> <li>▶ Professional Member, Institute of Statisticians, United Kingdom</li> <li>▶ Post Graduate Degree in Islamic Banking &amp; Economics, International Institute of Islamic Banking &amp; Economics, Turkish Cyprus (in association with Al Azhar University, Cairo)</li> </ul>

### Skills, Experience and Expertise:

Wan Abdul Rahim Kamil is experienced in Islamic Banking, Islamic capital market and various areas of operations including Corporate Financing and Syndication, Debt Capital Market and Corporate Advisory. Attached to Aseambankers (Malaysia) Berhad in Corporate Finance in 1977 before moving to Bank Islam Malaysia Berhad in 1983. Appointed as the Chief Executive Officer of ABRAR Discounts Berhad between 1994 to 2006 and later became consultant and trainer of Islamic Capital Market. He is frequently invited as speaker and trainer for various seminars and workshops by World Bank, Bank Negara Malaysia (BNM), Securities Industries Development Corporation (SIDC), Islamic Banking and Finance Institute Malaysia (IBFIM) among others. He pioneered the development of the Islamic Capital Market in Malaysia and has innovated the development of several benchmark capital market securities through securitisation of Islamic contracts. He was awarded the "Outstanding Leadership in Islamic Finance" by London Sukuk 2011 organised by ICG Events and UK Trade and Industry Ministry, United Kingdom.



## MOHD FADHLY MD. YUSOFF

Member, Shariah Committee of RHB Islamic Bank Berhad

Aged 46, Male, Malaysian

<b>Date Appointed:</b> 13 April 2013	<b>Date of Last Re-appointment:</b> 01 April 2015
<b>Number of Shariah Committee Meetings Attended in the Financial Year:</b> 8/9	<b>Present Membership of Shariah Committee in Other Institutions:</b> Sun Life Malaysia Takaful Bhd, Apex Investment Services Berhad, National Farmers Organization (NAFAS), Opus Asset Management Sdn Bhd, Universiti Tenaga Nasional
<b>Qualifications:</b>	▶ Bachelor of Syariah (1st Class Honours), University of Malaya

### Skills, Experience and Expertise:

Mohd Fadhly bin Md. Yusoff was a manager at Islamic Capital Market Department of Securities Commission Malaysia from 1995 to 2008 where he involved in Shariah compliance supervision in relation to submissions for the issuances of Sukuk, structured products, collective investment schemes and Islamic REITs. In addition, he has also undertaken in-depth research for the development of new Islamic Capital Market instruments as well as providing technical inputs for the preparation of various guidelines issued by Securities Commission Malaysia. He has actively participated in various industry development initiatives namely the International Organisation of Securities Commission (IOSCO) Task Force on Islamic Capital Market, Islamic Financial Services Board's (IFSB) Governance of Islamic Investment Funds Working Group, technical member for the publication of *Resolutions of the Securities Commission Shariah Advisory Council* and Islamic Capital Market educational and promotional programmes.



## SHABNAM MOHAMAD MOKHTAR

Member, Shariah Committee of RHB Islamic Bank Berhad

Aged 39, Female, Malaysian

<b>Date Appointed:</b> 01 May 2015 ( <i>New Appointment</i> )	<b>Date of Last Re-appointment:</b> NIL
<b>Number of Shariah Committee Meetings Attended in the Financial Year:</b> 9/9	
<b>Qualifications:</b>	<ul style="list-style-type: none"> <li>▶ Bachelor of Accountancy, University Putra Malaysia</li> <li>▶ Master of Accounting, University of Illinois, Urbana-Champaign, U.S.A</li> </ul>

### Skills, Experience and Expertise:

Shabnam binti Mohamad Mokhtar is presently the Vice President of SHAPE® Knowledge Services; an Islamic finance consulting firm based in Kuwait. She spearheads research and development activities including financial analysis, strategic & business plan formulation, design and implementation of customised survey, research and training for different clients at SHAPE®. Formerly, she was heading the capital markets research for the International Shariah Research Academy (ISRA). She has conducted various training programs on Islamic banking, sukuk & Islamic capital market products, risk management and financial reporting for clients in ASEAN region, Gulf Cooperation Council (GCC) and European market. She has also contributed chapters in *Housing the Nation* (Cagamas 2013), *Managing Fund Flows, Risks and Derivatives: Applications in Islamic Institutions* (Sweet & Maxwell 2012), *Islamic Financial System: Principles & Operations Market* (ISRA, 2011), *Sukuk* (Sweet & Maxwell 2009), and *Partnership Accounting, Principles and Practice* (McGraw Hill). She served as a member of the Shariah Board of Malaysian Ratings Corporation (MARC) from 2010 to 2014.



from left:

1) **Dato' Khairussaleh Ramli** (Group Managing Director/Group Chief Executive Officer), 2) **Dato' Adissadikin Ali** (Managing Director/Chief Executive Officer RHB Islamic Bank), 3) **Mike Chan** (Chief Executive Officer, RHB Bank Singapore Country Head, Singapore), 4) **Mohd Rashid Mohamad** (Group Treasurer), 5) **Robert Huray** (Chief Executive Officer, RHB Investment Bank/Head, Group Investment Banking, Group Wholesale Banking), 6) **U Chen Hock** (Head, Group Retail Banking), 7) **Datin Amy Ooi Swee Lian** (Head, Group Business & Transaction Banking)



# GROUP SENIOR MANAGEMENT



8) **Kong Shu Yin** (Managing Director RHB Insurance), 9) **Patrick Ho** (Group Chief Risk Officer),  
10) **Christopher Loh** (Group Chief Strategy Officer), 11) **Syed Ahmad Taufik Albar** (Group Chief Financial Officer),  
12) **Rohan Krishnalingam** (Group Chief Operations Officer), 13) **Norazzah Sulaiman** (Group Chief Marketing &  
Communications Officer), 14) **Jamaluddin Bakri** (Group Chief Human Resource Officer)



# PROFILE OF THE GROUP SENIOR MANAGEMENT

## DATO' KHAIRUSSALEH RAMLI

Group Managing Director/  
Group Chief Executive Officer

Aged 49 | Male | Malaysian

### Appointment to the Board:

- 5 May 2015

### Responsibility:

- Set the Group's vision & strategic direction, working closely with the Board of Directors
- Define and shape corporate culture & brand values
- Lead the Group in managing its businesses and operations to achieve set targets and goals
- Maximise the Group's return on capital invested

### Experience:

- More than 20 years of experience in financial services and capital markets industry
- Held senior positions in regional financial institutions

### Qualifications:

- Bachelor of Science in Business Administration, Washington University, St. Louis
- Advanced Management Programme, Harvard Business School
- Fellow Chartered Banker, Asian Institute of Chartered Bankers (AICB)

### Committee Memberships/Appointments:

- Non-independent non-executive director, RHB Indochina Bank Ltd
- Non-independent non-executive director, RHB Bank Lao Ltd
- Non-independent non-executive director, RHB Securities (Thailand) Public Company Limited
- Chairman, Board of Trustee, RHB Foundation

### External Memberships/Appointments:

- Council Member of The Association of Banks, Malaysia
- Council Member of Asian Institute of Chartered Bankers
- Director, Malaysian Electronic Payment System Sdn Bhd

### Achievements:

- 2010 and 2011: Best CFO in Malaysia Award by Finance Asia
- 2012: Best CFO in Malaysia Award by Alpha Southeast Asia

## SYED AHMAD TAUFIK ALBAR

Group Chief Financial Officer

Aged 44 | Male | Malaysian

### Responsibility:

- Lead Group Finance and oversee the overall effectiveness and efficiency of the finance functions across the Group
- Oversee the functions of Loan Recovery as well as Group Procurement and Services

### Experience:

- 20 years of experience as an accountant and a finance professional with domestic and international exposures in oil & gas, mobile telecommunications, and infrastructure, property development and construction
- Started finance career with Shell and worked in various Shell offices in Malaysia, Australia and The Netherlands

- Prior to joining RHB, was the Group Chief Financial Officer of UEM Group Berhad and Chief Financial Officer of Smart Axiata (Cambodia) before that

### Qualifications:

- Bachelor of Accounting (Hons), International Islamic University Malaysia
- Master of Economics, International Islamic University Malaysia

### External Memberships/Appointments:

- Fellow of Chartered Institute of Management Accountant (CIMA), UK
- Member of Malaysian Institute of Accountants (MIA)

## U CHEN HOCK

Head, Group Retail Banking  
RHB Bank

Aged 61 | Male | Malaysian

### Responsibility:

- Responsible for the overall growth and profitability of the Retail Banking and Wealth Management business in the Group

### Experience:

- Chief Executive Officer of OSK Investment Bank Berhad (OSKIB)
- Experience in corporate, commercial and consumer banking gained from numerous senior positions in Malaysia, Taiwan and Hong Kong

### Qualifications:

- Bachelor of Economics (Honours), National University of Malaysia (UKM)

### External Memberships/Appointments:

- Malaysian Electronic Payment System (MEPS) Strategic and Business Committee
- Malaysian Electronic Payment System (MEPS) Currency Management Board
- Financial Planning Association of Malaysia (FPAM) Board of Governor
- Alternate Council Member of The Association of Banks in Malaysia (ABM)
- Alternate Director of Malaysian Electronic Payment System (MEPS) Board

## DATIN AMY OOI SWEE LIAN

Head, Group Business and  
Transaction Banking

Aged 56 | Female | Malaysian

### Responsibility:

- Responsible for the overall growth and profitability of Business and Transaction Banking

### Experience:

- More than 30 years experience in banking industry covering Corporate, Commercial and Transaction Banking in Hong Kong and Malaysia
- Successfully implemented several business re-organisations and refinement of credit risk monitoring and operations to drive Business

and Transaction banking growth throughout the years

### Qualifications:

- Bachelor of Economics (Honours) majoring in Business Administration, Universiti Malaya, Malaysia

### External Memberships/Appointments:

- Nil



## DATO' ADISSADIKIN ALI

Managing Director/Chief Executive Officer  
RHB Islamic Bank

Aged 47 | Male | Malaysian

### Responsibility:

- Lead, manage and grow Islamic Banking and Group Shariah Business

### Experience:

- Bank Muamalat Malaysia Berhad as the Special Assistant to the Chief Executive Officer
- Head of Corporate Planning of Bank Muamalat Malaysia Berhad
- Bank Islam Malaysia Berhad as the Assistant General Manager, Managing Director's Office
- Chief Financial Officer and General Manager, Special Projects at Bank Islam Malaysia Berhad
- Managing Director & Chief Executive Officer at Export-Import Bank Malaysia Berhad
- Chief Executive Officer at AlKhair International Islamic Bank Berhad

### Qualifications:

- MBA (Finance), University of Malaya
- Bachelor Degree in Business (Banking and Finance), Monash University, Australia
- Diploma in Investment Analysis, UITM Malaysia
- Advanced Management Program (AMP), Harvard Business School, Boston
- Chartered Banker by the Asian Institute of Chartered Banker (AICB)
- Chartered Banker by the Chartered Banker Institute, UK

### External Memberships/Appointments:

- Member of the Board of Advisors, Faculty of Business and Accountancy, University of Malaya, Malaysia

## ROBERT HURAY

Chief Executive Officer, RHB Investment Bank/  
Head, Group Investment Banking,  
Group Wholesale Banking

Age 41 | Male | Indonesian

### Responsibility:

- Lead and drive the overall growth and profitability of Group Investment Banking in Malaysia, the ASEAN region and Hong Kong/China

### Experience:

- More than 18 years of experience in investment banking
- Last position as Chief Executive Officer of RHB Securities Singapore Pte. Ltd. (previously DMG & Partners Securities Pte Ltd)
- Started his career with DBS Bank (Singapore) before joining Credit Suisse First Boston in the area of Corporate Finance (South East Asia) and then Citibank N.A. in Mergers & Acquisitions

### Qualifications:

- Master of Philosophy in Management Studies, University of Cambridge, United Kingdom
- Master of Engineering in Electrical and Electronics Engineering with Management, Imperial College, United Kingdom

### External Memberships/Appointments:

- Council Member, Malaysian Investment Banking Association (MIBA)

## PROFILE OF THE GROUP SENIOR MANAGEMENT

### KONG SHU YIN

Managing Director  
RHB Insurance

Aged 56 | Male | Malaysian

#### Responsibility:

- Manage and grow the insurance business

#### Experience:

- 30 years of experience in the insurance business
- Worked with one of the largest insurers in Malaysia, in various capacities including CEO
- Experienced with the Thailand and Indonesian insurance markets

#### Qualifications:

- Civil Engineering, University of Malaya, Malaysia
- Fellow of the Chartered Insurance Institute
- Fellow of the Malaysian Insurance Institute

#### External Memberships/Appointments:

- Chairman of ISM Insurance Services Berhad

### MIKE CHAN CHEONG YUEN

Chief Executive Officer,  
RHB Bank Singapore  
Country Head, Singapore

Aged 51 | Male | Malaysian

#### Responsibility:

- Manage and grow the bank's business operations in Singapore
- Oversee the securities and asset management businesses in Singapore to optimise the Group's potential
- Create synergies to spur value creation in Singapore and ASEAN

#### Experience:

- Head of Corporate Banking of RHB Banking Group
- Officer-in-Charge of RHB Investment Bank in 2011 where he played a key role in the merger and integration of RHBIB-OSKIB
- Managing Director/Chief Executive Officer of RHB Investment Bank and subsequently the Head of Group Corporate & Investment Banking of the

Group where he was responsible to drive the growth of the corporate and investment banking business across the region

- More than 25 years of experience in the financial services industry where he held positions in foreign and local financial institutions

#### Qualifications:

- Master of Science in Finance, Boston College, USA
- Bachelor of Science in Accounting and Finance, California State University, USA

#### External Memberships/Appointments:

- Member of CFA Institute
- Member of Financial Planning Association Malaysia

### CHRISTOPHER LOH

Group Chief Strategy Officer

Aged 40 | Male | Singaporean

#### Responsibility:

- Develop the Group's strategic priorities and drive the Group's transformation programme across the region, working closely with the respective businesses to execute strategies towards achieving the Group's aspirations
- Lead and drive the annual strategic planning and engender leadership commitment to well-defined strategic plans
- Lead and manage the Group's commercial bank's business and growth strategies outside of Malaysia and Singapore which entails maximising profitability of the existing franchise, as well as identifying new markets to drive regional growth

#### Experience:

- Over 16 years of industry and consulting experience in financial services and risk management across Asia-Pacific, United States and the United Kingdom
- Extensive experience working with regional and global financial institutions to transform their business and risk capabilities. His experience includes business strategy and transformation, risk management, operating model design, operational efficiency, risk and regulatory compliance and capital management
- Partner and Managing Director at a global management consulting firm, where he built and helmed a successful risk management practice

#### Qualifications:

- B.Eng (Hons.) in Engineering, Business Minor, Nanyang Technological University (NTU), Singapore
- RHB-INSEAD Senior Leadership Programme

#### External Memberships/Appointments:

- Advisory Board, NTU Risk Management Society

## MOHD RASHID MOHAMAD

Group Treasurer

Aged 49 | Male | Malaysian

### Responsibility:

- Drive the Treasury and Global Markets businesses in line with the strategic direction and aspirations of the Group

### Experience:

- Over 20 years of treasury experience in senior level positions within several Financial Institutions in Singapore & Malaysia
- Started his career in Investment Operations & Treasury Department of Bank Negara Malaysia in 1994

### Qualifications:

- Degree/Master in Business Administration with Distinction from University of Wales, Cardiff, United Kingdom

### External Memberships/Appointments:

- Vice President, Financial market Association (FMA)
- Malaysian Institute of Accountants (MIA)

## ROHAN KRISHNALINGAM

Group Chief Operations Officer

Aged 47 | Male | Malaysian

### Responsibility:

- Oversee Group-wide Technology and Operations functions
- Ensure accurate and timely Technology and back-office operations and services support for the relevant business/functional units
- Oversee the implementation of the transformation projects
- Lead RHB Banking Group's efforts to be a Digital Bank

### Experience:

- Senior Partner with a technology and management consulting firm

- More than 20 years of experience with financial services organisations to design and to implement large scale transformation programmes, predominantly in areas of technology and operations
- Experience working with various industries in Malaysia and the ASEAN region
- Strong technology delivery and programme management skills, especially in the implementation of large-scale technology and IT Strategic Planning
- Led major banking and financial services projects including the implementation of Core Banking Systems, Enterprise Resource Planning ("ERP") and Customer Relationship Management ("CRM"), IT Transformation programmes, IT Merger Integration programmes and Industry-wide Payment Systems

### Qualifications:

- Bachelor of Electrical and Electronics Engineering (Honours), University of New South Wales, Australia

### External Memberships/Appointments:

- Nil

## PROFILE OF THE GROUP SENIOR MANAGEMENT

### PATRICK HO KWONG HOONG

Group Chief Risk Officer

Aged 59 | Male | Malaysian

#### Responsibility:

- Oversee the Group Risk, Compliance and Credit Management functions
- Responsible for the overall leadership and direction on the implementation of integrated risk management frameworks

#### Experience:

- More than 30 years experience in the Banking and Securities Industry
- Experience in risk management, treasury, strategic planning, process re-engineering and overall centralised back-office operations

#### Qualifications:

- Bachelor of Science (Honours) in Actuarial Science, The City University, London
- Master in Business Administration (Finance) with Distinction, University of Hull, UK

#### External Memberships/Appointments:

- Nil

### JAMALUDDIN BAKRI

Group Chief Human Resource Officer

Aged 56 | Male | Malaysian

#### Responsibility:

- Develop and to execute long-term Human Resources (“HR”) strategies
- Build HR capability to support the Group’s long-term strategic goals
- Manage various aspects of HR functions including strategic planning and organisational development, human capital development, succession planning, rewards and performance management

#### Experience:

- More than 20 years of solid track record in HR functions and has spent more than 15 years overseas where he gained experience working with different nationalities, diverse cultures and working styles

- Partnered with Business Leaders of multi-national and local organisations in driving various HR strategies globally and locally
- Spent 14 years with Microsoft in various HR leadership functions

#### Qualifications:

- Background in Mechanical Engineering
- MBA in Human Resources, University of Hull, UK

#### External Memberships/Appointments:

- Nil

### NORAZZAH SULAIMAN

Group Chief Marketing  
& Communications Officer

Aged 50 | Female | Malaysian

#### Responsibility:

- Oversee the development and implementation of the Group’s Brand and Marketing strategy
- Determine the Group’s communications strategy and execute public relations initiatives, both internal and external, in support of business priorities with the objective of driving brand image and business growth
- Responsible for defining and developing the strategies which underpin the Organisation’s Corporate Responsibility objectives and to drive the execution of sustainability initiatives

#### Experience:

- More than 20 years of experience in the financial services industry; main area of focus being legal advisory, brand and strategic marketing and corporate communications

#### Qualifications:

- Bachelor of Law (LLB) with Honours, University of Warwick, United Kingdom

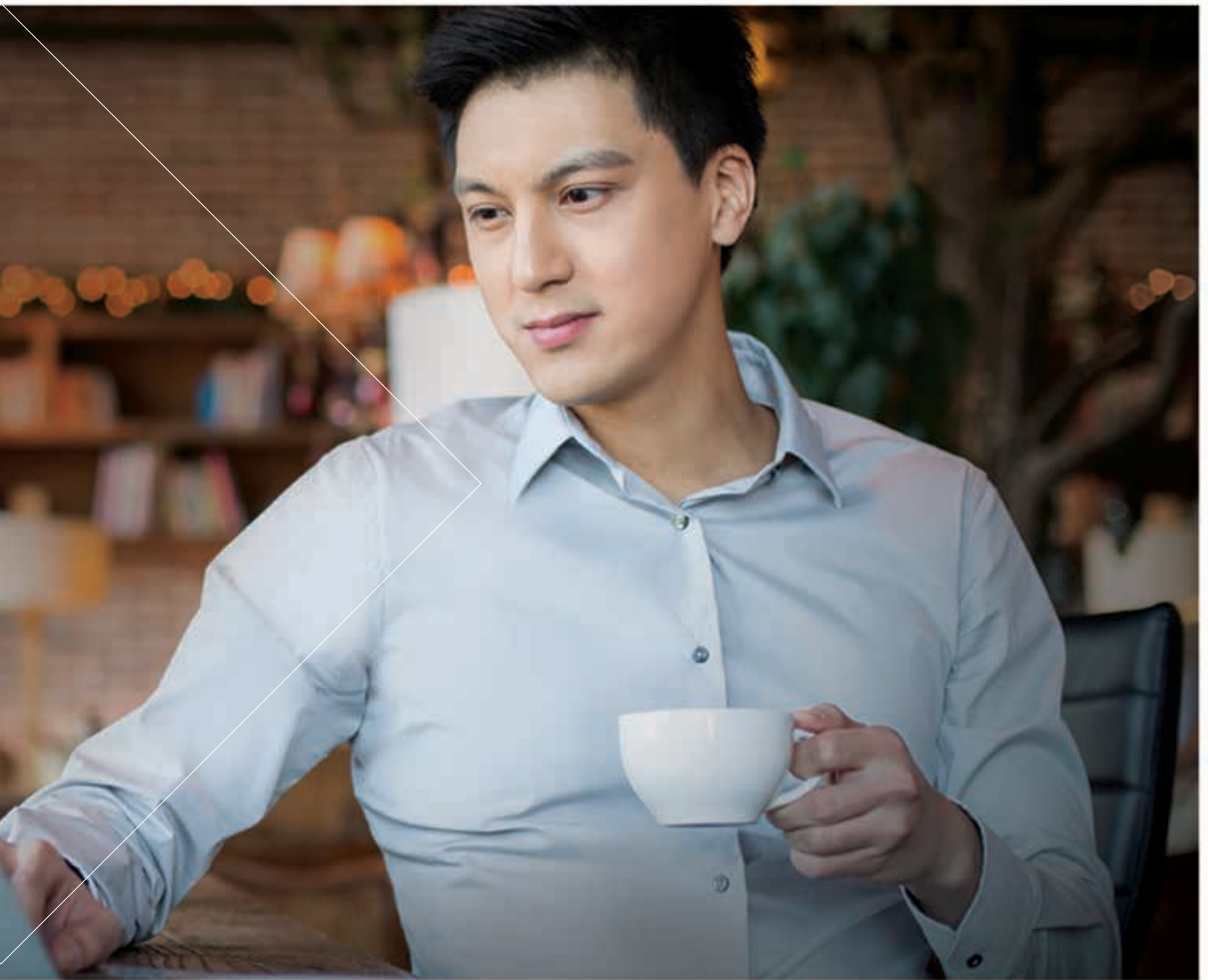
#### External Memberships/Appointments:

- Associate Member of the Institute of Company Secretaries Malaysia
- Chairman, Communications Committee AIBIM



**EMBRACING INNOVATION**





With IGNITE 2017, we have recalibrated our aspirations to focus on driving results in our core businesses and operating countries. As we progress, we will continue to deliver differentiated customer experiences beginning with our RHB Digital Journey which will see the roll out of several new and innovative digital offerings that will fulfil the everyday needs of our customers.

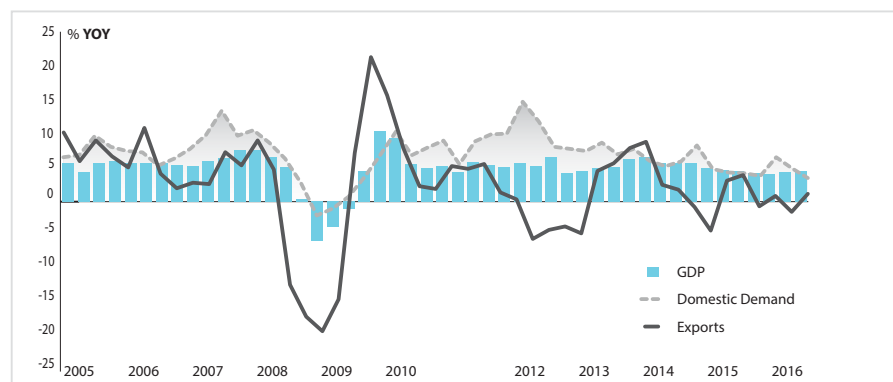
# ECONOMIC REVIEW AND OUTLOOK

## MALAYSIAN ECONOMY RESILIENT IN 2016 EVEN AS IT FACED FINANCIAL MARKET VOLATILITY

The unexpected turn of events in the global political environment (ie, Brexit, US Election results) throughout the year posed challenges for Malaysia, particularly in managing financial market volatility and short-term capital flows. This was, however, cushioned partly by an improvement in global trade and a recovery in commodity prices that lifted exports towards the end of the year. As it stands, Malaysia has shown remarkable resiliency with economic growth improving to 4.5% year-on-year (“YoY”) in the fourth quarter (“4Q16”), from 4.3% in the third quarter (“3Q16”) and after slowing in the five previous quarters consecutively. The improvement in 4Q16 GDP growth was mainly on account of a rebound in exports and a pick-up in private investment (see Chart 1). On an annual basis, economic growth still slowed to 4.2% in 2016, from +5.0% registered in the previous year. At the same time, inflation remained manageable throughout the year at 2.1% in 2016, matching the pace of increase in the previous year, on account of low fuel prices (see Chart 2) and as the goods and services tax (“GST”)’s impact fades. As a result, Bank Negara Malaysia (“BNM”) saw a window of opportunity to cut the overnight policy rate (“OPR”) by 25 basis points (“bps”) to 3.00% in July, as a pre-emptive action to ensure that growth remains on a steady growth path. With economic growth showing improvement in 3Q and the currency market experiencing further volatility towards the end of the year (see Chart 3), the Central Bank subsequently kept rates unchanged for the rest of the year.

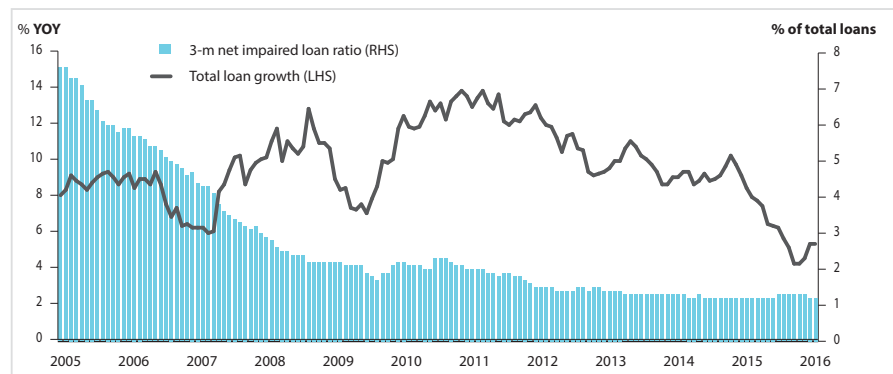
Although the banking system’s loan growth picked up slightly to 5.3% YoY in November-December, it has been on a downward trend from the beginning of the year and it hit a low of 4.2% in August-September, the weakest pace in 13 years (see Chart 4). Household loan growth slowed since the beginning of the year due to high leverage levels and moderation in the property cycle. Meanwhile, corporate loans decelerated to a low in August before picking up towards the end of the year, reflecting banks’ efforts to grow their business loans, especially to small and medium enterprises (SME) to cushion the slowdown. In the same vein, the growth in the broader monetary aggregate, M3, hit a low in March and continued to stay lacklustre in the following few months before picking up to a modest 3.0% YoY in December, from 2.9% in November. In terms of asset quality, the net impaired loan ratio of the banking system inched lower to 1.2% of net total loans in November-December, after hovering at 1.3% during the May-October period.

**Chart 1: Economic growth lifted by improvement in exports but offset partially by slowing domestic demand**



Source: Department of Statistics

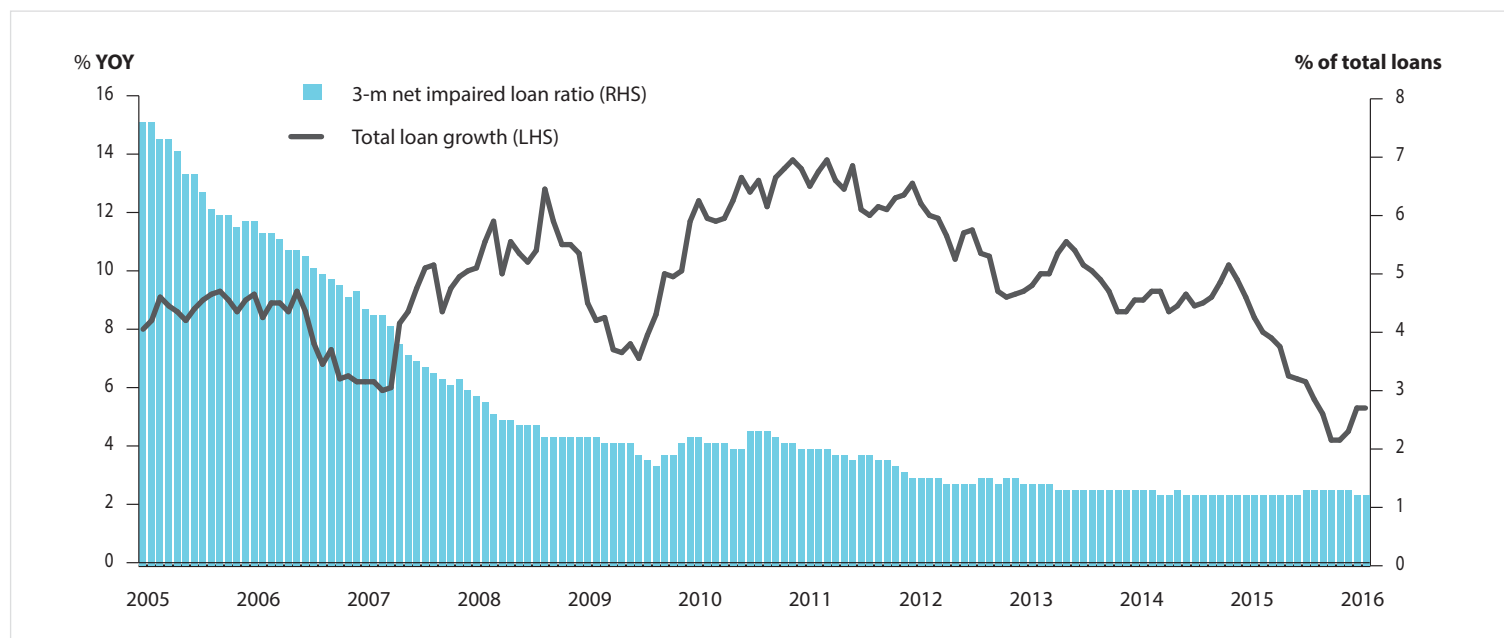
**Chart 2: Loan growth still on overall moderating trend, while impaired loans ratio remained low**



Source: Bank Negara Malaysia



**Chart 3: Ringgit faces headwinds against the US dollar**



Source: Bloomberg

## OUTLOOK FOR 2017: IMPROVING OUTLOOK WITH STRONGER GROWTH EXPECTED FOR THE YEAR

### Signs of improvement in export outlook, but not without risk

Looking ahead, the external outlook is poised to improve on better commodity prices and major developed economies shifting to fiscal policies to bolster growth. The US continues to be the main driver of growth in the developed world on the back of a strengthening economy and a solid labour market along with growing optimism on President Donald Trump's reflection policies. That said, downside risks persist especially from the continuous rise of the US dollar ("USD") that would act as monetary tightening, which will be felt more quickly relative to the time lag in infrastructure spending, tax cuts and deregulation. Furthermore, the US will likely tighten its monetary policy through further interest rate hikes as the year progresses. An added risk is Trump's anti-trade policies that could trigger a trade war and slow down global trade. At this stage, it is far from clear how

much stimulus will be injected into the economy once Trump's plans hit congressional reality. In Europe, overall growth will be helped by an improving global outlook, low interest rates, a weaker currency and the end of austerity in some countries, although risks of muddled Brexit negotiations and multiple leadership elections in the Eurozone with potential for more populist surprises may threaten to drag the region down. Meanwhile, China's economy is stabilising, after slowing down in the past several quarters while Japan is also seeing some relief following a weaker yen, which aided the country's exports.

Given the higher commodity prices, an upturn in the electronics cycle and, potentially, an improvement in global growth, we envisage a stronger growth in exports for Malaysia in 2017. Exports, at current prices, accelerated to 10.7% YoY in December, from +7.8% in November and compared with a decline of 8.6% in October. After having mired in contraction in 25 out of the previous 27 months, global merchandise trade volume has started to show signs of recovery and global semiconductor sales have recovered to positive growth since August 2016.



### Domestic demand the anchor of growth but over-reliance on consumer spending poses downside risk

Despite moderating in 2016, domestic demand will likely remain as the anchor of growth for the country's economy in 2017. The good news is that consumers have gotten used to the goods and services tax (GST) which was implemented in April 2015. Consumer spending growth troughed at 4.1% YoY in 3Q15 and has bounced back and remained above 6% in the past three quarters. Nevertheless, over-reliance on consumer spending for growth poses downside risk to the economy given rising cost of living and a softening employment market amid a high household debt environment. Private investment will be underpinned by the ongoing implementation of sizeable long gestation infrastructure related projects, although it will likely be capped by subdued investment in the oil & gas industry, the downturn in the property market cycle, rising business costs and volatility of the ringgit. Meanwhile, public investment and consumption will continue to be affected by fiscal constraint as the Government perseveres with fiscal consolidation in the face of rising operating expenditure and a challenging revenue outlook. Having said that, the downside risk to economic growth will likely be cushioned by a modest recovery in exports as well as prospects of better commodity prices that tend to boost income and consumption, and some pre-election spending in the run-up to the upcoming general election that is due by mid-2018. Overall, the economic growth is envisaged to pick up to 4.5% in 2017, from +4.2% in 2016 (see Tables 1 & 2).

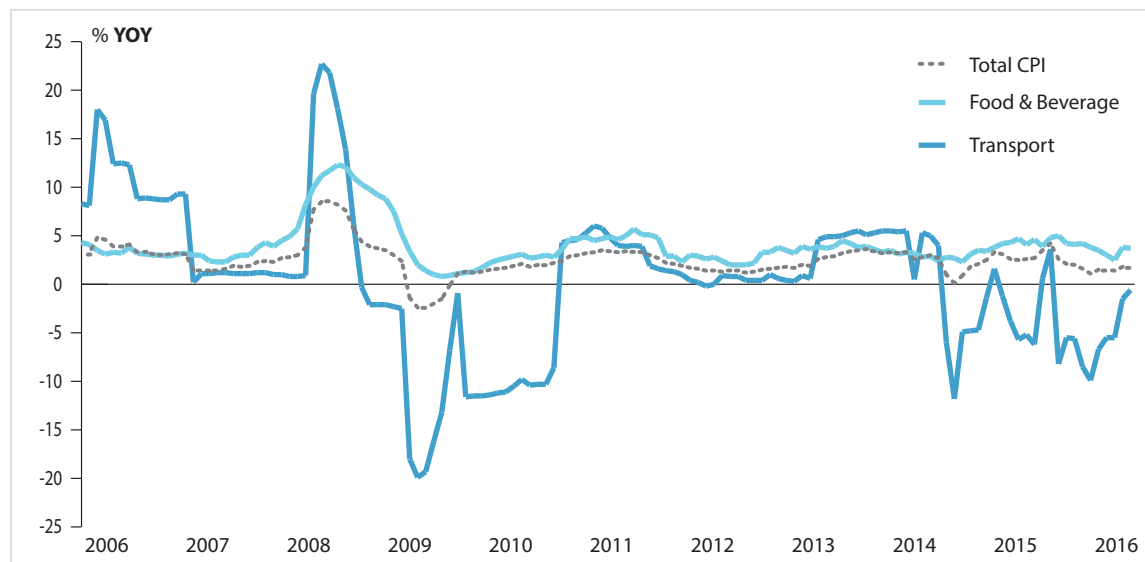
### Slightly larger current account surplus in the balance of payments

The current account surplus in the balance of payments, which has narrowed to MYR25.2 billion or 2% of GDP in 2016, however, is projected to improve to MYR33.7 billion or 2.6% of GDP in 2017 (see Table 3). This is predicated on a larger merchandise trade surplus, on the back of a better commodity price outlook and a moderate recovery in exports. This should allay fears of the country's fundamentals weakening further by incurring a twin deficit.

### Currency volatility outweighs concern of higher inflation and downside risk to economic growth

Meanwhile, the headline inflation rate is ticking up and we expect it to rise to an average of 3.0% in 2017, from +2.1% in 2016. This is on the back of higher imported inflation from currency depreciation, higher energy prices and transport cost as well as higher administered prices of goods and services after the Government removed more subsidies. These are, however, cost-push in nature and will unlikely to be a major policy concern. As currency volatility and its consequential impact on the economy far outweigh concern of higher inflation and downside risk to economic growth, the Central Bank will likely maintain its overnight policy rate ("OPR") at 3.0% in 2017.

**Chart 4: Inflation rate expected to pick up along with higher administered goods and fuel prices**



Source: Department of Statistics

**Table 1: GDP by expenditure components (at constant 2010 prices)**

	% YoY		
	2015	2016	2017F
Consumption			
Private sector	6.0	6.1	5.7
Public sector	4.4	1.0	3.4
Gross Fixed Capital Formation	3.7	2.7	3.4
Private sector	6.4	4.4	4.6
Public sector	-1.0	-0.5	1.0
Aggregate Domestic Demand	5.1	4.4	4.7
Exports of Goods & Services	0.6	0.1	3.9
Imports of Goods & Services	1.2	0.4	3.4
<b>Real Gross Domestic Product</b>	<b>5.0</b>	<b>4.2</b>	<b>4.5</b>

Source: Department of Statistics, RHBRI  
F: RHBRI forecasts

**Table 2: GDP by industrial origin (at constant 2010 prices)**

	% YoY		
	2015	2016	2017F
Agriculture, forestry & fishing	1.2	-5.1	3.1
Mining & quarrying	4.7	2.7	1.1
Manufacturing	4.9	4.4	4.7
Construction	8.2	7.4	5.2
Services	5.1	5.5	5.2
<b>Real Gross Domestic Product</b>	<b>5.0</b>	<b>4.2</b>	<b>4.5</b>

Source: Department of Statistics, RHBRI  
F: RHBRI forecasts

**Table 3: Balance of payments**

	MYR' billion		
	2015	2016	2017F
<b>Current Account</b>	34.7	25.2	33.7
(% of GNI)	3.1	2.0	2.6
Goods	109.5	112.9	119.2
Services	(21.0)	(22.6)	(24.0)
Income	(32.0)	(34.7)	(35.8)
Current transfers	(21.9)	(18.7)	(19.5)
Capital account	(1.1)	0.1	0.2
Financial account	(50.9)	(4.2)	(10.0)
Errors & omissions	21.1	(6.0)	(10.0)
Overall balance	3.7	15.0	13.9
Outstanding reserves*	409.1	424.2	438.1
(US\$)*	95.3	94.6	100.7

\* As at end-period  
Source: Department of Statistics, RHBRI  
F: RHBRI forecasts

# BUSINESS MODEL

RHB has a customer-focused business model that enables us to fulfil our role as a trusted partner in helping our customers and their businesses prosper. Our Balanced Scorecard provides us with the framework against which we track the progress we have made in serving the interests of our stakeholders.

## CUSTOMER-SEGMENT FOCUSED

RHB's business model is designed to meet the needs of different Segments of customers: individuals with different income levels; companies of any size and different sectors of activity; private companies and public institutions. We have structured our business by key pillars focusing on *retail customers*, *SMEs* and *corporate clients*, respectively. This allows us to better serve the different segments according to their different needs.

## PRODUCTS & SERVICES THAT GO BEYOND BANKING

We offer a diverse range of financial products and services, covering retail banking, Islamic banking, transaction banking, investment banking, treasury, stock broking and offshore banking. We also provide non-banking offerings such as general insurance, unit trust management, asset management, nominee and custodian services. Our products and services are offered through our extensive branch network, Relationship Managers and digital channels.

## GEOGRAPHICAL DIVERSIFICATION

RHB has a growing regional presence in ASEAN, with our geographical footprint spanning 10 countries: *Malaysia, Singapore, Thailand, Indonesia, Cambodia, Lao PDR, Brunei, Hong Kong/China, Vietnam* and *Myanmar*. We will focus on growing our existing franchise, and continue to explore other strategic partnerships and expansion into other ASEAN countries.



Provide holistic, innovative and segment-driven offerings in an efficient, safe and integrated manner



**1**  
HIGH-PERFORMING  
TALENT & STRONG  
BRAND

4

## HIGH-PERFORMING TALENT, WITH A POSITIVE WORK CULTURE & STRONG BRAND VALUES

The RHB brand synthesises the Group's identity and commitment to become the customers' trusted partner in helping them and their businesses prosper, as well as to attract and retain top talent. RHB's employees share a positive corporate culture focused on fulfilling the Group's purpose and achieving the Group's aspirations. They are provided with a professional development journey to help them progress and find fulfilment in their careers.



**5**  
STRONG BALANCE  
SHEET, PRUDENT RISK  
MANAGEMENT

5

## STRONG BALANCE SHEET, PRUDENT RISK MANAGEMENT AND INTERNAL CONTROL

RHB has a solid capital base consistent with its business model, balance sheet structure, risk profile, and is well above regulatory requirements. We have put in place a Group Governance framework that ensures effective governance and oversight on a Group-wide basis. Robust risk management framework have been established to enable effective risk management and compliance across all parts of the Group.



**6**  
INNOVATION,  
DIGITAL  
TRANSFORMATION  
AND BEST  
PRACTICES

6

## INNOVATION, DIGITAL TRANSFORMATION AND BEST PRACTICES

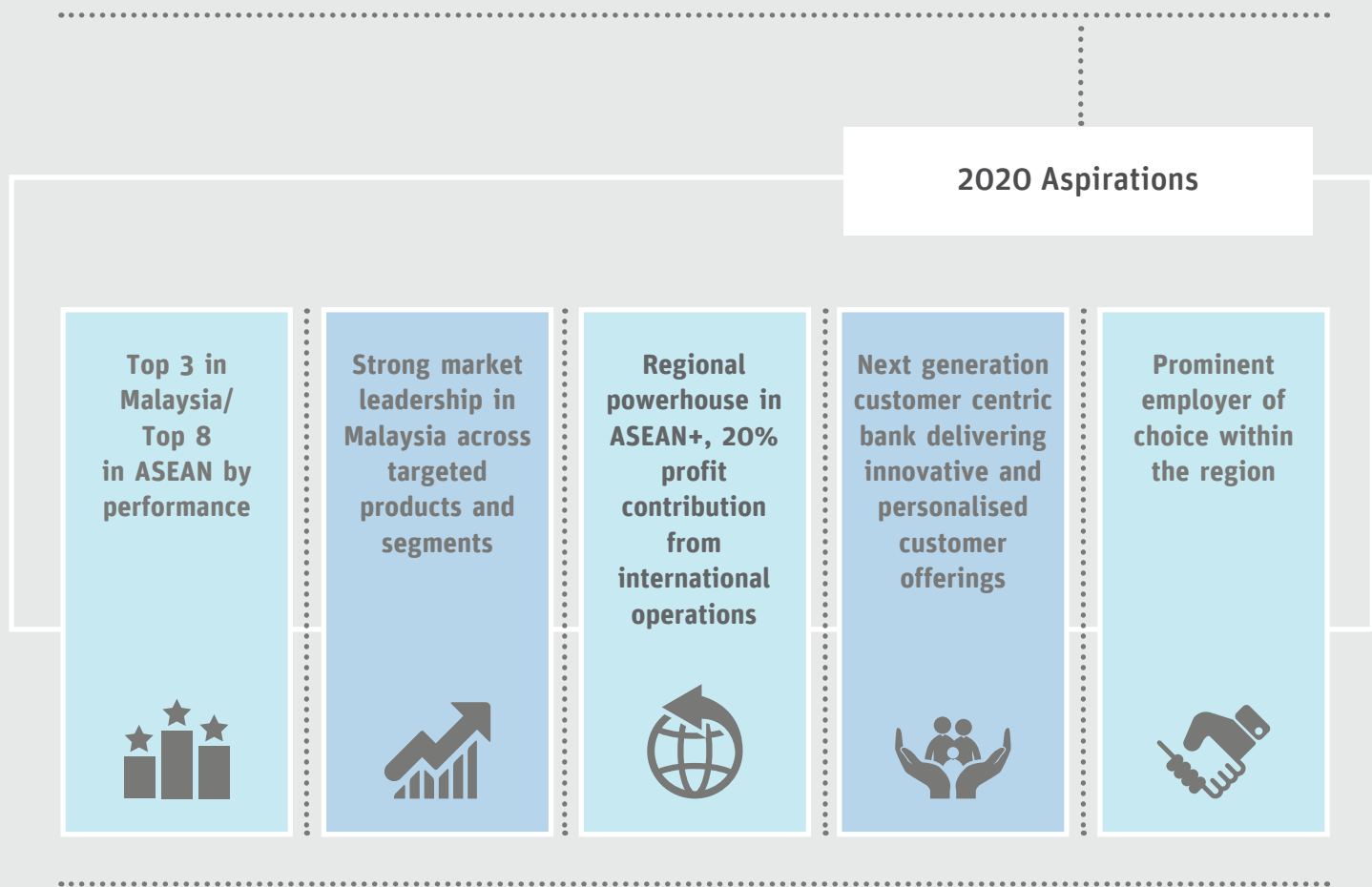
We have embarked on the "*RHB Digital Journey*", to effectively deliver meaningful, high value-adding interactions and customised services for our customers by leveraging on digital innovations. Our digital transformation journey will enhance our digital capability across all processes and distribution channels. This will allow us to serve our customers better through faster turnaround time. The transformation not only enhances the services provided to customers but also the Group's operations, both internal and external: i.e. how to use data to spur business growth, updating and modernising systems, and streamlining processes and the organisation as a whole.



# OUR STRATEGY

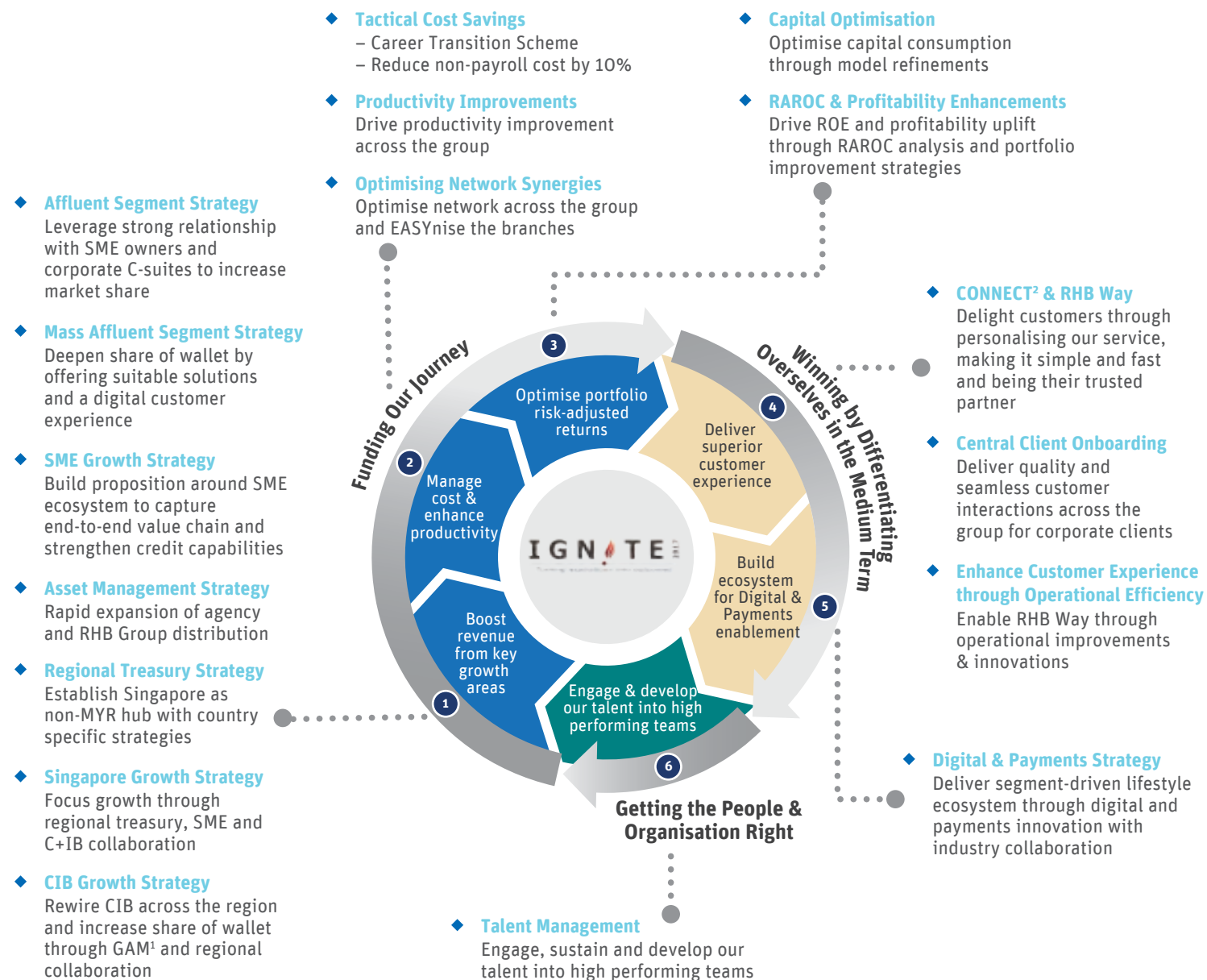
## STRATEGY STATEMENT

To be a multinational regional financial services provider that is committed to deliver complete solutions to our clients through differentiated segment offerings and an ecosystem that supports simple, fast and seamless customer experience, underpinned by our cohesive and inspired workforce and relationship built with our stakeholders.



## IGNITE 2017

Launched in 2014, IGNITE 2017 is designed to drive the Group towards becoming a leading multinational financial services group in the region by 2020. Our efforts in IGNITE 2017 has enabled us to realise significant value from the various initiatives and positively contribute to the Group's pre-tax profit thus far.



### Notes:

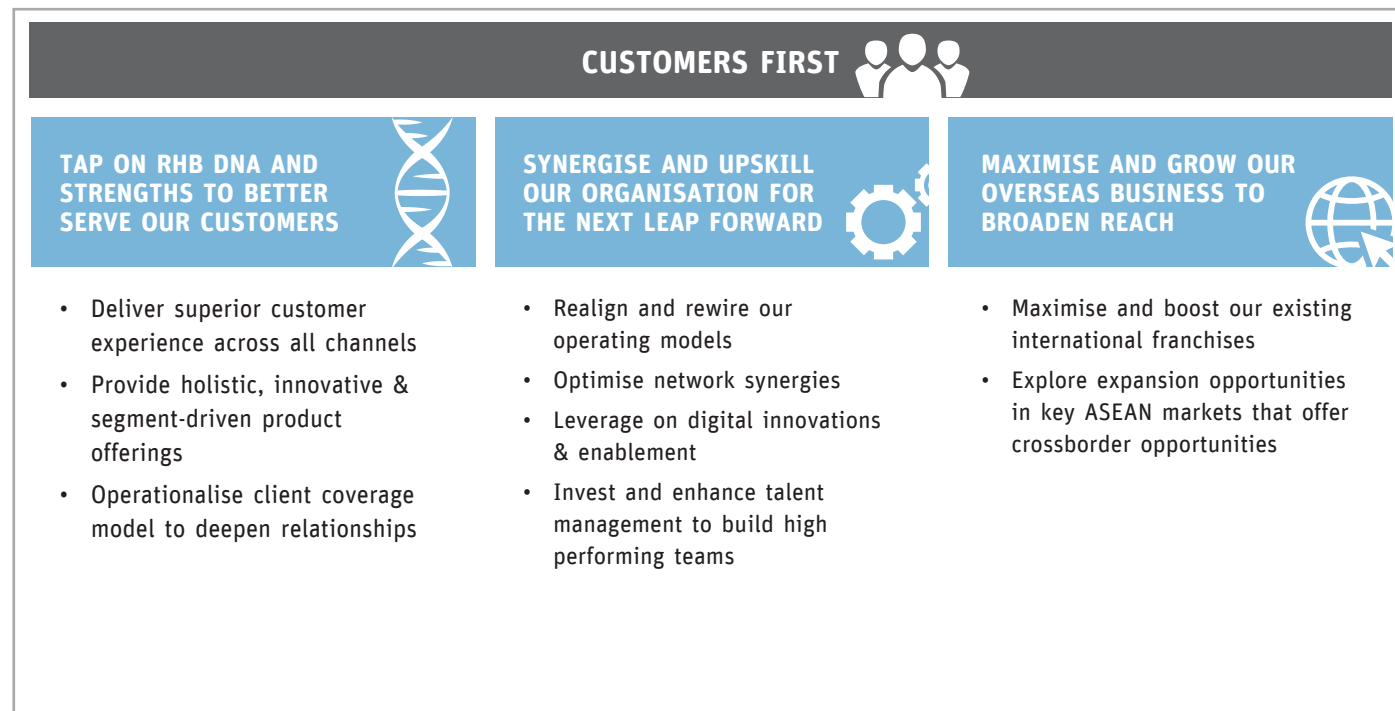
- GAM (Global Account Management) is an initiative to improve RHB's internal coordination and external service quality with our top corporate customers
- CONNECT is RHB's branch sales management model covering key elements such as sales model, sales tools, sales routine and planning, sales performance management and branch organisation

## 2016 STRATEGIC PRIORITIES & FOCUS AREAS



**Anchoring on our brand promise “Together We Progress”, our priorities for 2016 were primarily centered around our customers, and a relentless focus on managing our cost and productivity to boost profitability.**

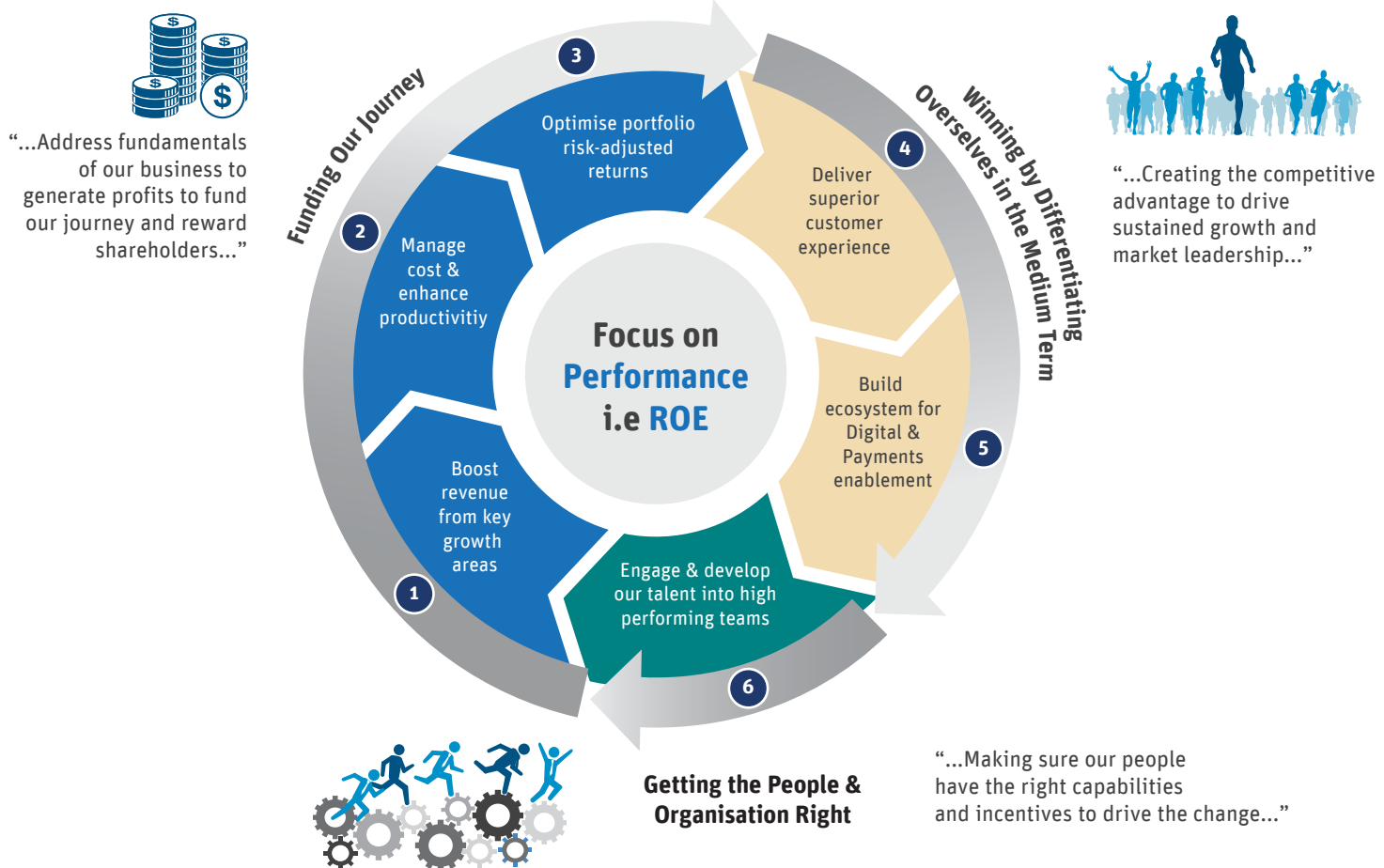
We intended to set the organisation up for the next leap forward to achieve our IGNITE 2017 objectives amidst challenging market conditions.



## OUR STRATEGIC PRIORITIES

In steering us towards our revised aspirations, our focus on value creation for stakeholders will be anchored on three broad themes and six strategic priorities:

- **Funding Our Journey** – focuses on boosting revenue from key growth areas, managing cost and enhancing productivity, and optimising risk-adjusted returns
- **Winning by Differentiating Ourselves in the Medium Term** – through delivering superior customer experience and building an ecosystem for digital and payments enablement
- **Getting the People & Organisation Right** – by engaging and developing our talent into high-performing teams





## MATERIAL MATTERS

A matter is material when it has the ability to influence our financial performance, reputation, or impact on our licence to operate and thus influence our long-term sustainability.

Material matters and environmental context play a large role in shaping our strategy moving forward, as they represent our primary risks and opportunities. Identifying and determining these factors that are material to the Group and our stakeholders is an ongoing process as new developments continue to impact our operating environment.

### HOW WE DETERMINE MATERIAL MATTERS:



## IDENTIFY & ASSESS

We **identify** and assess matters that have the potential to impact our strategy and the sustainability of our business. It is a group wide effort and includes internal deliberations, independent research, monitoring external environment, inputs from all our business units, support divisions as well as feedback from all our stakeholders.



## PRIORITISE & RANK

The issues identified are **prioritised** according to the greatest relevance and highest impact on our business, relationship with stakeholders and our sustainability.



## INTEGRATE & RESPOND

Material matters that have been identified and prioritised inform our long-term business strategies as well as short-to-medium term business plans and are then **integrated** into our balanced scorecard.

## MATTERS IMPACTING OUR STRATEGY

### ECONOMICS & MARKET OUTLOOK



#### **VOLATILITY, SLOWING GROWTH AND RISING INDEBTNESS EXPECTED TO CREATE A CHALLENGING OPERATING ENVIRONMENT FOR BANKS**

- Brexit, moderate growth in US and China's slowdown may impact trade and capital market activities
- Uncertainties around US politics could have spillover effects on ASEAN economies
- Slower loans growth expected in Malaysia and Thailand
- Rising concerns around banks' compressing margins from potential reduction in Malaysia's OPR
- Rising NPLs amid weak trade outlook and exposure to O&G sectors

#### **EMERGENCE OF POTENTIAL OPPORTUNITIES FROM THE INTEGRATION AND LIBERALISATION OF ASEAN ECONOMIES**

- ASEAN Economic Community (AEC) could reshape the landscape and create distinctive opportunities for the banking industry as inter-country trade flows and talent migration are expected to increase
- Regional Comprehensive Economic Partnership (RCEP) expected to drive trade growth in ASEAN

### REGULATORY & MONETARY POLICIES



#### **TOUGHER OPERATING ENVIRONMENT EXPECTED DUE TO MORE STRINGENT REGULATORY AND MONETARY POLICIES**

- MFRS9 compliance expected to come into effect by 1 January 2018
- Uncertainties in the timing and movement of OPR in Malaysia

### COMPLIANCE & RISK MANAGEMENT



#### **PREPARATION TOWARDS GLOBAL PRACTICE FOR STRICTER COMPLIANCE AND RISK MANAGEMENT EXPECTED TO PUT PRESSURE ON BANKS' CAPITAL RATIOS**

- Credit Valuation Adjustment (CVA) under Basel III would require banks to have additional capital charge to manage counterparty credit risk, particularly for its derivative instruments

### DIGITAL WAVE



#### **BANKING RELEVANCE AMIDST INCREASED DIGITAL COMPETITORS AND NEW ENTRANTS**

- Non-bank competitors and new entrants are encroaching into banks' existing revenue pool using digital enhancements (e.g. payments and remittance space)

#### **DIGITAL INNOVATION ALLOWS BANKS TO RETHINK AND ENHANCE HOW WE CAN BETTER SERVE OUR CUSTOMERS**

- Banks can leverage on digitisation to better serve customers, reset cost baseline and capture new revenue pools

## 2016 IN REVIEW

### IGNITE 2017 OBJECTIVES



#### BOOST REVENUE FROM KEY GROWTH AREAS

Our IGNITE initiatives have garnered positive results in helping us boost market leadership in key growth areas identified:

- SME loans growth rate of 11.3% outpaced industry, improving our market share from 8.68% in 2015 to 8.82% in 2016.
- CASA growth surged by 11.9% Y-o-Y as our Branch Sales Management Model – CONNECT gains traction
- Healthy mortgage loans growth rate of 13.3% Y-o-Y outpaced industry despite soft market conditions
- Investment Banking upheld strong market position – M&A ranks 3rd in Malaysia by deal count, while Asset Management emerged as the most awarded fund house from the Edge Thomson Reuters Lipper Fund Awards for two consecutive years



#### MANAGE COST & ENHANCE PRODUCTIVITY

Our efforts on harmonising our branches and EASY outlets, coupled with active cost management and productivity improvement initiatives have seen significant positive results:

- CIR improved from 58.8% (53.8% excluding one-off CTS cost) in 2015 to 50.5% in 2016
- Personnel CIR improved from 37.5% in 2015 to 28.5% in 2016



#### OPTIMISE PORTFOLIO RISK ADJUSTED RETURNS

A core driver to boost profitability was through optimising our capital and balance sheet. Various RWA optimisation initiatives, model refinement and rollout of the enhanced risk-adjusted performance management model (“RAROC”) has provided valuable insights to facilitate the businesses in managing their respective portfolios:

- 240 bps improvement in RAROC from 11.3% in 2015 to 13.7% in December 2016

### 2016 ACHIEVEMENTS

## IGNITE 2017 OBJECTIVES

## 2016 ACHIEVEMENTS



### DELIVER SUPERIOR CUSTOMER EXPERIENCE

We kick-started the first phase of our customer experience revolution through the launch of our new brand promise to galvanise all employees into delivering superior customer experience across all channels:

- Unveiled new brand promise “Together We Progress” in February 2016 which pledges to deliver simple, fast and seamless experiences to our customers
- Launched the simplified formless account opening, making it simple, fast and easy for customers to open accounts with RHB
- Improved the level of ease for customers to use our services and products through the streamlining of our Customer Care Centre (“CCC”) telephone numbers, minimising confusion



### BUILD ECOSYSTEM FOR DIGITAL & PAYMENTS ENABLEMENT

- Launched several lifestyle-centric offerings with positive response from the market (i.e. SME e-Retail Solution and Financial Supply Chain platform)
- Embraced Fintech and start-up wave by collaborating with Startupbootcamp Fintech. Jointly-launched FinTech KL FastTrack Day & Office Hours @ Phnom Penh in January 2016 and the first KL Fintechathon in Malaysia in May 2016
- Revitalised digital customer experience through enhanced RHB Now mobile app, introducing RHB Pay Anyone feature which allows customers to transfer funds via mobile phone, e-mail or Facebook
- Launched RHB TradeSmart Global Trading System enabling customers in Malaysia to trade in five of the top global exchanges (i.e. NYSE, NASDAQ, AMEX, HKEx and SGX) on a single platform



### ENGAGE & DEVELOP OUR TALENT INTO HIGH PERFORMING TEAMS

- Enhanced and expanded our Talent Management Programme by introducing the “Senior Leadership Talk Series” and “Learning Month”
- Enhanced learning with Harvard ManageMentor and Leadership Signature Programmes with Melbourne Business School
- Launched Open Enrollment Programme to ensure leadership continuity, with enrolments to INSEAD, University of Chicago & Asian Business School thus far
- Launched revamped Management Associate Programme to attract top graduates



## RISK AND MITIGATION

Effective risk management is fundamental to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

The Group Risk Management Framework governs the management of risks in the Group, as follows:

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

The risk management process within the Group seeks to identify, measure, monitor and control risk so that risk exposures are adequately managed and the expected returns adequately compensate the risks.

## SIGNIFICANT RISKS

Each of the Group's significant risks are reinforced by a framework, and supplemented by policies and guidelines. The significant risks are:

<b>CREDIT RISK</b>	The risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance with the agreed terms. It stems primarily from the Group's lending/financing/underwriting, trade finance and its funding, underwritings, investment and trading activities from both on- and off-balance sheet transactions.
<b>MARKET RISK</b>	The risk of loss arising from adverse movements in market indicators, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices.
<b>LIQUIDITY RISK</b>	The risk of the Group being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.
<b>OPERATIONAL RISK</b>	The risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputation risk.
<b>TECHNOLOGY RISK</b>	The business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise.
<b>REGULATORY NON-COMPLIANCE RISK</b>	Losses arising from regulatory sanctions, financial loss or reputational damage which a financial institution may suffer as a result of failure to comply with all laws, rules, standards, and regulatory requirements (including any ruling of the Shariah Advisory Council) relevant to a financial institution's activities in all jurisdictions in which the financial institution, or any of its branches or subsidiaries conducts activities.
<b>SHARIAH NON-COMPLIANCE RISK</b>	The risk of loss arising from failure to comply with the Shariah rules and principles as determined by the Shariah Committee of RHB Islamic Bank or any other relevant body, such as Bank Negara Malaysia's Shariah Advisory Council.

## RISK APPETITE

The Group's Risk Management Framework serves to align the Group's business strategy to risk strategy, and vice versa. This is articulated through the risk appetite setting and the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Risk appetite is set by the Board and reported through various metrics that enable the Group to manage capital constraints and shareholders' expectations. It is a key component of the management of risks and describes the types and level of risk that the Group are prepared to accept in delivering its strategy.

## RISK CULTURE

Proactive risk ownership is important for effective management of risk and it promotes a risk awareness culture throughout the Group.

The Group subscribes to the principle of 'Risk and Compliance is Everyone's Responsibility' and risk management is managed via a 'three lines of defence' model. Hence, the Strategic Business Units (SBUs) and Strategic Functional Units (SFUs) of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risk.

In addition to risk ownership, a risk-focused culture is promoted throughout the Group through the strengthening of the central risk management function as well as the continuous reinforcement of a risk and control environment within the Group. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits.

## RISK MANAGEMENT PROCESS

The risk management process within the Group seeks to identify, measure, monitor and control risk so that risk exposures are adequately managed and the expected returns adequately compensate the risks.

- **Identification:** The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate and ensure the risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary.
- **Measurement:** Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency.
- **Monitoring and Controlling:** Controls, triggers and limits are used to manage risk exposures and to facilitate early identification of potential problem on a timely basis.

Risks are also regularly reported and escalated to senior management and Boards to ensure they remain within the established risk appetite and to support sound decision-making and identification of emerging risks.



Please refer to the Risk Management Report on pages 271 to 280 for more details.

## OUR JOURNEY AHEAD

While we have charted a clear course towards our 2020 goals, the imperative for the penultimate year of IGNITE 2017 lies in the solid execution of the plans and initiatives already in place. The group priorities for the coming year are for growth, but responsibly, with key focus on enhancing productivity and profitability, as we devote more resources into improving customer experience and digitisation.

### RELENTLESS FOCUS ON EXECUTION

Our priority is to inculcate a “*Customer First*” culture across the Group. While significant emphasis will be placed on building a branded “*RHB Way*” customer service across all touch points (via an innovative training programme, rich engagement activities and robust performance management), a transformative customer-centric “*design-thinking*” approach will be adopted by all operational and supporting functions to ensure we deliver what we promise in the best way possible.

In view of the challenging operating environment, considerable work will be done around driving higher productivity, managing cost and cultivating greater collaboration across the Group. Significant resources will be committed to develop our frontliners across all products and segments, while ensuring distribution effectiveness through the alignment of incentives with market opportunities. Another key imperative will be to optimise operations through the hubbing of back office functions and leveraging on HQ infrastructure to achieve greater efficiency.



1  
Improve Customer Experience & Deepen Customer Relationships



2  
Improve Productivity & Profitability

2017  
STRATEGIC  
FOCUS AREAS



**Grow Responsibly and Effectively Manage Asset Quality**

We will continue to ride on the momentum of our growth strategies in key areas such as *Affluent, Mass Affluent, SME, CIB, Asset Management* and *Regional Treasury*. Substantial energy will be devoted to creating a differentiated and tailored value proposition for SME owners and their businesses as we believe there are significant synergies between Affluent and SME banking that have yet to be unlocked. 2017 will see the Group step up efforts around managing asset quality, which will involve rigorous strategic portfolio reviews especially on Corporate and SME loans.



**Digitise Across the Group**

Running in parallel to our productivity improvement initiatives is our “*Digital Transformation Programme*”. In face of the impending digital disruption, we are embarking on a journey to capitalise on digital to re-imagine customer journeys while resetting our cost baseline and boosting revenue. We will explore entering potential smart partnerships to create a digital ecosystem that supports our customers’ end-to-end needs.



**Enhance High Performance Culture**

At the heart of our organisation is our people and we will continue to invest in the development of our talent and provide them with the platform to grow professionally and personally. Talent management programmes and centres of excellence will continue to be established to improve bench strength and drive greater employee engagement.



# CUSTOMER EXPERIENCE

Placing our brand promise: “Together We Progress” at the heart of our business, we are fully committed to build a customer-driven organisation. We have put in place the organisational structure, framework and strategic plans to steer us towards that goal, and we will work hard to cultivate a “Customer First” culture because we believe that our customers’ success, is our success.

## Inculcating a “Customer First” Mindset

To ensure *our customers are always at the core* of everything we do, we have introduced “*Customer First*” as one of the key component of our new RHB culture transformation.

## Delivering a Branded Customer Experience through the “RHB Way”

We will embark on a Group-wide customer experience enhancement programme premised on the “*Customer First*” mantra by introducing the “*RHB Way*” framework. “*RHB Way*” is a set of behavioural guide rails that is aimed to guide RHB employees in serving and engaging our customers in a standardised and consistent manner. As part of the programme, immersive and engaging on-the-job training will be carried out to elevate our employees to deliver customer experience the “*RHB Way*”, every time, everywhere.

## Personalising Customer Journeys

Core to our “*Customer First*” culture is the personalisation of *end-to-end customer journeys* according to the different profiles of our customers. We will engage in *customer conversations* to define customer’s end-to-end journey and *moments of truth* backed by deep understanding of customers’ needs and expectations. This will in turn enable skillful management of the entire experience.

## Creating a Customer-focused Culture

We are committed towards seeding and cultivating a “*Customer First*” culture in all areas of the organisation. We believe that our products, services and the way we operate should be dictated by *what is best for the customers*. The road ahead will see us launching various initiatives to encourage a customer-centric approach in everything we do.

## Making It Seamless

Channel quality is a top priority to ensure smooth service delivery without loss of continuity. Testament to our commitment to create excellent omnichannel experience, we launched a series of initiatives to address basic hygiene factors across all channels. Noteworthy is the launch of our *online account opening* and streamlining of our *Customer Care Centre (“CCC”)* experience to make it as easy as possible to connect to us. The year ahead will see us introduce further enhancements and new CCC features to ensure continuous improvement.

We have made headway in elevating *our digital and alternate channels* experience through the launch of several *lifestyle-centric offerings* which have garnered positive response from the market. Key highlights include our enhanced RHBNow internet and mobile banking with RHB Pay Anyone feature, SME e-Retail solution and m-POS.

# PRODUCTIVITY IMPROVEMENT

## GROUP-WIDE PRODUCTIVITY IMPROVEMENT – MAKING THINGS “AS SIMPLE AS POSSIBLE”

### AS SIMPLE AS POSSIBLE (“A.S.A.P”) PROGRAMME

With our sights set firmly on “*delivering simple, fast & seamless experiences*”, we embarked on a Group-wide productivity improvement initiative known as “As Simple As Possible” (“A.S.A.P”) in April 2016. The initiative is premised on simplifying the way we operate, and institutionalising a capability and culture of simplification to boost productivity of our employees over the long run. In line with the overarching theme of ‘simplification’, the programme is envisioned to ultimately challenge the status quo and drive changes that make it faster, and simpler for our customers to do business with us.

We have managed to realise significant value from A.S.A.P within a short span of time since its inception due to the innovative implementation approach which employs “Accelerated Breakthrough Change” (“ABC”) labs to accelerate outcomes. The ABC labs bring key stakeholders, decision makers and experts together to address complex simplification opportunities, build consensus and commitment in a matter of days that might have otherwise taken months.

Under A.S.A.P., 23 productivity improvement initiatives have been successfully implemented thus far. This is expected to yield value outcome of RM8.8 million in total per annum, of which RM5.3 million will be from additional revenue, RM3.1 million from cost savings and RM400,000 from cost avoidance. Another 43 breakthrough opportunities have been identified and will continue to be harnessed in the coming year to drive simplification. Running in parallel to these initiatives, significant effort will be channeled into identifying additional opportunities while institutionalising A.S.A.P.’s simplification capability and culture across the Group.



## SPOTLIGHT: SELECTED KEY PROJECTS UNDER “A.S.A.P.” IN 2016



### SIMPLIFICATION OF AUTO FINANCE LOAN PROCESSING

One of our most notable achievements from A.S.A.P. is the simplification of our Auto Finance loan processing. The exercise has resulted in significant improvement in turn-around-time (“TAT”), whereby credit decision made within the same day is expected to increase from 5% to 30%. Substantial cost avoidance is also estimated to be derived from the 60% reduction in new hires required to support our higher targeted loans volume as a result of the simplified process.



### MANAGEMENT INFORMATION (“MI”) RATIONALISATION

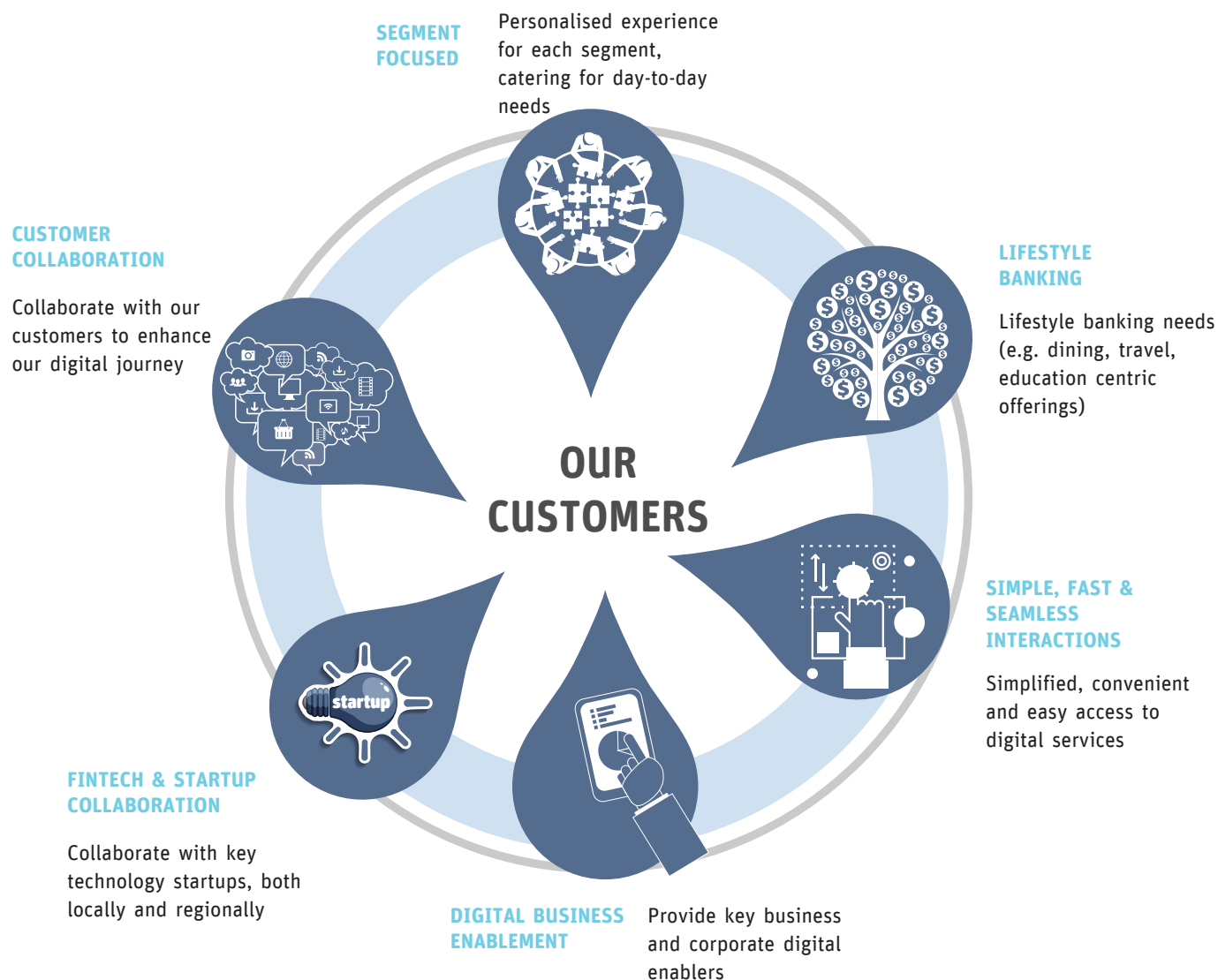
The first phase of our efforts to rationalise legacy, duplicated and obsolete reports started in Q3 2016, whereby extensive review of our reports repository was carried out. The number of management reports generated reduced by ~30% as a result, with spillover effect of ~43% improvement in TAT for development of new complex reports. Further, the second phase which commenced in Q4 2016 has seen another 75% reduction in reports and is expected to garner further cost savings of ~RM3.1 million per annum from the reduction in printing cost.

# INTEGRATING DIGITAL TECHNOLOGY

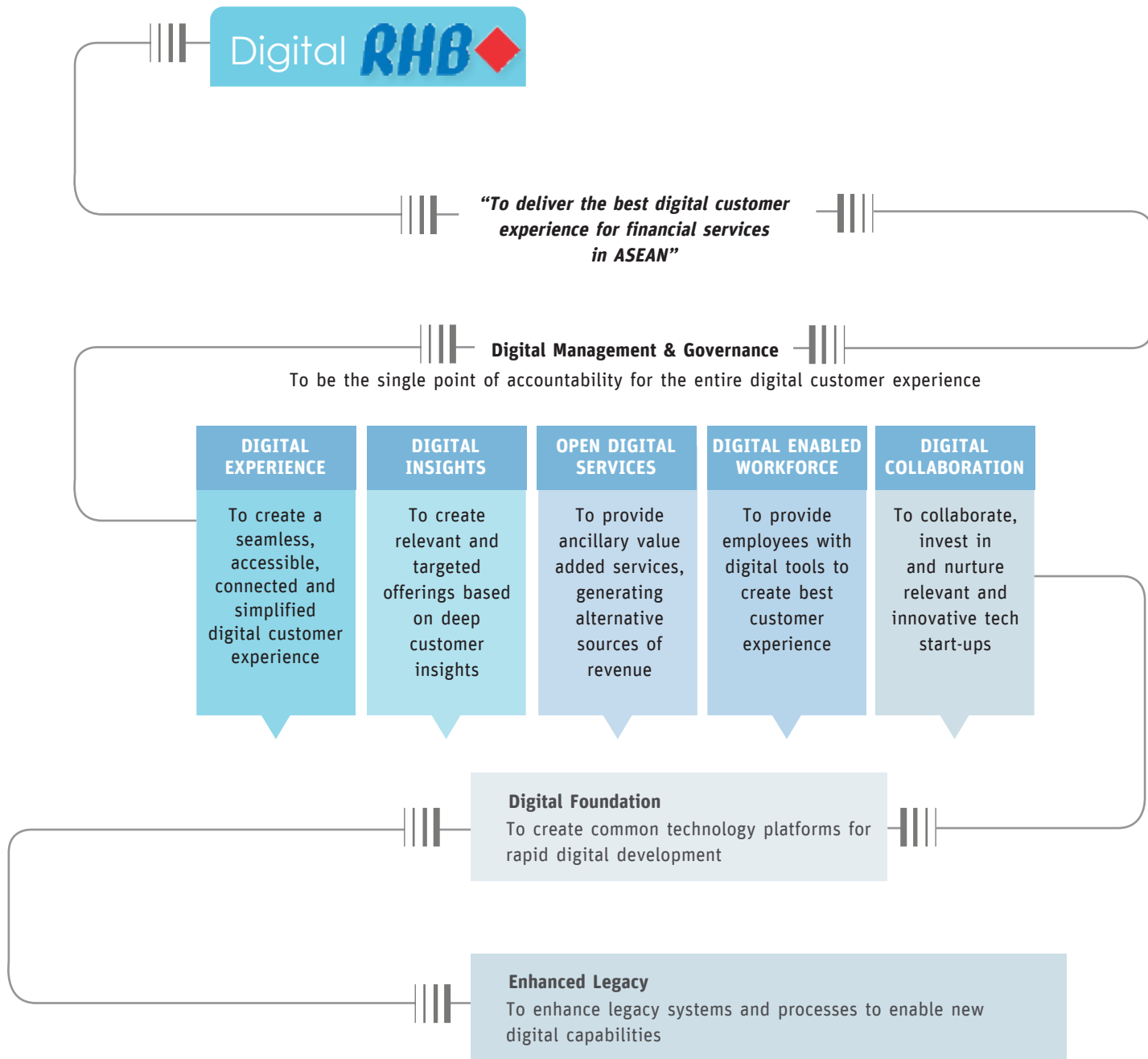
Since the conceptualisation of the RHB Digital Strategy, we have developed a sharper digital approach to effectively deliver meaningful, high value-adding interactions and customised services for our customers, based on their differentiated segment needs. We aim to provide our customers with simplified, convenient and easy access to digital services, thus enabling them to bank anywhere and at any time.

Given our drive to increase our focus on digital growth, the Digital Centre of Excellence continues to drive delivery of key digital initiatives aimed at fulfilling RHB's digital aspirations, as well as to look at digital innovations to keep RHB at the forefront of digital banking. Looking ahead to 2017, we will continue to pursue digital innovations for the bank and implement further enhancements that will take us closer to being an innovative digital banking leader in line with the needs of our customers.

**Our Digital Go to Market** proposition will be centred around six key themes driven by customer needs.



RHB's Digital Vision will be met through 8 key strategic focus areas





## KEY RESULTS ACHIEVED IN LAST 12 MONTHS



- Launched 3-year partnership with Startupbootcamp (Fintech Accelerator)
- Exclusive to RHB: KL Fast Track Day & KL Fintechathon
- Access to Regional/Global Fintechs
- Conducted a FinTechathon with 19 teams focussing on solutions in the 'Wealth' space

1.

### **RHB** ♦ Digital Centre of Excellence

- Digital Centre of Excellence fully operationalised
- To drive execution of RHB Digital Strategy Initiatives
- To build digital capabilities to give us market leadership

2.

### **RHB Mobile Relaunch**



- Launched revamped RHB Now Mobile app with simple, intuitive design
- Includes new Pay Anyone feature, which allows fund transfer via FB, email and phone number via social media (1st in market)
- 35,000 new downloads in 1 month and 236,000 new downloads as at end 2016.

3.

### **RHB Tradesmart**



- Enhanced RHB Tradesmart with ability to accept ePayments & eStatements to customers
- RM4.9 billion of the trades were placed on RHB TradeSmart Mobile, representing 3.4% of total retail investor trades, a growth of 78% y-o-y, compared to 1.9% of the total retail investor trades in 2015

4.



- Launched 3 year exclusive partnership
- RHB payment services, card offers and exclusive deals
- Start of RHB's Digital Ecosystem

5.

10



- Mobile Point of Sale solution for cards and payments acquisition
- As at end 2016, 199 terminals have been deployed
- Integrate to SME eRetail POS solution



### Financial Supply Chain

- Launched Financial Supply Chain Online Platform with portfolio guarantee from CGC to build the ecosystem for Businesses/SME's



- Awarded "Best FPX Bank" 2016 by MyClear



### SME eRetail POS Solution

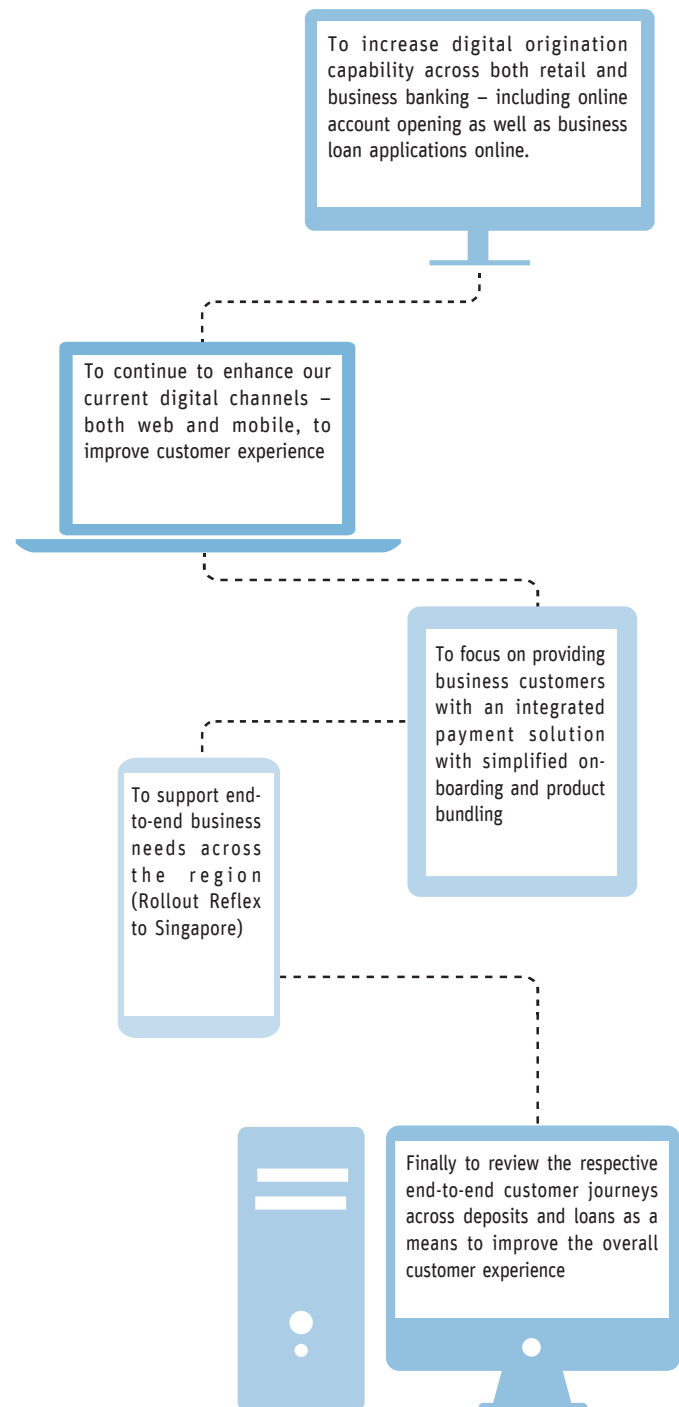
- Digital Point-of-Sales solution bundled with financial products to allow Retail SME's to start their business in 1 week – 1st in the market
- 680 new sign-ups in 2016, increased product holding ratio from 2 to 3.5, with 45% increase in CASA balance

### RHB My Money Tools

- Launched Personal Financial Management tool to help our customers manage their finances better
- Accessible via RHB Now for Affluent and Mass Affluent customers

6

## Moving Forward 2017 and beyond



# CORPORATE INTEGRITY

## INTRODUCTION

RHB Banking Group (“Group”) firmly supports anti-corruption efforts of the Government and the Malaysian Anti-Corruption Commission by strengthening its corporate governance and continuously inculcating good ethical business practices among its employees, clients, vendors and other business partners. This is part of the Group’s long-term roadmap to ensure its business conduct is free from acts of corruption and internal fraud, and at the same time, to act in the best interests of the Company, its shareholders and other stakeholders. The Group opposes acts of fraud and corruption as they destroy shareholder value, undermine investors’ confidence and are the antithesis of sustainable growth.

## CORE VALUES

The Group is committed per its **core values** in its abhorrence to any business practice or activity that requires or encourages any of its employees, representatives or agents to commit any financially fraudulent act or corrupt offence. This commitment is translated into its corporate values and embraced by the employees as RHBians’ common shared values. This process is embedded top down whereby the Company’s core values encourage its Directors, Senior Management and the rest of the employees to have P.R.I.D.E. in upholding the spirit and the letter of legal and regulatory requirements, including preserving integrity and professional ethics. All employees are therefore guided by and committed to the following Group’s core shared values:



- **Professional**

We are committed to maintain a high level of proficiency, competency and reliability in all that we do.



- **Respect**

We are courteous, humble and we show empathy to everyone through our actions and interactions.



- **Integrity**

We are honest, ethical and we uphold a high standard of governance.



- **Dynamic**

We are proactive, responsive and forward thinking.



- **Excellence**

We will continuously achieve high standards of performance and service deliverables.

## INTERNAL CODE, POLICY & GUIDELINES

The formulation and continuous enhancement of the Group Whistle Blower Policy, the Group Gifts & Hospitality Guidelines and the Group’s Code of Ethics and Conduct for Employees (“Code”) are reflections of the Board and Senior Management’s enduring commitment to adopting adequate internal controls as part of its comprehensive anti-corruption and anti-fraud programme. These strategic internal documents serve to guide the employees and have been strategically devised as counter measures to combat and prohibit all forms of fraud, bribery and corruption in day-to-day operations. The Group’s Key Internal Control Policies and Procedures, which highlights some of the key governance documents, is found on pages 295 to 297 of the Annual Report.

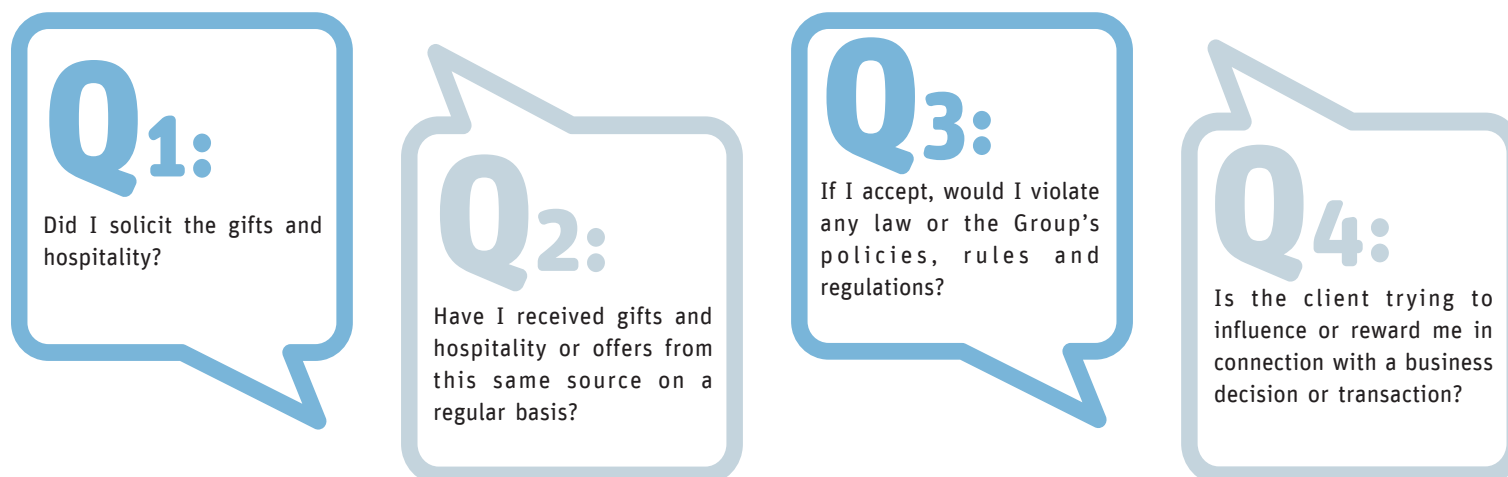


## GIFTS & HOSPITALITY

The main objective of introducing guidance notes on gifts and hospitality is to discourage the Group and its employees from giving and accepting gifts to/from external parties. Lavish gifts and hospitality are strictly not allowed and are among those categorised as prohibited items. Items which require prior approval from designated Senior Management personnel are those which are not ordinary corporate gifts in nature, are not customary gifts given during festive seasons, and gifts and hospitality (including business entertainment) with values beyond permitted threshold limits. As part of its transparency and accountability initiatives, any offer or acceptance of gifts and hospitality which requires prior

approval, or if it involves lavish gifts, needs to be disclosed and records are centrally maintained for future reference. A copy of completed forms with authorised signatures shall also be forwarded to the Governance Unit, Group Legal & Secretariat for update in the main register.

Employees are expected to exercise good judgement when accepting gifts and hospitality from clients, including third parties. Some gifts and hospitality are permissible, subject to employees observing the Code and the Company's internal policies and guidelines to avoid any conflict of interest. Whenever there is a conflict of interest, ask yourself these four questions:



**If your answer is a "YES" = do not accept the gifts and hospitality!**

As the established standards of conduct are associated with good ethical practice, the guidelines are designed to help employees and business partners understand their respective obligations in upholding corporate integrity in the workplace. Inducement of gifts can be in any form of gratification, e.g. loans, fees, rewards or other advantages (meals, donations, entertainment, courses, vacations, etc.). In other words, where such an excessive offer or acceptance constitutes an intention to serve organisational interests or abuse entrusted power for personal gain, it becomes a criminal act of corruption which is punishable under the relevant laws. The practice of not accepting lavish gifts and hospitality signifies the importance of corporate integrity to the Company. This policy applies to all Group employees and is provided on the Company's intranet, namely 'My1Portal' for their reference.

## PROCUREMENT STATEMENT

RHB Banking Group is committed to conduct business with PRIDE to protect the Group's interests in the procurement of goods and services. As a testament of its commitment, the Group adheres to a transparent procurement process. Its mission is to implement best practices and achieve economies of scale in the procurement of goods and services for the Group.

The Group's procurement team takes pride in ensuring that such goods and services represent the best value, quality service and timely delivery with proper compliance of internal controls, policies and procedures while ensuring all confidential information construed in accordance with the laws of Malaysia and the law of the respective countries are held in strict confidence.

The team is committed to providing the highest level of customer service, and conducting business with high ethical standards, fairness and transparency, while welcoming qualified, responsible and diverse range of suppliers. RHB Banking Group adheres strictly to the procurement guidelines and procedures on the Group's domestic and overseas operations.

RHB Bank's procurement activities are based on open and fair trade. The Group welcomes all potential suppliers who meet its business requirements. Selection of suppliers is done objectively based on the results of our evaluations on the product's quality, cost efficiency, timely delivery and stability of supplies. In selecting new suppliers, the Company takes into consideration a comprehensive range of requirements including quality, cost, delivery lead time, supply consistency, environmental awareness, and compliance to legal and regulatory requirements. We assess the supplier's performance through a set of criteria which is reviewed periodically. RHB Bank Procurement provides guidance and seeks improvements in areas where the performance of the business or functional units within the Company and the Group are not in accordance with the acceptable standards of the bank.

Every year, RHB Banking Group holds several engagement sessions with bank staff and suppliers nationwide. This engagement session is to:

- Ensure all bank staff have a good understanding of the RHB Bank procurement governance spirit and intent
- Ensure all bank staff have a good understanding of the RHB Bank procurement procedure and processes
- Prepare a platform to share changes made to procurement procedure and processes
- Ensure all suppliers have a platform to raise issues or opinions for future improvement
- Build strategic engagement to ensure RHB Bank is always on top of the latest market trend of products and services with best value
- Ensure strategic sourcing of goods and services through forward planning
- Provide an environment for both parties to realise the importance of sustaining good work/business relationships

Topics covered in the engagement sessions were on the goods and services tax, supplier performance, payment related matters and contract renewal. Participants had the opportunity to obtain clarification on any procurement issue. The engagement sessions were supported by other functions including Group Finance, Group Property Management and Group Administration.

## SPEAK UP

In RHB Banking Group, employees are encouraged to "Speak Up" (technically known as "whistle blowing") regarding any violations against internal and regulatory requirements. Whistle blowing is a formal dedicated channel for an employee to escalate any wrongdoings committed by other employee(s) in the Group and serves as a discreet platform to combat fraud and corruption. A Group Whistle Blower Policy was introduced in 2007 and revised in 2014, with the following objectives:

- To encourage and facilitate disclosures of improper conduct
- To protect persons making such disclosures from any detrimental or retaliatory acts
- To provide for the matter disclosed to be investigated and dealt with in accordance with the prescribed actions and to provide for the remedies connected therewith.

Whistle blowing or Speaking Up basically applies to the following types of misconduct and violations:

- Any fraudulent, unlawful civil or criminal act
- Any act of dishonesty, corruption, abuse of power or authority for personal financial gain, or for any unauthorised or ulterior purpose
- Any breach of the codes of ethics including the Group's Code of Ethics and Conduct for Employees; violation of internal policies, procedures and guidance; or violation of laws, rules and regulations governing the business and operations of the Group
- Any malpractice or misdeeds, or unethical and unlawful activity with regards to privileged information, material non-public information, market manipulation, rogue trading, market rigging, credit fraud, forgery, misappropriation of funds and/or assets, and any other unprofessional conduct that is a violation of laws, rules, regulations and the codes of ethics
- Any creation of unethical, questionable or misleading financial records, or dissemination of misleading and/or false financial records.

In RHB Banking Group, the objectives of the Group Whistle Blower Policy, using appropriate approved formal channels to designated recipients, are as follows:

- To encourage all employees to raise their concerns and report in good faith any corporate malpractice or wrongdoing, without fear of retaliation or discrimination;



- To enable the Management to be informed of any unlawful conduct, unethical occurrences, corruption or questionable practices at an early stage; and
- To nurture a culture of accountability, integrity and transparency.

## ETHICS & INTEGRITY RESOURCE PORTAL

The Group's employees may refer to the vast resources available on My1Portal. This Group intranet portal, which is accessible to employees across various entities, holds local and international guidance notes and knowledge material regarding ethics and integrity. This material includes newspaper cuttings and comics which capture snapshots and case studies of governance matters and corruption as well as videos, slides and written reports.

In addition, the Group provides e-learning courseware to all its employees (accessible 24 hours) on "Gifts and Hospitality" as a timely commitment to ensure such an important message reaches everyone in the organisation. This use of advanced technology for distant learning training programmes is made available to all employees as an additional learning experience and also to cater to those who cannot enrol in the normal classroom training on the subjects of ethics and integrity.

Throughout the e-learning course, the employees are guided by five key principles, namely:

1. Say NO to Corruption;
2. UNDERSTAND internal Guidelines and the relevant Code, Policy & Procedures;
3. CONSULT your supervisor or relevant personnel;
4. Proper RECORD KEEPING on any gifts and hospitality that are lavish in nature or that require prior approval; and
5. REPORT any unethical business conduct or violation of any internal and regulatory requirement via designated whistle blowing channels.

## AWARENESS & KNOWLEDGE SHARING SESSIONS

As part of the Group's efforts in cascading down the importance of upholding integrity and combating internal fraud and corruption, various awareness sessions on the internal guidelines on gifts and hospitality, including briefing sessions to new on-boarding employees, are conducted. The objectives of these communication sessions are to

ensure that the right message is transmitted to all employees across the organisation and for them to internalise the requirements on offering and accepting gifts and hospitality.

In 2016, Group Human Resources, Group Compliance and Group IT Security from time to time also issue communications to employees through emails to reinforce the Company's core values and the importance of integrity in the workplace, to guide them on how to deal with banking secrecy and personal data, especially against unlawful disclosure of customers' confidential information and to remind them to adhere strictly to and comply with the requirements set down by the internal policies and guidelines.

During the year, information on scam alerts and fraud cases involving cloned cheque, forged Employees Provident Fund statement, phishing scam and others were shared through morning briefing sessions and e-mails. What the employee should do or done differently when encounters such fraud incidences were also shared to them as part of the guidance and awareness initiatives. These periodic communications serve as reminder to the Group's employees to carry out their duties responsibly and with the highest level of integrity as custodians of public funds.

## POSITIVE OUTCOMES

As a result of the continuous emphasis on P.R.I.D.E. principles in the workplace to uphold corporate integrity, the Group received positive feedback and appreciation from the public, especially for the honesty and exemplary characteristics shown by the employees to its customers and other stakeholders. One example of such positive outcomes in the current year that enriched the organisation, customers, industry and community, is the following external recognitions:

*In its efforts to promote greater veracity, disclosure and accountability, RHB Banking Group has been acknowledged for good governance and transparency, following recognition from various respected external parties. One of the accolades was RHB being accorded with the "Merit Award for Corporate Governance Disclosures" at the Minority Shareholder Watchdog Group ("MSWG")-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016 in Kuala Lumpur, Malaysia and being ranked Top 6 among the Malaysian Public Listed Companies for two consecutive years. The awards given recognise good governance practices and quality of disclosures by Malaysian public listed companies, benchmarked against the Organisation for Economic Co-operation & Development's ("OECD") principles of corporate governance.*

# CODE OF ETHICS AND CONDUCT

“Today, financial services is a complex business. Regulatory requirements, governance systems and decision-making frameworks are becoming more sophisticated. Making judgement calls have become an increasingly important part of day-to-day policy and decision making. In making these judgement calls, the ability to identify and resolve professional and ethical issues cannot be under-estimated. It is from this perspective that we need to educate and equip new entrants into the industry with good values, norms and ethics.”

– Governor Datuk Muhammad Ibrahim’s Remarks at the Opening of the Global Banking Leaders programme on 28 November 2016

RHB Banking Group as one of the custodians of public funds reiterates the importance of integrity and professional conducts amongst its employees, especially operating in the financial services industry. The primary principles and ethical standards identified have been translated into its Group Code of Ethics & Conduct for Employees (“Code of Ethics”) with the objective of serving its stakeholders with the highest standards of confidence, respect and trust as key constituents in its business operations.

As the organisation grows and advances its operations across ASEAN and Greater China, it is central to continue promoting a constructive and lasting impression in the minds of everyone with whom it interacts. Professionalism, integrity, confidentiality, conflicts of interest and fairness are ethical principles embedded in the backbone of its employees’ conduct and day-to-day business activities.

The policies and guidelines enumerated herein are principled on promoting best ethical conduct vis-à-vis the following:

**AVOID CONFLICTS OF INTEREST, OR POTENTIAL CONFLICTS, BETWEEN PERSONAL INTERESTS AND THE INTERESTS OF THE GROUP, ITS SHAREHOLDERS OR CLIENTS;**

**1**

**AVOID MISUSE OF POSITION BY EMPLOYEES;**

**2**

**KEEP MATERIAL NON-PUBLIC AND PRICE SENSITIVE INFORMATION CONFIDENTIAL AND SECURE;**

**3**

**AVOID MISUSE OF MATERIAL NON-PUBLIC AND PRICE SENSITIVE INFORMATION RELATING TO SECURITIES OR OTHER FINANCIAL INSTRUMENTS;**

**4**

**ENSURE COMPLETENESS AND ACCURACY OF THE RELEVANT RECORDS;**

**5**

**PROPERLY CARING FOR AND PROTECTING THE GROUP’S PROPERTY AND ASSETS; AND**

**6**

**PROMPT REPORTING OF ANY KNOWLEDGE OR INFORMATION ABOUT UNETHICAL BUSINESS CONDUCT AND SUSPECTED COMMISSION OF CRIMES.**

**7**

All employees of RHB Banking Group are required to read, understand and embrace the requirements of the Code of Ethics. Ethics involve two aspects namely the ability to distinguish right from wrong and the commitment to do what is right. Dishonesty and defraud are examples of unethical conducts that go against integrity and ethical principle.

The Code of Ethics is a reference of the standards of professional conduct which spell out how an employee should behave, based on moral duties and virtues arising from principles on right and wrong. As the Company and its Group of Companies involve in multiple banking and capital market disciplines, specific Code of Conducts are also established to complement the main Code of Ethics – namely Code of Ethics & Business for Directors, Code of Conduct for Licensed Representatives, Code of Conduct for Dealer’s Representatives, Code of Ethics & Conduct for Share Trading Officers, Code of Ethics & Guidelines for Business Conduct for Unit Trust Consultant(s) and Principles to Adopt for Users of Social Media Platforms; all crafted to support the main Code in promoting top down compliance culture within the Group.

The Company strongly believes that uncompromised integrity and high moral/social value will convey a strong corporate image to all its stakeholders in the pursuit to strengthen its market presence. In this respect, RHB Banking Group does not condone any wrongdoings or fraudulent acts engaged by any of its employees.

In other words, the Company promotes shared core values namely P.R.I.D.E (Professional, Respect, Integrity, Dynamic and Excellent) amongst its employees as the way of life in performing their duties and responsibilities morally and respectfully. Each employees is highly expected to demonstrate these key beliefs in the workplace as esteemed RHB Banking Group’s employee.

Any reporting on violations of the various Codes will be escalated to the appropriate channels, namely the **grievance** channel or the **whistleblowing** channel in accordance to the internal Group Code of Ethics & Conduct and Group Whistle Blower Policy respectively. The former is a formal channel for employees to express disappointment over human resource-related matters like unfair treatment and promotion and hence cascade the grievances to their supervisors/designated human resource (HR) personnel. On the other hand, the latter is a process to whistle blow and escalate through official channel over alleged unethical behaviour or fraudulent activities involving employee(s) to designated recipients within the organisation.

External party on the other hand can also report on the Group’s employees over any violations to the various Codes or any misconducts/ unethical behaviour to the following:

**YBhg Tan Sri Saw Choo Boon**

*Senior Independent and Non-Executive Director*

**RHB Bank Berhad**

RHB Centre

Jalan Tun Razak

50400 Kuala Lumpur

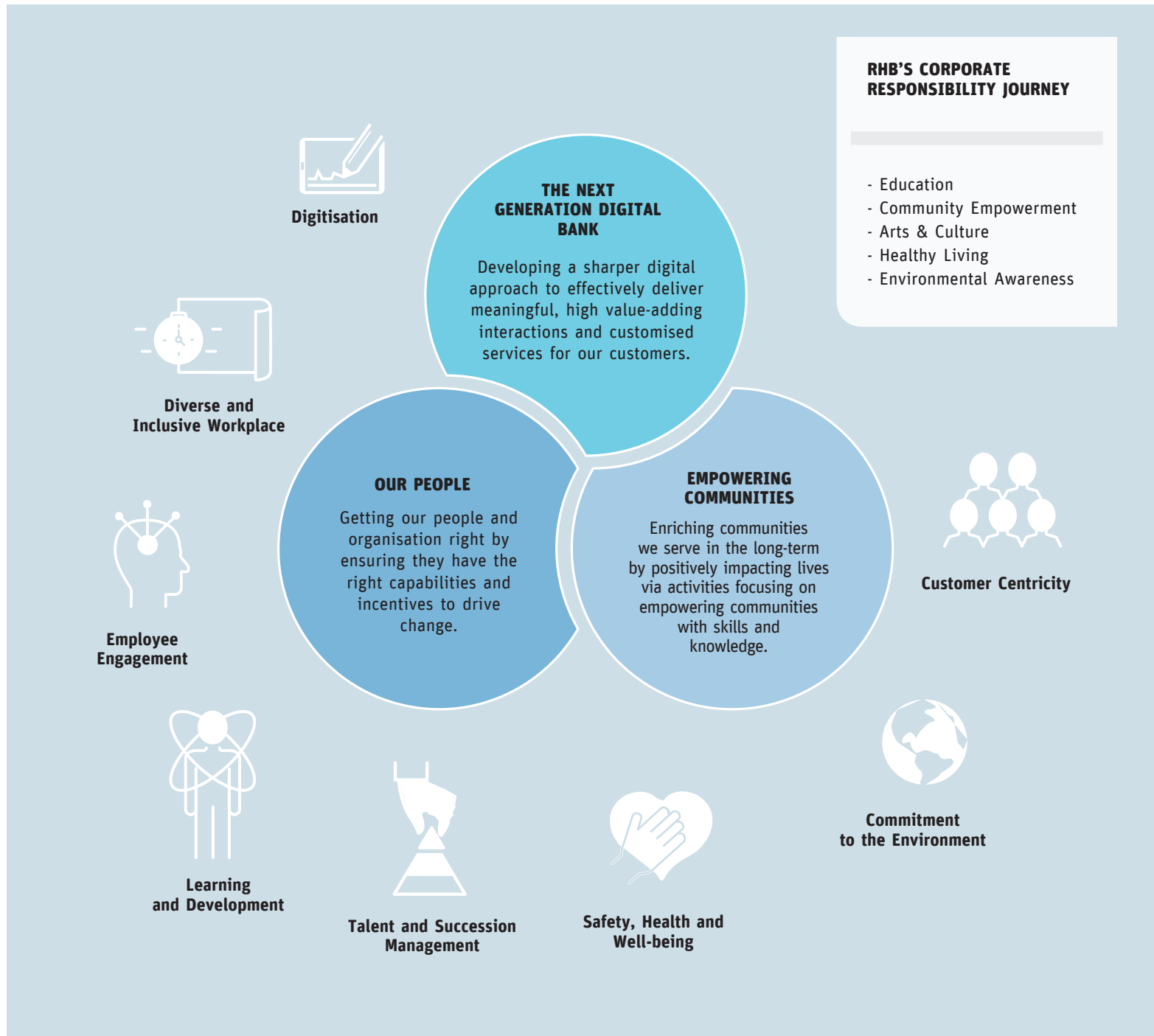
Malaysia

Email: [saw.choo.boon@rhbgroup.com](mailto:saw.choo.boon@rhbgroup.com)

# ENSURING SUSTAINABLE VALUE CREATION

## BUILDING A SUSTAINABLE FUTURE

As one of Malaysia's more established financial groups with presence across the region, we recognise the need to operate in a sustainable manner. We therefore pledge to continue placing sustainability at the forefront of our operations.



## HOW WE PROGRESSED OVER THE YEARS

### 2015

- Establishment of RHB Foundation
- Awards:
  - Minority Shareholder Watchdog Group – Top ASEAN Corporate Governance Transparency Index 2015 – The Malaysian Chapter
  - Top 10 Corporate Governance Disclosure Merit Recognition Award by Minority Shareholder Watchdog Group
  - ASEAN Corporate Governance Award Top 50 ASEAN PLCs) based on governance and transparency practises)

### 2016

- Awards:
  - Minority Shareholder Watchdog Group – Merit Award – Corporate Governance Disclosures
  - The Pinnacle Group's Global Good Governance Awards 2016 – Silver Winner – Best Governed & Most Transparent Company
  - RHB included in the list of top 20 constituents of the FTSE4Good Bursa Malaysia ESG Index

Since 2007, we have spent almost RM86.05 million on our Corporate Responsibility (CR) initiatives.

#### MIGHTY MINDS

– From 2009 to 2015

Total number of participations was 49,118. In 2015, a total of 928 students had participated.

#### NATIONAL SPELLING CHAMPIONSHIP

– From 2012 to 2015

Total number of participations was 5,564. In 2016, there is, 1,805 students were involved in the competition.

#### STUDENT EDUCATION ENRICHMENT DEVELOPMENT LEADERSHIP PROGRAMME (SEED)

– Between 2012 to 2015

1350 students participate in this leadership development programme that involved over 200 schools.

#### REACHING OUT

– From 2013 to 2015

Reach out to over 5.6 million out of 11 million Astro subscribers through educational capsules.

#### SPELL-IT-RIGHT

– From 2008 to 2015

Total number of participations was 51,982. In 2015, there is 16,982 students while in 2016, 23,330 students took part.

#### REUNITING FAMILIES

– From 2007 to 2015

A total of 360,000 safety child booklets were send out to the participants, together with 50,000 of Child ID kits. In 2015, 5 schools participated in this program. 6 shopping malls in Melaka, Selangor, Kuala Lumpur, Johor, Penang and Kelantan were also involved in this.



# PERFORMANCE REVIEW BY GROUP CHIEF FINANCIAL OFFICER



**Syed Ahmad Taufik Albar**

Group Chief Financial Officer

**“We are pleased to note that our commercial banking segments of Retail and SME registered profit growths and our efforts to grow CASA is showing good progress”**

## OVERVIEW OF FY2016

FY2016 was a challenging year for RHB Banking Group. Macroeconomic indicators continued to soften. GDP growth declined from 5% in 2015 to 4.2% in 2016 and the weakening of the Ringgit had impacted the entire banking industry.


While the challenging operating environment affected our net profit, our core earnings continued to demonstrate resilience amidst the weak economic conditions, resulting from prudent funding cost management and lower overhead costs. We saw a 8.4% [excluding Career Transition Scheme (“CTS”) expenses] increase in operating profit before allowances, though our FY2016 performance was affected by impairment on a corporate bond and certain corporate loan accounts.

Our balance sheet remains strong, with capital and liquidity at comfortable levels. This puts us in a good position to drive value creation especially from key businesses and segments and grow with our customers, as we continue to manage asset quality and focus on operational efficiency.

We are pleased to note that our commercial banking segments of Retail and SME registered profit growths and our efforts to grow CASA is showing good progress.



**RM1,681.6**  
**MILLION**  
GROUP NET  
PROFIT 2016



**3.1%**  
**GROWTH**  
NET FUND BASED  
INCOME

## ANALYSIS OF THE INCOME STATEMENT

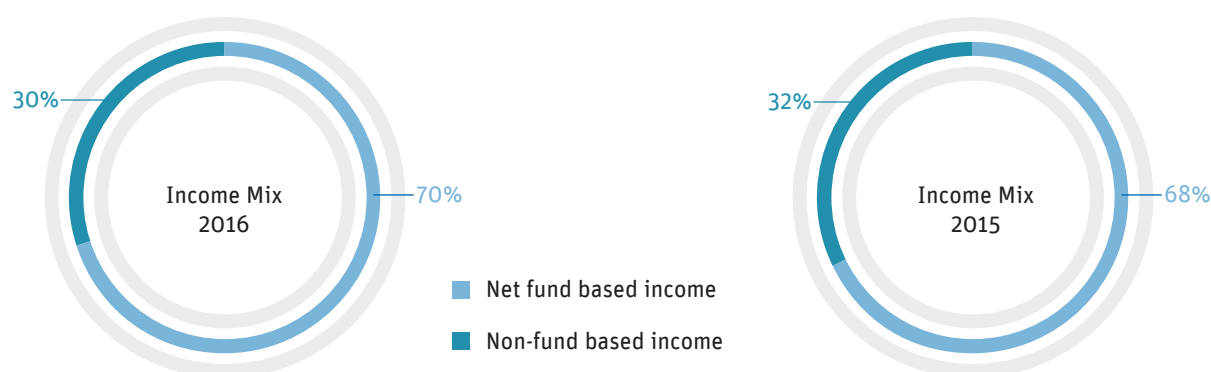
RM'Million	FY2016	Restated FY2015	Y-o-Y Change %
Net interest income	3,454	3,408	1
Net Islamic fund based income	867	784	11
Total net fund based income (a)	4,321	4,192	3
Other operating income	1,762	1,891	-7
Islamic non-fund based income	110	92	19
Total non-fund based income (b)	1,872	1,983	-6
Total income (a+b)	6,193	6,175	-
Operating expenses	(3,098)	(3,630)	-15
Operating profit before allowances	3,095	2,545	22
Allowances for loan impairment	(595)	(343)	73
Impairment losses (made)/written back on other assets	(268)	49	>-100
Profit before tax	2,232	2,251	-1
Net profit	1,682	1,665	1
Normalised profit before tax <sup>N1</sup>	2,486	2,429	2
Normalised net profit <sup>N1</sup>	1,875	1,798	4

N1: FY2016 excluded one-off impairment on a corporate bond of RM254 million.

FY2015 excluded one-off Career Transition Scheme expenses of RM309 million and write-back from refinement performed on mortgage portfolio of RM131 million.

The Group reported a net profit of RM1,681.6 million for the financial year ended 31 December 2016, an increase of 1.0% over the last financial year. Operating profit before allowances (excluding CTS) grew 8.4% to RM3,094.5 million due to reduced funding cost following the rights issue that was completed in April 2016 and healthy growth in CASA.

Total income increased to RM6,193.2 million, supported by net fund-based income growth of 3.1% to RM4,320.9 million, offset by a decline in non-fund based income by 5.6%.

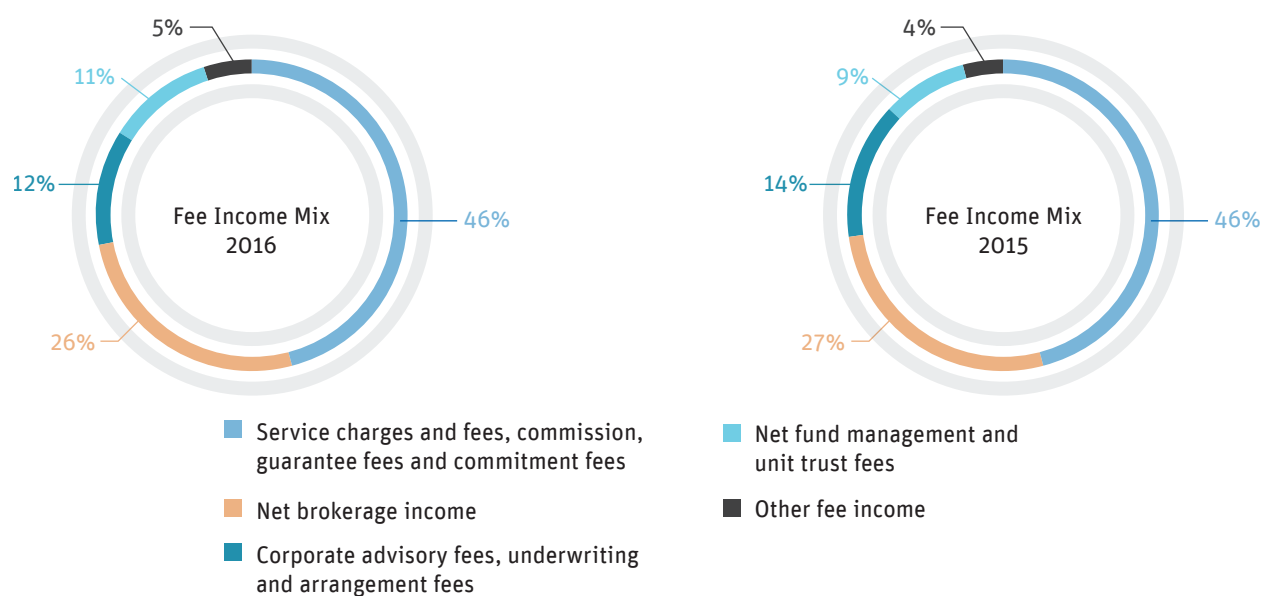


## Net interest/fund based income

Net fund based income grew by 3.1% to RM4,320.9 million. Gross fund based income increased by 1.2% on the back of 2.0% increase in gross loans and financing, whereas funding and interest expense remained relatively flat. Net interest margin improved by three (3) basis points to 2.18% in the fourth quarter due to prudent funding cost management, and the net interest margin for the full year was at an average of 2.18%, showing an improvement of four (4) basis points over 2015.

## Other operating/non-fund based income

Non-fund based income was down by 5.6% at RM1,872.3 million, contributed largely by lower investment banking and securities market related fee income in line with volatility in capital and financial markets, and lower net foreign exchange gain. This was however partly offset by higher insurance underwriting surplus and an increase in asset management fee income year-on-year.



## Operating expenses

The Group's effective cost management continued to deliver positive results and yield productivity gains. Excluding the CTS expenses last year, normalised operating expenses were lower by 6.7% from a year ago. The decline in expenses was attributed to headcount cost savings, partly offset by higher IT-related expenses as the Group continued to invest in technology infrastructure and capabilities. Cost to income ratio improved to 50.0% compared to 53.8% (excluding CTS expenses) in the previous year.

## Allowances for impairment on loans, financing and other losses

Allowances for impairment on loans and financing increased to RM595.2 million from RM343.5 million a year ago, primarily due to higher individual allowances for loan impairment on certain corporate accounts relating to oil and gas, and pre-emptive provisions for legacy steel related exposure, coupled with the absence of a RM131.4 million one-off collective allowance written back due to model refinement on mortgage portfolio in 2015.

## Impairment losses on other assets

Total impairment losses on other assets were higher at RM268.2 million mainly due to the full impairment made for a corporate bond in Singapore.

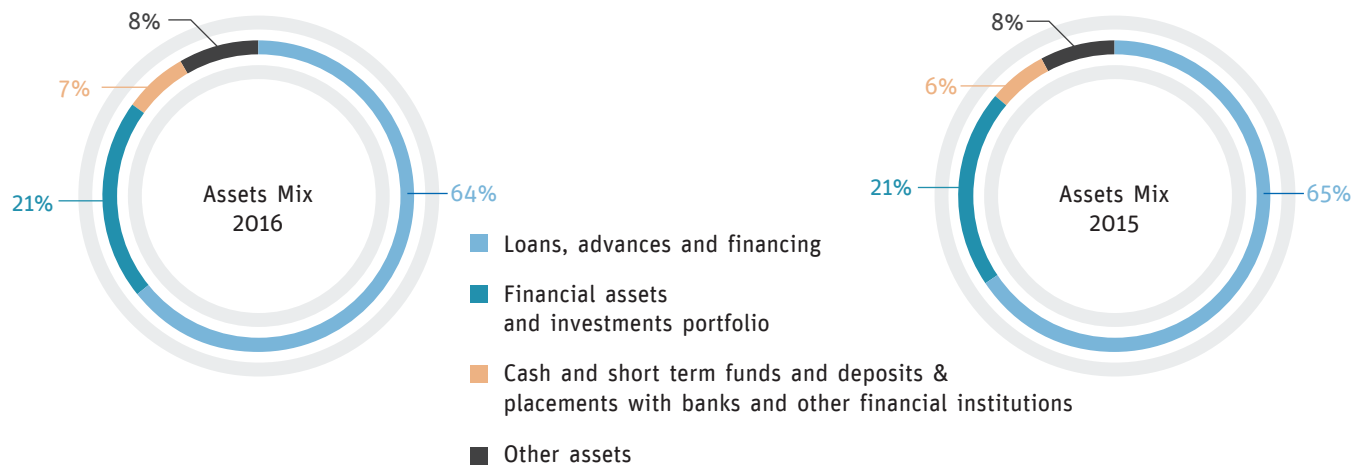
# PERFORMANCE REVIEW BY GROUP CHIEF FINANCIAL OFFICER

## ANALYSIS OF THE STATEMENTS OF FINANCIAL POSITION

### Total assets

The Group's total assets stood at RM236.7 billion as at 31 December 2016, an increase of 3.8% over the previous financial year. The increase was mainly due to growth in net loans, advances and financing, financial assets/investments, cash and short term funds and securities purchased under resale agreements. Loans, advances and financing remain the largest component of the total assets at 64% (2015: 65%).

Amidst the volatility in the global economy, the Group continues to exercise balance sheet discipline, pacing its assets growth, and focusing on risk adjusted returns on capital while actively managing our funding and liquidity position.



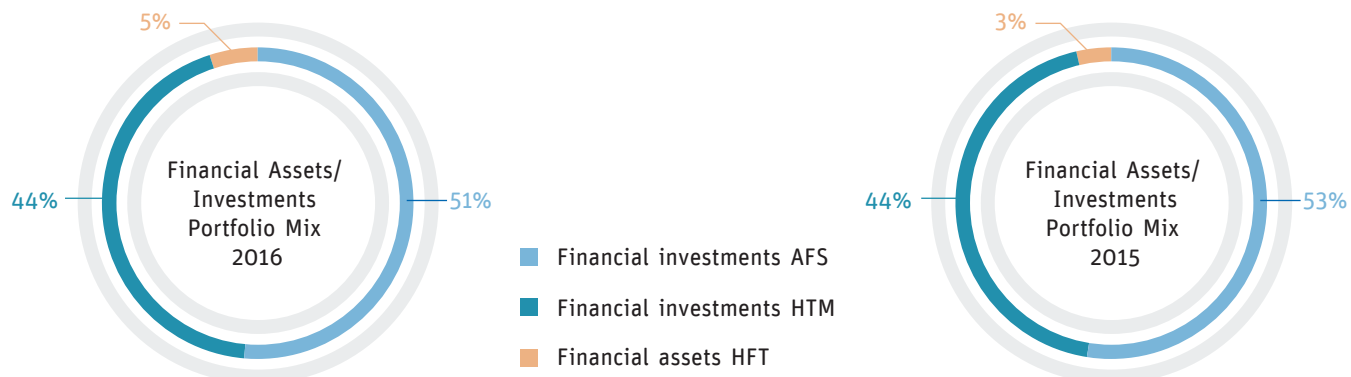
### Cash & short term funds and deposits & placements with banks and other financial institutions

The Group's total cash & short term funds and deposits & placements with banks and other financial institutions increased by 14.0% to RM14.7 billion as at 31 December 2016.

### Financial assets and investments portfolio

The Group's financial assets and investments portfolio comprises financial investments available-for-sale ("AFS"), financial assets at fair value through profit or loss ("FVTPL") and financial investments held-to-maturity ("HTM").

The Group's financial assets and investments portfolio increased by 4.1% to RM48.8 billion mainly due to the purchase of negotiable instruments of deposits.

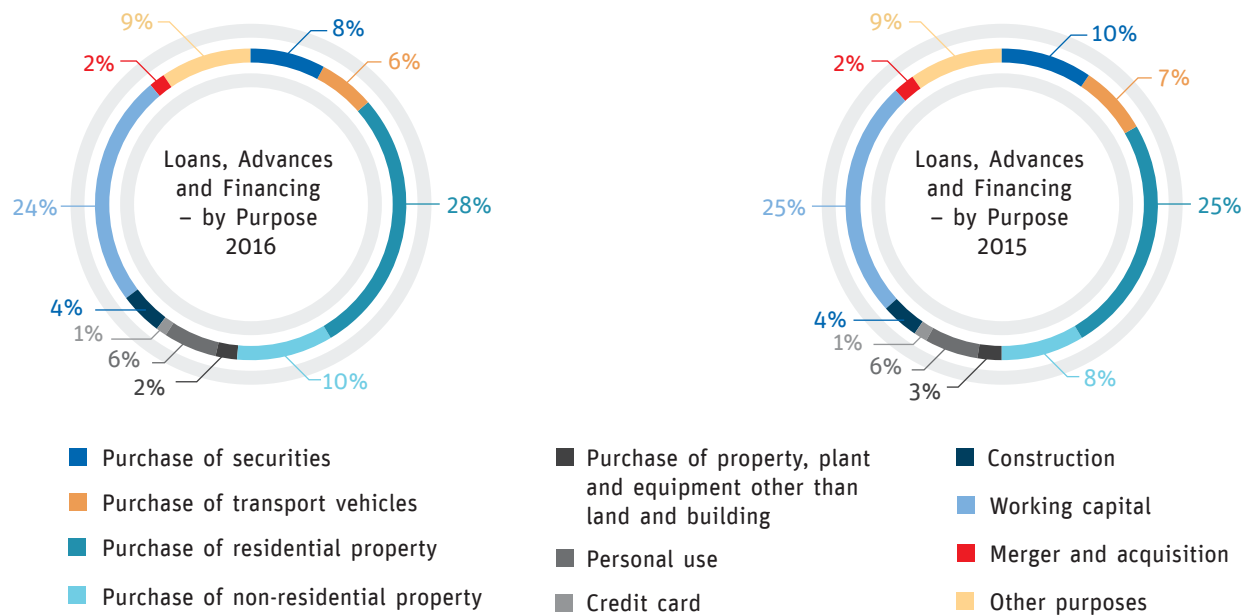


## Loans, advances and financing

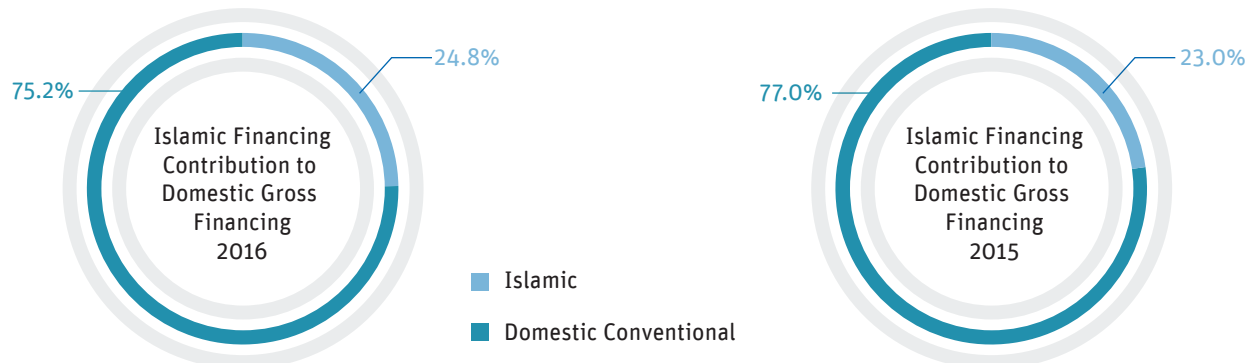
The Group's gross loans and financing grew by 2.0% year-on-year to RM154.5 billion. The increase came mainly from mortgages and SME, negated by a decline in corporate loans which is in line with our strategy to rebalance the Group's loan composition. Mortgages and SME loans and financing growth were resilient with a growth rate of 13.3% and 11.3% respectively, more than offset the 4.6% contraction in corporate loan portfolios.

Domestic loans grew by 1.6% and domestic loans market share stood at 9.0% as at 31 December 2016.

Non-Malaysian gross loans grew by 5.9% mainly due to increase in loan base in Singapore by 2.4% and Thailand by 35.1%.



Islamic gross financing grew by 9.5% to RM34.1 billion, and contributed 24.8% to the Group's total domestic gross loans and financing, up from 23.0% as at 31 December 2015.





# PERFORMANCE REVIEW BY GROUP CHIEF FINANCIAL OFFICER

## Asset quality

Gross impaired loans ratio was higher at 2.43% from 1.88% as at 31 December 2015. This was mainly due to classification of certain customer accounts, which are largely related to oil and gas exposure, reflecting adverse market development.

## Total liabilities and equity

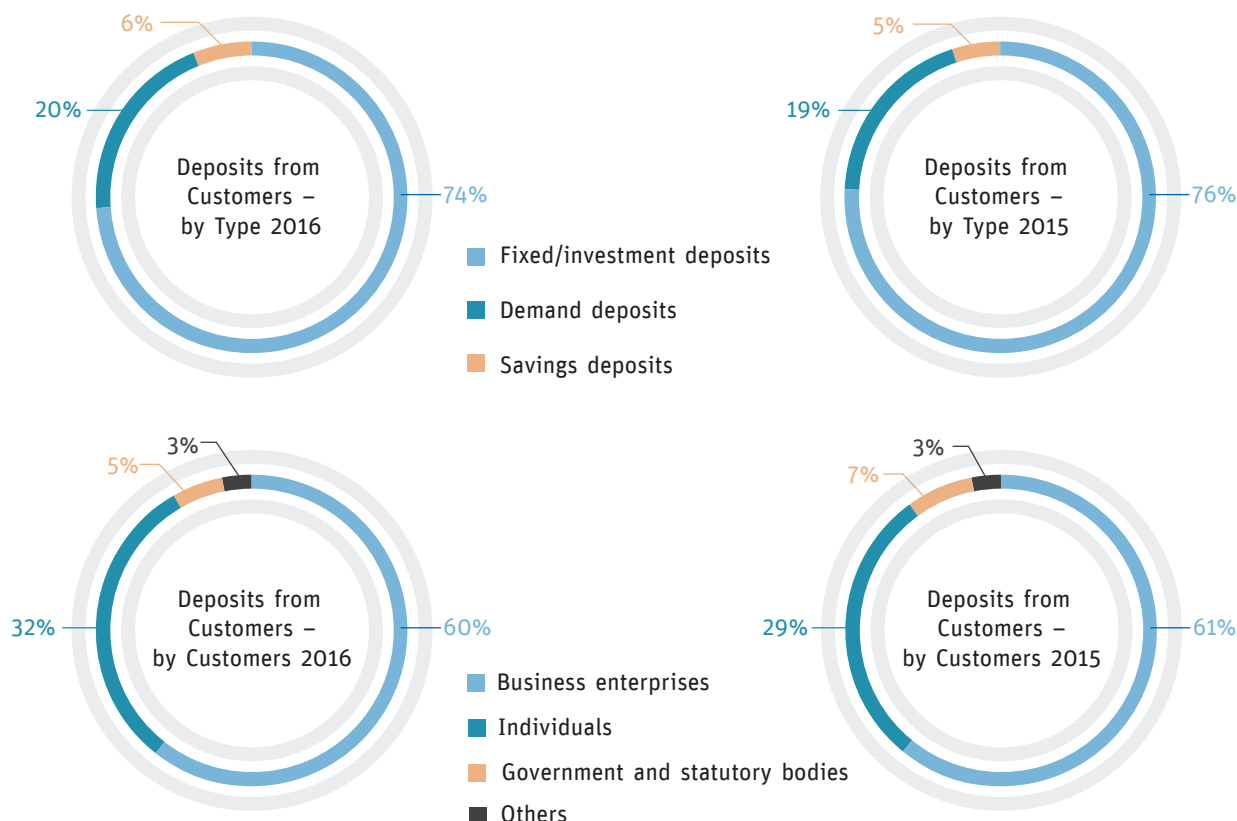
Total liabilities increased by RM4.7 billion or 2.2% to RM214.9 billion as at 31 December 2016, mainly due to growth in deposits from customers and deposits and placements of banks and other financial institutions, coupled with issuance of USD500 million senior debt securities in October 2016, partly offset by the settlement of amount due to the former holding company and reduction in obligations on securities sold under repurchase agreements.

Shareholders' equity strengthened by 23.1% to RM21.7 billion, following the completion of RM2.49 billion rights issue in April 2016 and from higher retained earnings. Net assets per share stood at RM5.42 as at 31 December 2016.

## Deposits from customers

Customer deposits increased by 4.8% to RM165.8 billion, and total current and savings account ("CASA") registered a strong growth of 11.9%. CASA composition improved to 25.6% as at 31 December 2016 from 24.0% recorded in December 2015. The Group's loan-to-deposit ratio remained healthy at 93.2%.

Deposits for the domestic operations increased by 2.3%, while the overseas operations registered a strong growth of 25.8%, with Singapore recording a 24.8% increase.



## Deposits and placements of banks and other financial institutions

Deposits and placements of banks and other financial institutions increased by RM2.1 billion or 10.0% to RM22.7 billion in December 2016, mainly due to the increase in deposits with licensed banks and licensed Islamic banks.

## Senior debt securities

Senior debt securities increased by RM2.4 billion or 69.7%, mainly from the issuance of USD500 million senior notes in October 2016.

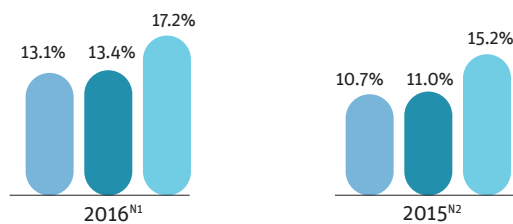
## Subordinated obligations

Subordinated obligations decreased by RM352.4 million or 6.0%, mainly due to redemption of subordinated notes due for step-up in coupon rates during the year amounting to RM350 million.

## Capital adequacy

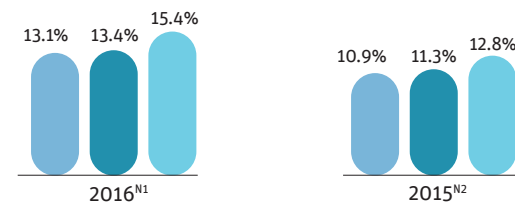
As at 31 December 2016, the Group's capital ratios remained healthy. The capital ratios are well above the Basel III minimum transitional arrangement requirements of 5.125% and 8.625% respectively, positioning us as one of the best capitalised banking groups in Malaysia.

### RHB Bank Group



*N1 Ratios are after FY2016 proposed final dividend  
N2 Ratios are after recapitalisation of FY2015 interim dividend*

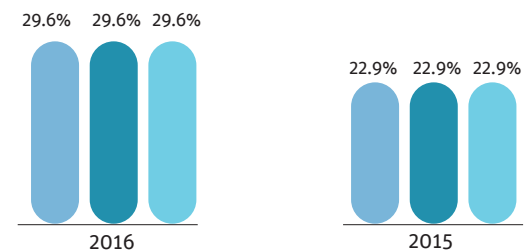
### RHB Bank



### RHB Islamic Bank



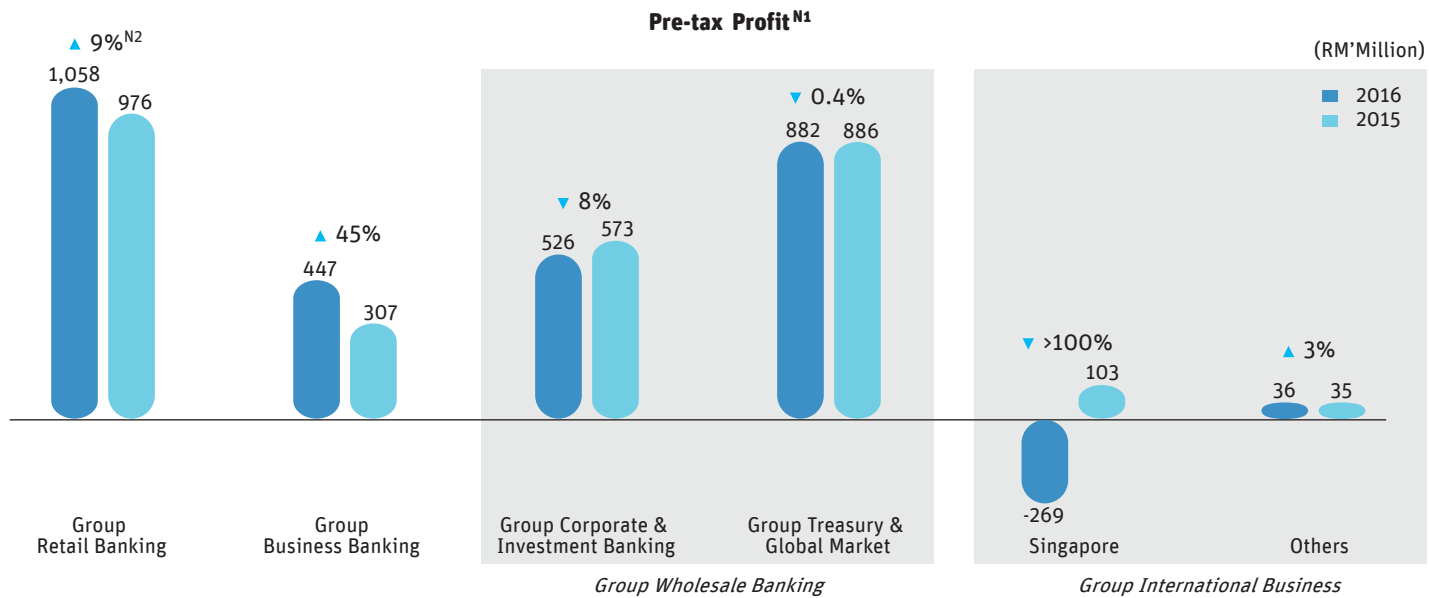
### RHB Investment Bank



■ CET 1 Capital   ■ Tier 1 Capital   ■ Total Capital

# PERFORMANCE REVIEW BY GROUP CHIEF FINANCIAL OFFICER

## PERFORMANCE REVIEW OF KEY BUSINESS UNITS



N1: Excluded cost of borrowings, sub debt and senior debt securities for both FY2015 and FY2016 and CTS Expenses of RM309 million in FY2015.

N2: FY2015 excluded write-back from refinancing performed on mortgage portfolio of RM131 million.

**Group Retail Banking** remained the biggest contributor to the Group and it reported a pre-tax profit of RM1,058.2 million for the financial year ended 31 December 2016, 4.4% lower from the previous year. Excluding a one-off collective allowance written back on mortgage portfolio in 2015, pre-tax profit increased by 8.5%, underpinned by lower operating expenses and lower allowances for loans and financing.

**Group Business Banking** recorded a 45.4% increase in pre-tax profit to RM446.6 million. This was mainly due to higher net funding income, lower operating expenses and reduced allowances for loans and financing.

**Group Wholesale Banking ("GWB")** recorded a pre-tax profit of RM1,407.7 million, a decrease of 3.5% from the previous year.

(i) **Group Corporate & Investment Banking** registered a 8.2% decrease in pre-tax profit to RM525.8 million due mainly to higher impairment loss on loans and financing, higher impairment losses on other assets and lower fee income, partly offset by lower operating expenses and higher wealth management fee.

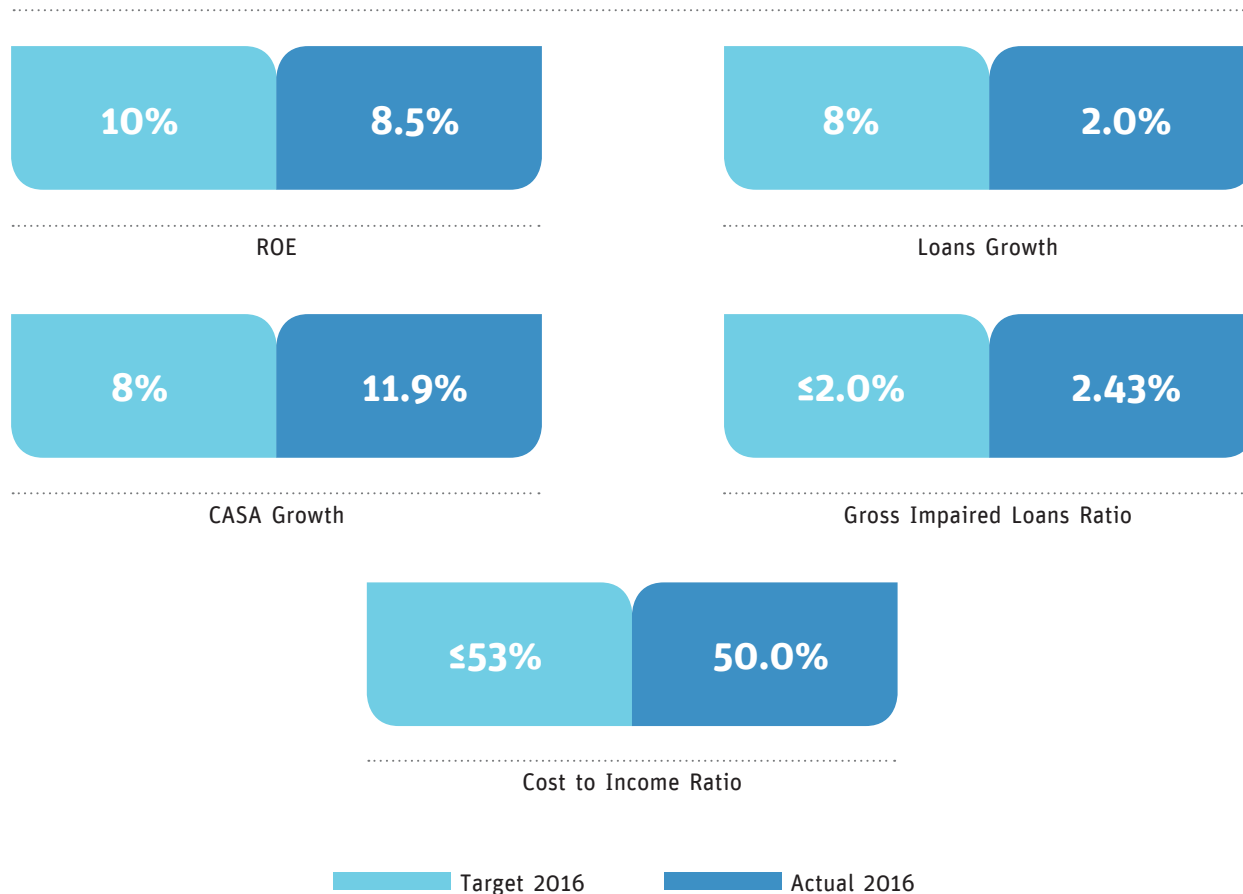
(ii) **Group Treasury & Global Markets** recorded a stable pre-tax profit of RM881.9 million.

**Singapore's** performance was affected by oil and gas exposure, resulting in a pre-tax loss of RM269.1 million for the financial year ended 31 December 2016.

**Group International Business** excluding Singapore registered a pre-tax profit of RM36.1 million, 2.8% higher over a year ago. This was mainly due to improved profitability in Cambodia whilst Lao recorded a pre-tax profit of USD1.0 million in its second year of operation.

## ACTUAL VS TARGET FOR 2016

### Top Level Indicators



## PROPOSED FINAL DIVIDEND

In line with our commitment to consistently deliver value to our shareholders, a final dividend of 7.0 sen, amounting to RM280.7 million has been proposed. Together with the interim dividend of 5.0 sen paid in September 2016, total dividend for 2016 is 12.0 sen per share, representing a dividend payout ratio of 28.6% out of the Group's net profit attributable to shareholders of RM1,681.6 million for the financial year 2016.

## MOVING FORWARD

We are cautiously optimistic for 2017, and overall we believe Malaysia's economy will perform better than in 2016. Our balance sheet remains strong, as capital and liquidity are at comfortable levels which puts us in a good position to drive value creation. We will be selective in our pursuit of growth in key businesses and segments, and remain steadfast in our focus on asset quality and cost management initiatives to drive productivity and operational efficiency.

# GROUP FINANCIAL HIGHLIGHTS

	2016	Restated 2015
<b>PROFITABILITY (RM'Million)</b>		
Total income	6,193	6,175
Operating profit before allowances	3,095	2,545
Profit before taxation	2,232	2,251
Net profit attributable to equity holders of the Bank	1,682	1,665
<b>FINANCIAL POSITION (RM'Million)</b>		
Total assets	236,679	227,938
Financial assets and investments portfolio	48,799	46,897
Gross loans, advances and financing	154,469	151,386
Total liabilities	214,905	210,246
Deposits from customers	165,809	158,158
Shareholders' equity	21,745	17,668
<b>FINANCIAL RATIOS (%)</b>		
Net return on average equity	8.5%	10.0%
Net return on average total assets	0.7%	0.7%
Gross impaired loans ratio	2.43%	1.88%
Gross loans to deposits ratio	93.2%	95.7%
<b>CAPITAL ADEQUACY RATIOS (%)</b>		
Common Equity Tier I capital ratio	13.1% <sup>N1</sup>	10.7% <sup>N2</sup>
Tier I capital ratio	13.4% <sup>N1</sup>	11.0% <sup>N2</sup>
Total capital ratio	17.2% <sup>N1</sup>	15.2% <sup>N2</sup>

N1: Ratios are after FY2016 proposed final dividend.

N2: Ratios are after recapitalisation of FY2015 interim dividend.



# SUMMARY OF FIVE YEAR GROUP FINANCIAL HIGHLIGHTS



## TOTAL ASSETS (RM'Million)

2016		236,679
2015		227,938
2014		219,354
2013		191,090
2012		189,112

## PROFIT BEFORE TAX (RM'Million)

2016		2,232
2015		2,251
2014		2,735
2013		2,471
2012		2,385

## GROSS LOANS, ADVANCES AND FINANCING (RM'Million)

2016		154,469
2015		151,386
2014		142,486
2013		121,753
2012		111,474

## DEPOSITS FROM CUSTOMERS (RM'Million)

2016		165,809
2015		158,158
2014		157,134
2013		137,741
2012		138,228

## SHAREHOLDERS' EQUITY (RM'Million)

2016		21,745
2015		17,668
2014		18,794
2013		16,739
2012		15,117

## NET DIVIDENDS\* (RM'Million)

2016		481
2015		565
2014		154
2013		414
2012		535

Note: 2012 to 2014 are based on RHB Capital Group.

\* 2012 to 2014 represent net dividends paid/declared by RHB Capital to its shareholders. Dividend Reinvestment Plans were implemented for these dividends and the reinvestment rate were 68% (2012), 72% (2013) and 73% (2014) respectively. 2015 represents net dividends declared by RHB Bank to RHB Capital. Net dividends declared by RHB Capital to its shareholders in 2015 was RM369 million.

# FIVE YEAR GROUP FINANCIAL SUMMARY

STRATEGIC REVIEW

PERFORMANCE REVIEW

BUSINESS REVIEW

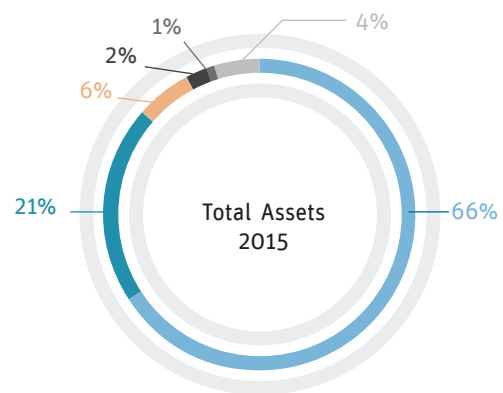
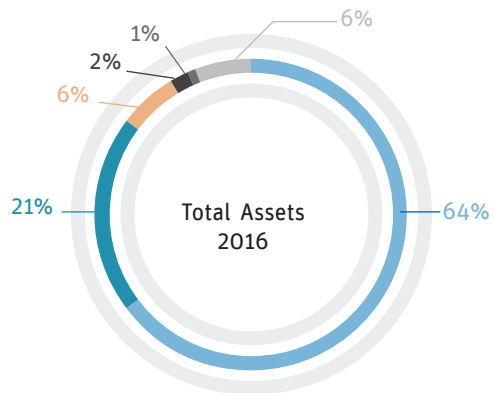
	RHB BANK GROUP		RHB CAPITAL GROUP		
	2016	Restated 2015	2014	2013	2012 <sup>N1</sup>
<b>OPERATING RESULTS (RM'Million)</b>					
Operating profit before allowances	3,095	2,545	2,824	2,899	2,536
Profit before taxation	2,232	2,251	2,735	2,471	2,385
Net profit attributable to equity holders of the Bank	1,682	1,665	2,038	1,831	1,785
<b>KEY BALANCE SHEET DATA (RM'Million)</b>					
Total assets	236,679	227,938	219,354	191,090	189,112
Gross loans, advances and financing	154,469	151,386	142,486	121,753	111,474
Total liabilities	214,905	210,246	200,460	174,147	173,772
Deposits from customers	165,809	158,158	157,134	137,741	138,228
Paid-up capital	4,010	3,461	2,572	2,547	2,494
Shareholders' equity	21,745	17,668	18,794	16,739	15,117
Commitments and contingencies	196,190	186,078	133,504	100,232	83,160
<b>SHARE INFORMATION</b>					
Dividend per RM1.00 share (sen)	12.00	16.33	6.00	16.30	22.09
Net assets per RM1.00 share (RM)	5.4	5.1	7.3	6.6	6.1
Net tangible assets per RM1.00 share (RM)	4.7	4.2	5.3	4.5	4.0
Basic earnings per RM1.00 share (sen)	43.6	48.4	79.7	72.9	79.0
Share price (RM)	4.71	4.35 <sup>N2</sup>	7.62	7.90	7.69
Market capitalisation (RM'Million)	18,887	17,444 <sup>N3</sup>	19,602	20,121	19,180
<b>FINANCIAL RATIOS (%)</b>					
<b>Profitability Ratios</b>					
Net return on average equity	8.5	10.0	11.5	11.5	13.4
Net return on average assets	0.7	0.7	1.0	1.0	1.0
Cost-to-income ratio	50.0	58.8	54.7	51.3	47.5
<b>Asset Quality</b>					
Gross loans to deposits ratio	93.2	95.7	90.7	88.4	80.6
Gross impaired loans ratio	2.43	1.88	2.03	2.81	2.99
<b>Ordinary Shares</b>					
Dividend yield	2.5	3.7 <sup>N2</sup>	0.8	2.1	2.9
Dividend payout ratio	28.6	33.9	7.6	22.6	30.0

N1: Restated to reflect the adoption of MFRS 3.

N2: Share price for RHB Bank in 2015 is based on share swap ratio of 1: 1.3.

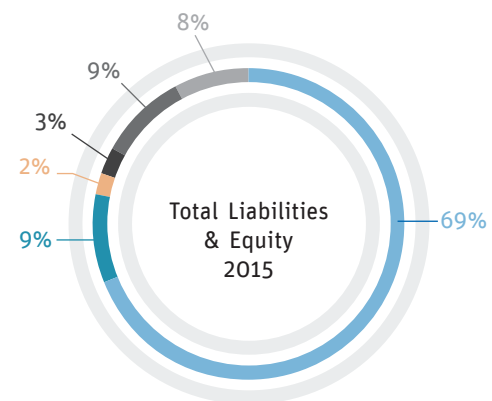
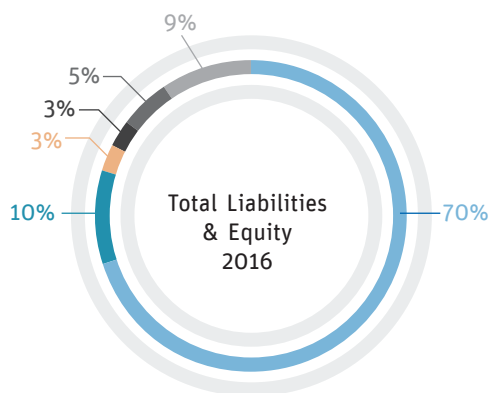
N3: Based on enlarged share base of RHB Bank after capital injection in April 2016.

# SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITIONS



- Loans, advances and financing
- Financial assets and investments portfolio
- Cash and short term funds

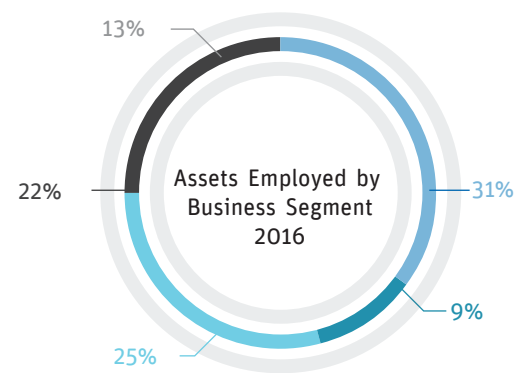
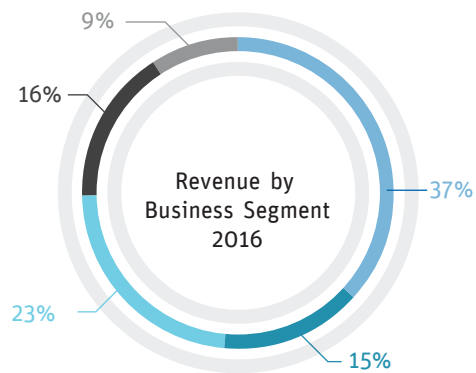
- Statutory deposits
- Clients' and brokers' balances
- Other assets



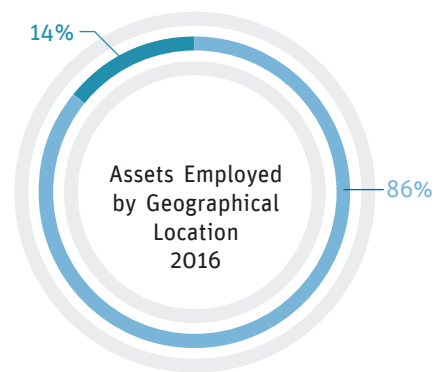
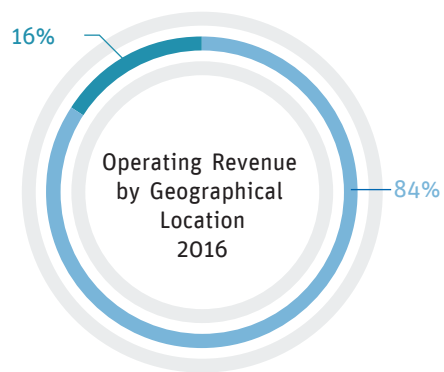
- Deposits from customers
- Deposits and placements of banks and other financial institutions
- Borrowings and senior debt securities

- Subordinated obligations and Hybrid Tier-1 Capital Securities
- Other liabilities
- Shareholders' equity

# SEGMENTAL ANALYSIS



- Group Retail Banking
- Group Business Banking
- Group Corporate & Investment Banking
- Group Treasury & Global Markets
- Group International Business



- Malaysia
- Overseas<sup>N1</sup>

*N1: Inclusive of RHB Investment overseas banking operations.*

# GROUP QUARTERLY PERFORMANCE

	2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>Financial Performance (RM'Million)</b>					
Total income	1,585	1,551	1,579	1,478	6,193
Net fund based income	1,107	1,062	1,061	1,091	4,321
Non-fund based income	478	489	518	387	1,872
Operating profit before allowances	835	781	803	676	3,095
Profit before tax	756	469	663	344	2,232
Net profit attributable to equity holders of the Bank	565	350	506	261	1,682
Earnings per RM1.00 share (sen)	16.3	8.9	12.6	6.5	43.6
Dividend per RM1.00 share (sen)	-	5.0	-	7.0	12.0

	Restated 2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>Financial Performance (RM'Million)</b>					
Total income	1,516	1,485	1,519	1,655	6,175
Net fund based income	1,009	1,001	1,084	1,098	4,192
Non-fund based income	507	484	435	557	1,983
Operating profit before allowances	723	676	380	766	2,545
Profit before tax	679	725	329	518	2,251
Net profit attributable to equity holders of the Bank	513	559	229	364	1,665
Earnings per RM0.50 share (sen)	7.6	8.1	3.3	5.3	24.2
Dividend per RM1.00 share (sen)	-	-	-	16.3	16.3



# KEY INTEREST BEARING ASSETS AND LIABILITIES

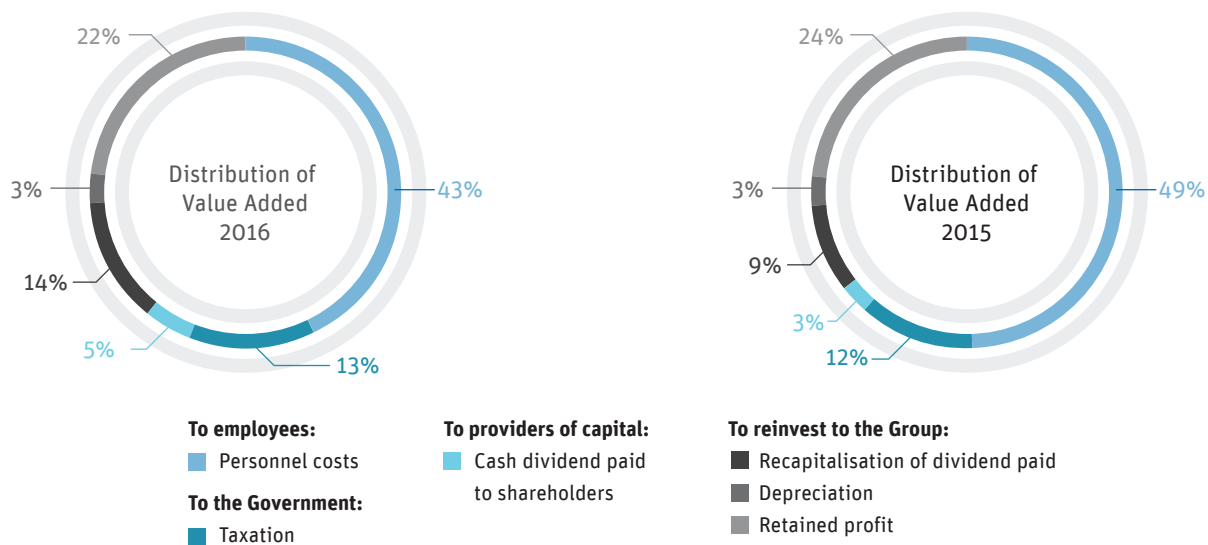
2016	Amount (RM'Million)	Effective interest rate (%)	Fund based income/ expense (RM'Million)
<b>Interest Earning Assets</b>			
Cash and short-term funds & Deposits and placements with banks and other financial institutions	16,045	2.15%	282
Financial assets at fair value through profit or loss	2,325	3.84%	32
Financial investments available-for-sale	25,110	3.65%	849
Financial investments held-to-maturity	21,365	3.82%	759
Gross loans, advances and financing	154,469	5.28%	7,925
<b>Interest Bearing Liabilities</b>			
Deposits from customers & Deposits and placements of banks and other financial institutions	188,510	2.63%	4,878
Subordinated obligations/Senior debt securities/Hybrid Tier-I Capital Securities/ Borrowings	12,974	3.99%	458

Restated 2015	Amount (RM'Million)	Effective interest rate (%)	Fund based income/ expense (RM'Million)
<b>Interest Earning Assets</b>			
Cash and short-term funds & Deposits and placements with banks and other financial institutions	14,080	1.91%	338
Financial assets at fair value through profit or loss	1,626	3.93%	52
Financial investments available-for-sale	24,739	3.54%	804
Financial investments held-to-maturity	20,532	3.75%	766
Gross loans, advances and financing	151,386	5.39%	7,778
<b>Interest Bearing Liabilities</b>			
Deposits from customers & Deposits and placements of banks and other financial institutions	178,804	2.65%	4,876
Subordinated obligations/Senior debt securities/Hybrid Tier-I Capital Securities/ Borrowings	10,737	4.08%	446

# STATEMENT OF VALUE ADDED

	2016 (RM'Million)	Restated 2015 (RM'Million)
<b>Value added</b>		
Net interest income	3,453	3,408
Income from Islamic Banking Business	977	876
Non-interest income	1,763	1,891
Overheads excluding personnel costs and Depreciation	(1,212)	(1,193)
Allowance for impairment on loans, financing and other losses	(595)	(343)
Impairment losses (made)/written back on other assets	(268)	49
Share of results of joint ventures	1	-
<b>Value added available for distribution</b>	<b>4,119</b>	<b>4,688</b>

# DISTRIBUTION OF VALUE ADDED



# CAPITAL MANAGEMENT

## OVERVIEW

The Group's capital management approach focuses on maintaining a healthy capital position to support its business growth while optimising returns to our shareholders. The capital structure and framework are designed to meet not only the regulatory requirements but also to satisfy the expectations of the various stakeholders, such as shareholders, investors, customers and the rating agencies. To this end, the Group Capital Management Framework ("CMF") has been put in place to provide an integrated oversight of our capital management activities which cuts across the risk, finance and treasury functions, bringing greater value to the business. The key principles of the Group CMF are listed as follows:

- (i) Principle 1: Capital Management Governance**  
Governance is in place to oversee capital management activities and clearly defines roles & responsibilities within the organisation.
- (ii) Principle 2: Capital Management Activities – Capital Strategy**  
The capital strategy is aligned with the overall business strategy, risk profile and regulatory requirements.
- (iii) Principle 3: Capital Management Activities – Capital Planning**  
The Group formulates a comprehensive and forward looking capital plan to ensure sustainability and support business growth.
- (iv) Principle 4: Capital Management Activities – Capital Allocation/ Structuring/Optimisation**  
Robust capital management activities allow the Group to structure capital allocation efficiently across its business and entities to maximise return and ensuring optimum utilisation of capital.
- (v) Principle 5: Capital Analytics**  
This provides insights to formulate the bank's capital management strategy and helps determine capital supply and demand requirements.
- (vi) Principle 6: Capital Reporting & Monitoring**  
This is essential to ensure complete, timely and accurate production of capital information for management decisions.

## CAPITAL MONITORING AND PLANNING

Effective capital management is fundamental in maintaining business sustainability. The Group manages its capital position proactively in order to meet regulatory requirements, expectations from various stakeholders and to support its strategic business objectives.

The Group achieves these objectives through the annual Internal Capital Adequacy Assessment Process ("ICAAP") whereby we actively monitor and manage the capital position over a three-year horizon, involving the following key activities:

- (i) Setting capital targets under both normal and stressed market conditions for all banking subsidiaries, both at group and entity level, taking into account anticipated future regulatory changes and stakeholder expectations;
- (ii) Forecasting capital demand for material risks based on the Group's risk appetite;
- (iii) Determine the requirements for capital issuance and the maturity profiles of capital securities.

The Board Risk Committee ("BRC") and Group Capital and Risk Committee ("GCRC") are responsible for overseeing the capital planning and assessment process within the Group and ensuring that the Group and its subsidiaries maintain an appropriate level quality of capital that is in line with its overall risk profile and business strategy.

## CAPITAL INITIATIVE DURING THE YEAR

Following the completion of the Group's internal reorganisation in April 2016, RHB Capital Berhad, being the former holding company of the Bank, has injected approximately RM2.49 billion into the Bank from a combination of proceeds raised from its rights issue exercise, proceeds from the redemption of its investment in RHB Liquid Fund as well as excess cash available. The Bank, pursuant to the completion of the internal reorganisation, is effectively the new group holding company, with the capital injection strengthening the Bank's capital position and providing greater synergy and efficiency to our business.

## CAPITAL ADEQUACY RATIOS

Under Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), which came into effect on 13 October 2015, all financial institutions are required to maintain the regulatory minimum Common Equity Tier 1 Capital (CET 1), Tier 1 Capital (Tier 1) and Total Capital Ratio of 4.5%, 6.0% and 8.0% respectively. In addition, financial institutions are required to maintain additional capital buffers which comprise of a Capital Conservation Buffer (CCB) and a Countercyclical Capital Buffer (CCyB). The CCB is intended to enable the banking system to withstand future periods of stress and is phased-in at 0.625% each year starting from 1 January 2016 (total of 2.5% by 2019).

CCyB is determined as the weighted average of the prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. This buffer is intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive. Application of CCyB above the minimum capital ratios is in the range of 0% to 2.5%. CCyB has not yet been put in place and BNM will communicate any decision on the CCyB rate up to 12 months before the date from which the rate applies.

The table below shows the relevant capital ratios of the key regulated banking entities of the Group are well above the minimum regulatory requirements:

As at 31 December 2016	RHB Bank (Group)	RHB Bank	RHB Islamic Bank	RHB Investment (Group)	RHB Investment	Minimum Regulatory Ratio <sup>N1</sup>
<b>Before proposed dividends:</b>						
CET 1 Ratio	13.328%	13.321%	10.868%	30.376%	29.623%	5.125%
Tier 1 Ratio	13.614%	13.666%	10.868%	30.588%	29.623%	6.625%
Total Capital Ratio	17.406%	15.697%	14.002%	38.440%	29.623%	8.625%
<b>After proposed dividends:</b>						
CET 1 Ratio	13.111%	13.052%	10.868%	30.376%	29.623%	5.125%
Tier 1 Ratio	13.398%	13.397%	10.868%	30.588%	29.623%	6.625%
Total Capital Ratio	17.189%	15.428%	14.002%	38.440%	29.623%	8.625%

*N1: Including Capital Conservation Buffer of 0.625%.*

# BALANCE SHEET MANAGEMENT

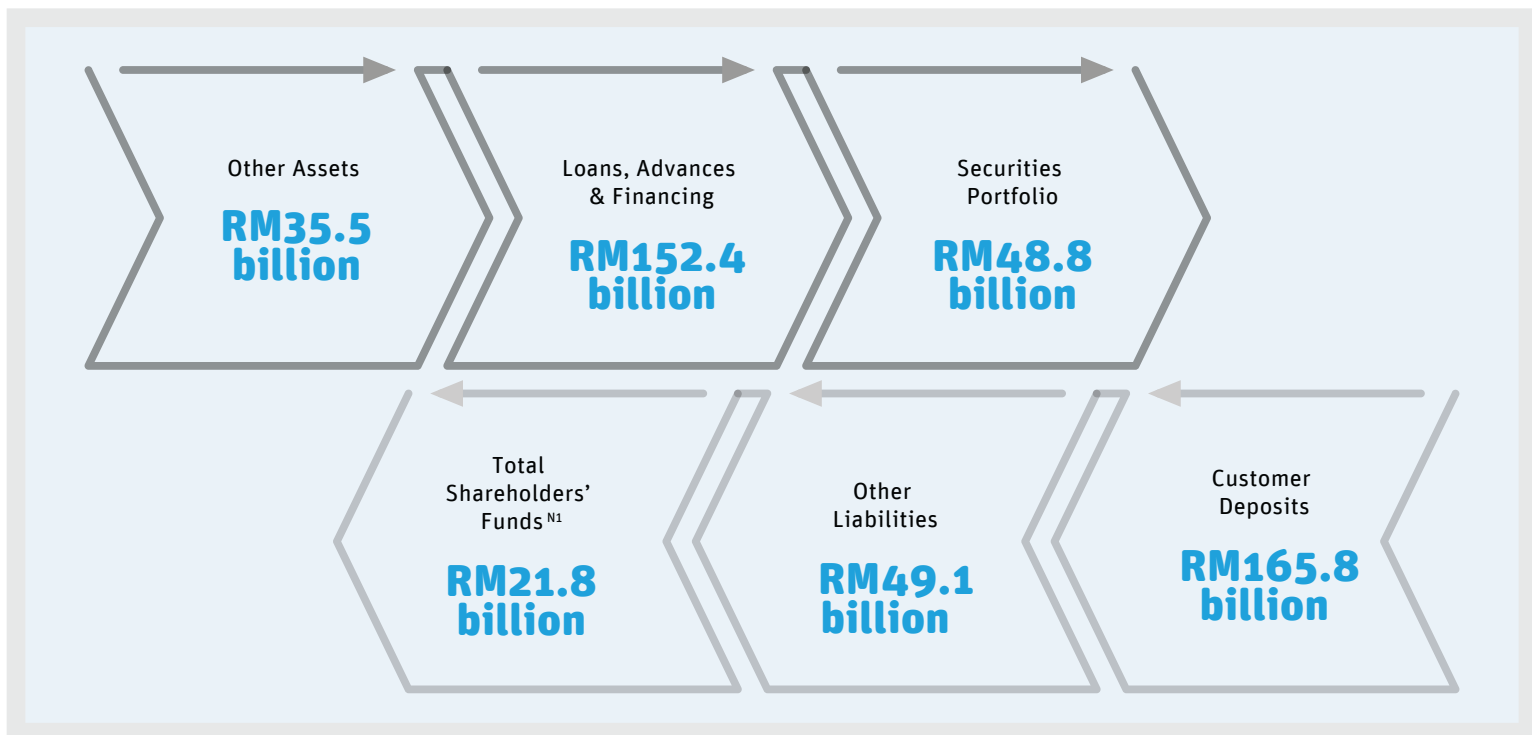
## OVERVIEW

At a time of increasing regulatory controls on capital requirement, the pressure is on banks to maximise capital through balance sheet management.

Balance sheet management is the collective responsibility of all business and functional units across the Group. It entails close collaboration, especially from Group Treasury & Global Markets, Group Finance and Group Risk Management. It requires regular monitoring and comprehensive analysis of the balance sheet position for the management of foreign exchange, liquidity and interest rate risks as well as for profitability.

The dynamic economic environment poses a significant challenge for banks to strike a balance between a holistic balance sheet management in a stricter regulatory environment and returns improvement to shareholders. Hence, it is imperative for banks to put in place a robust and coherent business strategy that sets the tone for the entire business.

The Group has in place an efficient capital allocation and management process that aligns with the Group's strategy to be a leading multinational financial services group in the region by 2020. Balance sheet projection is done as part of the annual financial budgeting and capital planning process. The projection is prepared by considering the Group's expected asset growth and risk-adjusted profitability by each business unit.



*N1: Total Shareholders' Funds including non-controlling interests.*

## BALANCE SHEET STRUCTURE

For the financial year ended 31 December 2016, total loans, advances and financing remain as the largest components of the Group's assets. These are mainly funded by the Group's customer deposits with loans-to-deposits ratio reporting at 93%.



# INVESTOR RELATIONS

2016 was considered one of the most challenging yet exciting years for Investor Relations.

We started the year on a high note with 14 April 2016 marking a significant milestone for RHB Banking Group with the completion of our Internal Reorganisation, followed by the listing of RHB Bank on 28 June 2016.

Other major developments that require significant investor engagements included quarterly results update amidst the volatility in the global economy, currencies and commodity prices. We ensured that the investment community was regularly updated with as much clarity as possible on the state of operations in all business lines and countries, especially where asset quality was a pertinent concern.

New issuances of USD500 million senior debt securities also saw us initiating a roadshow for the fixed income investors.

## INTERNAL REORGANISATION

The Group Internal Reorganisation involved the transfer by the former holding company, RHB Capital Berhad (“RHB Capital”) of its entire equity interests in, and certain assets and liabilities of its subsidiaries to its wholly-owned subsidiary, RHB Bank for a total cash consideration of approximately RM3.61 billion.

The Internal Reorganisation also included a capital injection of RM2.49 billion by RHB Capital into RHB Bank. The capital injection has strengthened the capital base of the RHB Bank Group for growth and regulatory requirements. This was followed by the distribution of RHB Bank shares to the RHB Capital shareholders, and the listing of RHB Bank’s shares on Bursa Securities on 28 June 2016.

With the completion of the Internal Reorganisation, RHB Bank is effectively the new group holding company and will now spearhead the Group’s future growth and achieve greater synergy and efficiency.

## ANALYST BRIEFING FOR QUARTERLY RESULTS ANNOUNCEMENT

The Group conducted four live briefings for the investment community in 2016 of its quarterly financial results announcements, two via tele-conferencing and another two face-to-face.

We ensured that the financial results, analyst presentations and press releases were sent on a timely manner to all interested parties and made available immediately on the Group’s corporate website.

## Results Announcement and Business Strategy Updates

Date	Event
26 February 2016	RHB Capital 4Q15 Results
14 April 2016	Conference Call on Group Internal Reorganisation
11 May 2016	Group Retail Banking Business Strategy Update
25 May 2016	RHB Capital 1Q16 Results
02 August 2016	Group Business Banking Business Strategy Update
24 August 2016	RHB Bank 2Q16 Results
10 November 2016	Group Treasury & Global Markets Business Strategy Update
23 November 2016	RHB Bank 3Q16 Results
24 February 2017	RHB Bank 4Q16 Results

## WEBSITE

RHB Banking Group corporate website at [www.rhbgroup.com](http://www.rhbgroup.com) is always maintained up-to-date. All relevant corporate and financial information are available on our corporate website and include among others, information on dividend, capital and debt instruments, credit rating, announcements released, annual reports, corporate structure, corporate governance statement, notice of general meetings and minutes of general meetings.

## MEETINGS WITH INVESTMENT COMMUNITY

In 2016, the investor relations team engaged 371 analysts, fund managers, shareholders and investors from more than 300 companies via 70 meetings including formal events such as face-to-face analysts briefing, tele-conferencing, conferences and roadshows.

	No. of Meetings	No. of Participants
One-On-One Meeting/Tele-Conference	23	85
Analysts Briefing	8	221
Conference/Roadshow	39	65
<b>Total</b>	<b>70</b>	<b>371</b>

## Conferences and Roadshows

Event Date	Event Description	Event Date	Event Description
12-13 April 2016	Invest Malaysia 2016	14-15 July 2016	Hong Kong Non-Deal Roadshow
26-27 May 2016	London Non-Deal Roadshow	12 October 2016	Invest Malaysia Taipei 2016
20 June 2016	Singapore Non-Deal Roadshow		

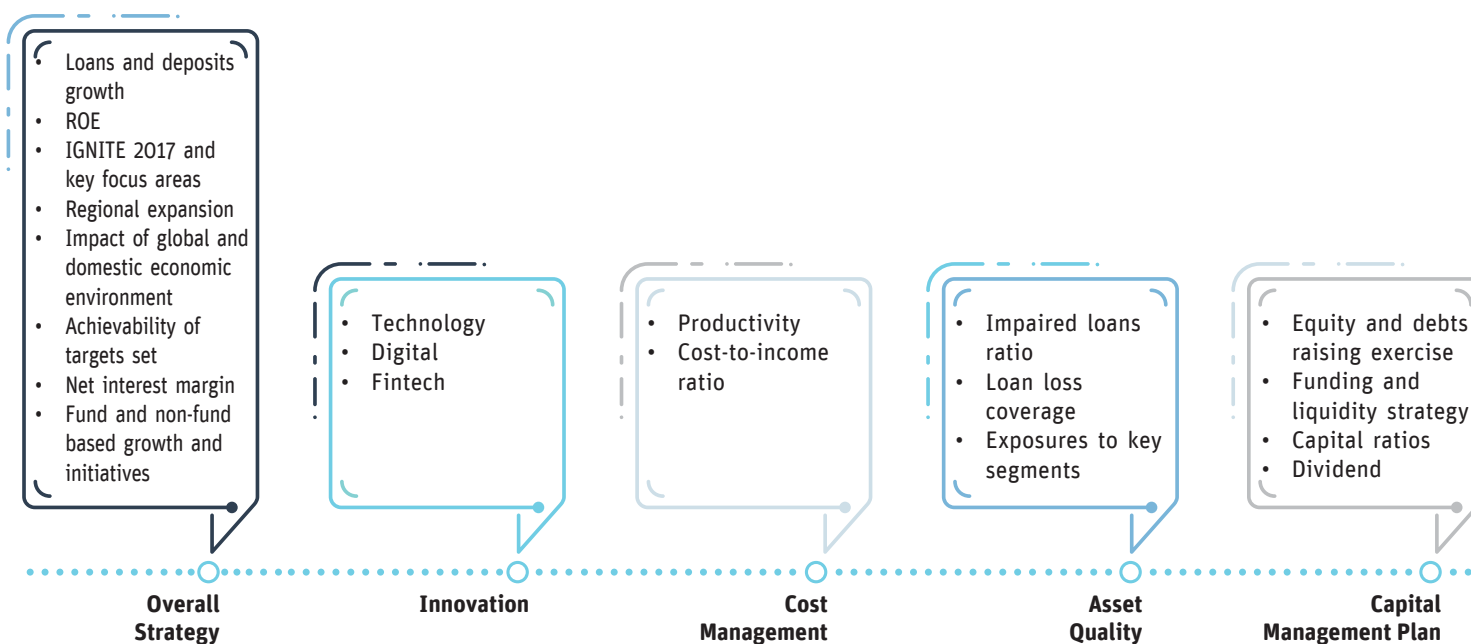
## ANALYST COVERAGE

RHB Group remains a core coverage for the investment community with 18 analysts and research houses keeping the stock under coverage as at end December 2016. Coupled with the corporate developments during the year, RHB Banking Group continued to attract strong interest from investors throughout the year.

No.	Research House	Analyst	No.	Research House	Analyst
1	Affin Hwang Investment Bank	Tan Ei Leen	10	JP Morgan Securities	Harsh Modi
2	AmResearch	Kelvin Ong	11	KAF-Seagroatt & Campbell Securities	Rachel Huang
3	CIMB Investment Bank	Winson Ng	12	Kenanga Investment Bank	Ahmad Ramzani
4	Citi Investment Research	Robert P Kong	13	Maybank Investment Bank	Desmond Ch'ng
5	CLSA Securities	Peter Kong	14	MIDF Amanah Investment Bank	Imran Yassin Yussof
6	Credit Suisse Securities	Danny Goh	15	Nomura Research	Tushar Mohata
7	DBS Vickers Securities	Lim Sue Lin	16	TA Securities	Wong Li Hsia
8	Hong Leong Investment Bank	Sia Ket Ee	17	UBS Securities	Chris Oh
9	HSBC Research	Loo Kar Weng	18	UOB Kay Hian	Keith Wee

## FOCUS AREAS

Among the various topics covered during our engagements with the investment community are:



## CREDIT RATING

The Investor Relations team played an active role in engaging credit rating companies to ensure that the Group's messaging and financial performance analysis are disseminated equally across all external stakeholders. We also continued to engage with key rating agencies, namely: RAM Ratings, Standard and Poor's (S&P) and Moody's Investors Services.

### RHB Bank Berhad

Rating Agency	Rating Classification	Ratings
RAM Rating Services Berhad	Long Term Financial Institution	AA2
	Short Term Financial Institution	P1
	Outlook	Stable
Standard & Poor's Rating Services	Long Term Counterparty	BBB+
	Short Term Counterparty	A-2
	ASEAN – Scale Long Term	axA+
	ASEAN – Scale Short Term	axA-1
	Outlook	Stable
Moody's Investors Service	Long Term Bank Deposits	A3
	Short Term Bank Deposits	P-2
	Baseline Credit Assessment (BCA)	baa3
	Outlook	Stable

### RHB Investment Bank Berhad

Rating Agency	Rating Classification	Ratings
RAM Rating Services Berhad	Long Term Financial Institution	AA2
	Short Term Financial Institution	P1
	Outlook	Stable
Standard & Poor's Rating Services	Long Term Counterparty	BBB+
	Short Term Counterparty	A-2
	ASEAN – Scale Long Term	axA+
	ASEAN – Scale Short Term	AxA-1
	Outlook	Stable

### RHB Islamic Bank Berhad

Rating Agency	Rating Classification	Ratings
RAM Rating Services Berhad	Long Term Financial Institution	AA2
	Short Term Financial Institution	P1
	Outlook	Stable

**OTHER INFORMATION**

◆ COMPANY NAME:  
**RHB Bank Berhad**

◆ STOCK NAME:  
**RHBBANK**

◆ STOCK CODE:  
**1066**  
(BURSA MALAYSIA)

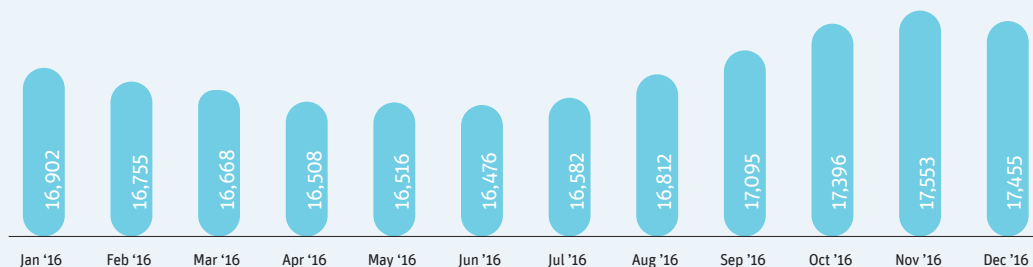
◆ TICKER CODE:  
**RHBBANK MK**      **RHBC.KL**  
(BLOOMBERG)      (REUTERS)

◆ FINANCIAL YEAR END:  
**31 December**

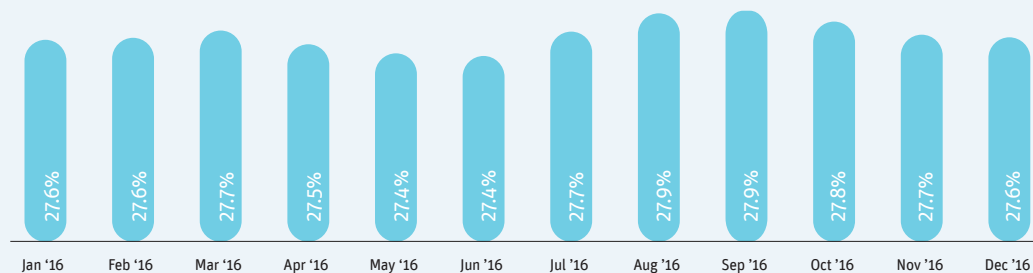
◆ SHARE REGISTRAR:  
**Symphony Share Registrars Sdn Bhd**

**SHAREHOLDER ANALYSIS**

**Number of Shareholders**

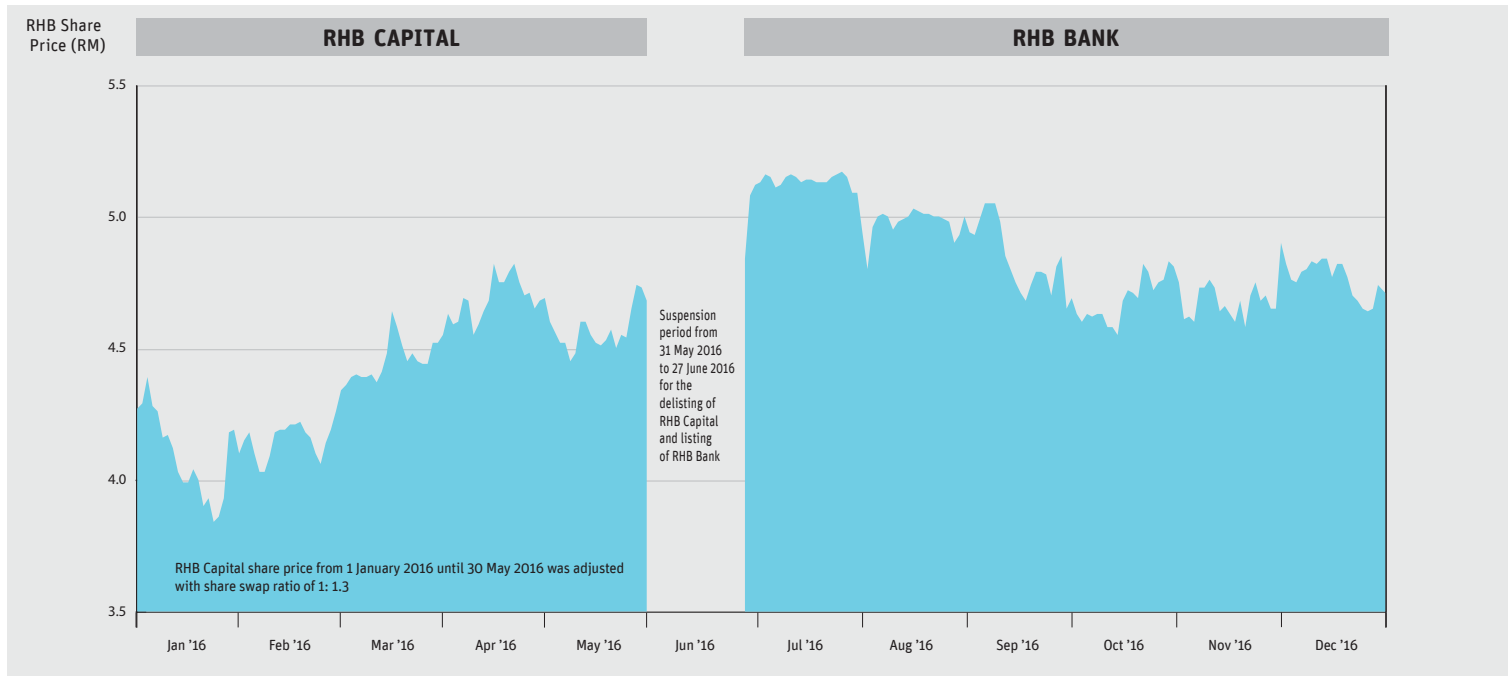


**Foreign Shareholding**

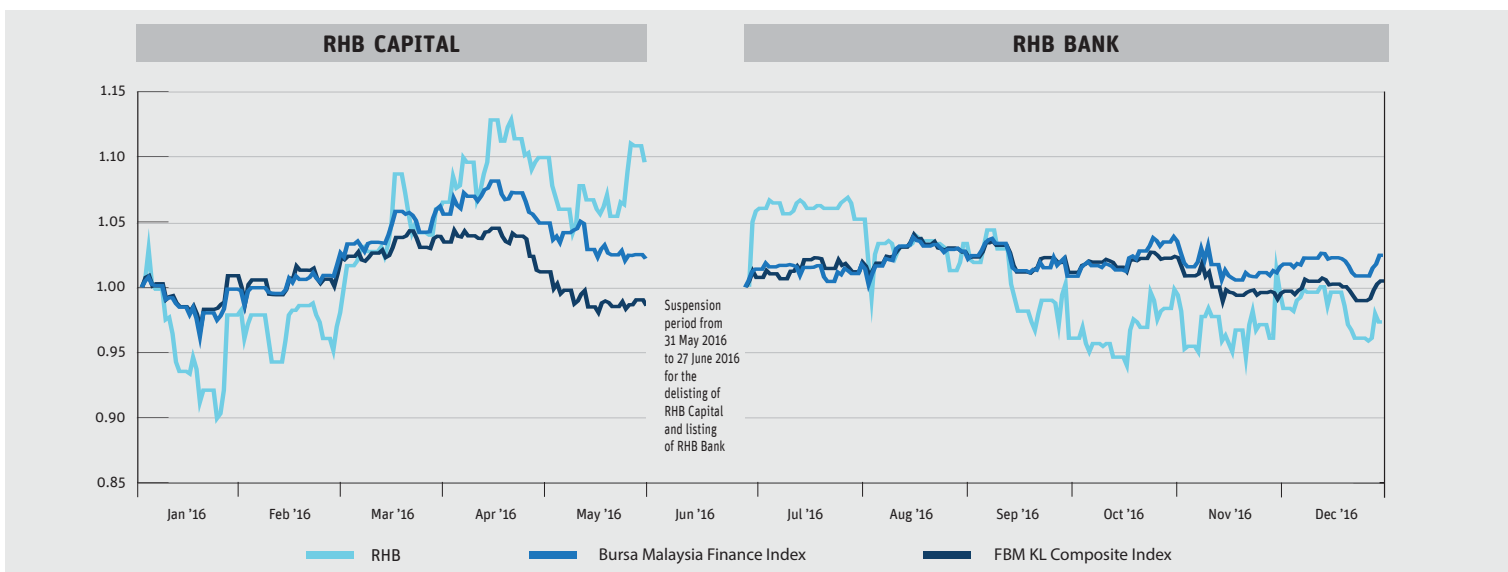


## SHARE INFORMATION

### RHB Share Price in 2016



### Relative Performance of RHB Share Price vs Benchmark Indices





## Share Price & Index Performance

	RHB Capital			RHB Bank			
	Position as at 31 December 2015	Position as at 31 March 2016	Last Trading Day Closing Price 30 May 2016	First Trading Day Opening Price 28 June 2016	Position as at 30 June 2016	Position as at 30 September 2016	Position as at 30 December 2016
RHB (RM)	5.67	5.90	6.10	4.68	5.12	4.65	4.71
Change (RM)		0.23	0.20		0.44	(0.47)	0.06
Change (%)		4.1	3.4		9.4	(9.2)	1.3
FBMKLCI (pts)	1,692.51	1,717.58	1,629.87	1,629.52	1,654.08	1,652.55	1,641.73
Change (pts)		25.07	(87.71)		24.56	(1.53)	(10.82)
Change (%)		1.5	(5.1)		1.5	(0.1)	(0.7)
KLFIN (pts)	14,159.21	14,766.19	14,207.23	14,010.07	14,205.21	14,158.29	14,383.05
Change (pts)		606.98	(558.96)		195.14	(46.92)	224.76
Change (%)		4.3	(3.8)		1.4	(0.3)	1.6

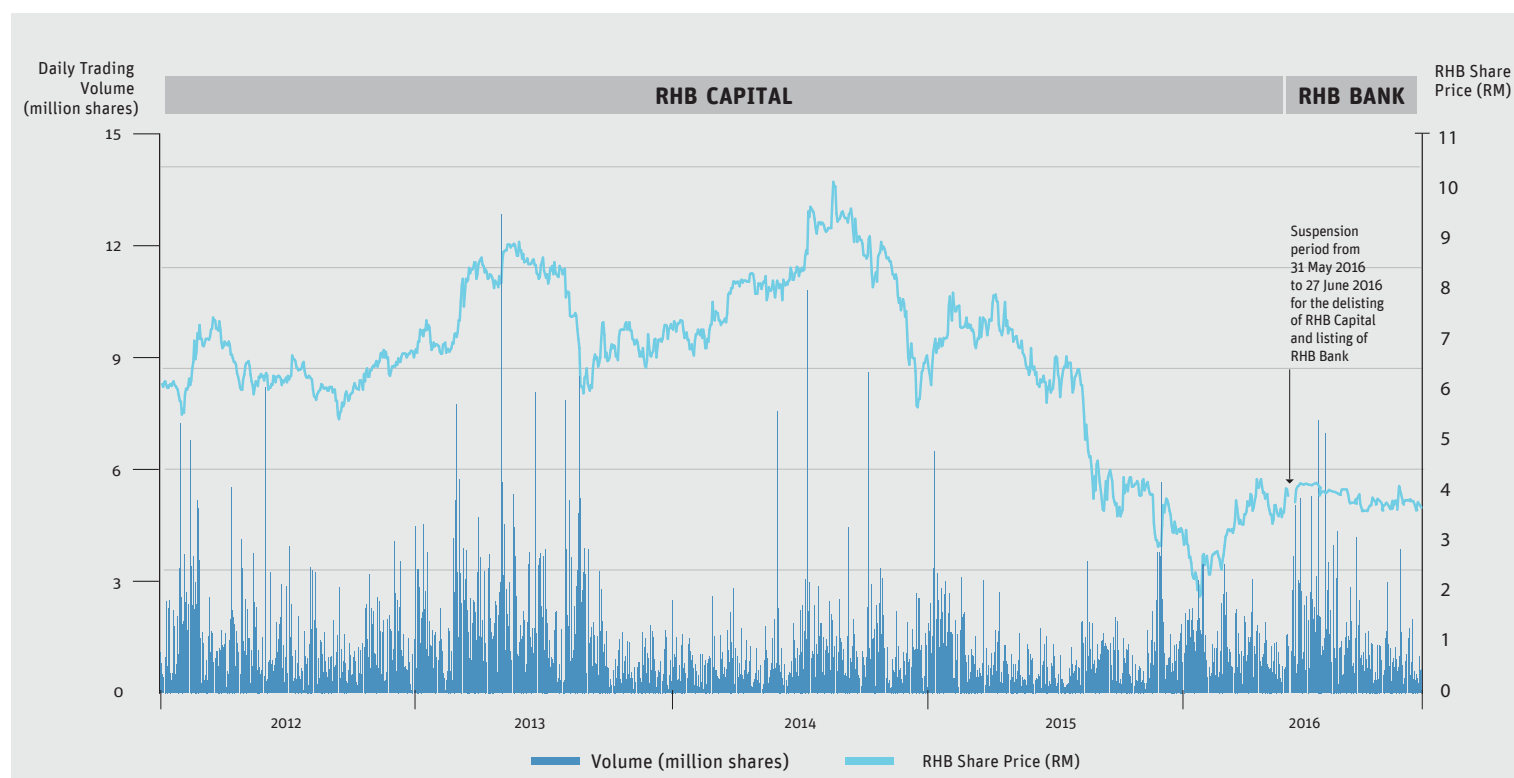
## Share Related Key Highlights

	2016	Restated 2015
Market capitalisation (RM'Million)	<b>18,887</b>	17,444 <sup>N1</sup>
Dividend per RM1.00 share (sen)	<b>12.00</b>	16.33
Dividend yield (%)	<b>2.5</b>	3.7
Basic earnings per RM1.00 share (sen)	<b>43.6</b>	48.4
Total Shareholders Return, TSR (%)	<b>11.3</b>	-22.3
Share Price:		
Closing as at 31 December (RM)	<b>4.71</b>	4.35 <sup>N1</sup>
Average (RM)	<b>4.65</b>	5.43 <sup>N2</sup>
Highest closing (RM)	<b>5.17</b>	6.31 <sup>N2</sup>
Lowest closing (RM)	<b>3.84</b>	4.26 <sup>N2</sup>

N1: Based on enlarged share base of RHB Bank after capital injection in April 2016.

N2: Share Price prior to listing of RHB Bank is computed based on share swap ratio of 1: 1.3.

## Historical Share Price Performance



## TOTAL SHAREHOLDERS RETURN

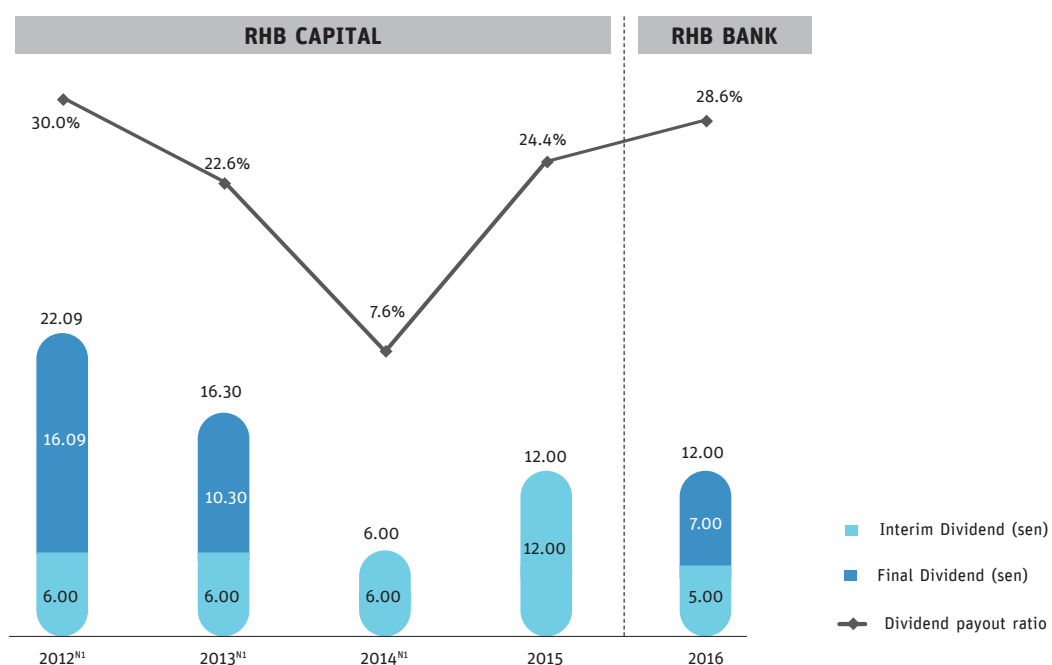
	2016	2015	2014	2013	2012
<b>1 year TSR (%)</b>					
RHB	11.3	(22.3)	(2.4)	5.5	5.7
FBMKLCI INDEX	(3.0)	(3.9)	(5.7)	10.5	10.3
KLFIN INDEX	5.7	(6.5)	(3.8)	14.8	16.3
<b>RHB's Relative Performance (%)</b>					
FBMKLCI INDEX	14.3	(18.4)	3.3	(5.0)	(4.7)
KLFIN INDEX	5.6	(15.8)	1.5	(9.3)	(10.6)

## DIVIDEND

The Group pays a sustainable dividend to its shareholders over time while maintaining prudent capital levels in view of forthcoming regulatory changes as well as meeting the expectations of investors and other stakeholders. The Group's dividend payout also takes into consideration of the long-term growth prospect of the businesses.

The Board of Directors is proposing a final cash dividend of 7 sen per share for the financial year ended 31 December 2016. Together with the interim cash dividend of 5 sen per share paid in September 2016, the total dividend payout for financial year ended 2016 is 12 sen per share.

### Group's Dividend Trend Summary



*N1: Dividend Reinvestment Plans were implemented for these dividends and the reinvestment rate were 68% (2012), 72% (2013) and 73% (2014) respectively.*

# FINANCIAL CALENDAR

## 14 APRIL 2016

- Internal reorganisation of RHB Capital Group of Companies which entails the transfer by RHB Capital of its entire equity interests in and certain assets and liabilities of its subsidiaries (identified assets) to its wholly-owned subsidiary, RHB Bank
- Capital injection by RHB Capital into RHB Bank of RM2.49 billion

## 18 FEBRUARY 2016

Extraordinary General Meeting of **RHB Bank**

## 11 MAY 2016

Fiftieth Annual General Meeting of **RHB Bank**

## 26 FEBRUARY 2016

Announcement of the audited financial results of **RHB Capital** for the financial year ended 31 December 2015

## 25 MAY 2016

Announcement of the unaudited financial results of **RHB Capital** for the first quarter of the financial year ended 31 December 2016

## 7 APRIL 2016

- Extraordinary General Meeting of **RHB Bank**
- Payment of single-tier interim dividend of 16.3267 sen per ordinary share of **RHB Bank** for the financial year ended 31 December 2015
- Rights issue of **RHB Bank**

## 13 JUNE 2016

Distribution of the entire shareholding of RHB Capital in RHB Bank by way of distribution-in-specie via a reduction of the entire share premium account of RHB Capital and the par value of all the ordinary shares of RM1.00 each in RHB Capital from RM1.00 to RM0.05 in accordance with Sections 60(2) and 64 of the Companies Act, 1965 as well as via RHB Capital's retained earnings

## 28 JUNE 2016

Transfer of listing status from RHB Capital to **RHB Bank**

## 15 SEPTEMBER 2016

Book closure for determining the entitlement of the single-tier interim dividend of **RHB Bank** for the financial year ended 31 December 2016

## 23 NOVEMBER 2016

Announcement of the unaudited financial results of **RHB Bank** for the third quarter of the financial year ended 31 December 2016

## 24 AUGUST 2016

Announcement of the unaudited financial results of **RHB Bank** for the second quarter of the financial year ended 31 December 2016

## 30 SEPTEMBER 2016

Payment of single-tier interim dividend of 5 sen per ordinary share of **RHB Bank** for the financial year ended 31 December 2016

## 24 FEBRUARY 2017

Announcement of the audited financial results of **RHB Bank** for the financial year ended 31 December 2016

## 26 AUGUST 2016

Announcement of the proposed establishment of a share grant scheme for eligible employees and executive directors of **RHB Bank** and its subsidiaries

## 6 OCTOBER 2016

Announcement of **RHB Bank's** second issuance of USD500.0 million Senior Unsecured Notes in nominal value under the USD5.0 billion (or its equivalent in other currencies) Euro Medium Term Note Programme

## 28 MARCH 2017

Notice of Fifty First Annual General Meeting of **RHB Bank** and issuance of annual report for the financial year ended 31 December 2016

## 29 AUGUST 2016

Announcement of the single-tier interim cash dividend of 5 sen per ordinary share of **RHB Bank** for the financial year ended 31 December 2016

## 31 OCTOBER 2016

Announcement of redemption of RM250.0 million nominal value subordinated notes under a RM3.0 billion Multi-currency Medium Term Note Programme by **RHB Bank**

## 26 APRIL 2017

Fifty First Annual General Meeting of **RHB Bank**

# GROUP RETAIL BANKING

Total Income	RM2,215.1 Million
Profit Before Tax	RM913.2 Million
Total Assets	RM70.1 Billion

## WHO WE ARE

Group Retail Banking offers both conventional and Shariah approved offerings to individual customers.

## WHAT WE DO

We offer consumer loans (housing loans, auto financing, ASB financing and other personal loans), credit cards, payments, current and savings account, fixed deposits, investment and insurance products.

## FINANCIAL PERFORMANCE

Despite the challenging environment in 2016, Group Retail Banking's residential mortgage receivables and current and savings account ("CASA") grew by 14.6% and 8.5% respectively in comparison to industry growth of 9.2% and 5.1% respectively. Group Retail Banking registered a pre-tax profit of RM913.2 million whilst its total income contribution to the Group stood at RM2,215.1 million for the financial year ended 31 December 2016. With total assets of RM70.1 billion, Group Retail Banking remained the biggest contributor to the Group.



RESIDENTIAL MORTGAGE  
RECEIVABLES

**14.6%**  
GROWTH



CASA

**8.5%**  
GROWTH



“May 2016 saw the launch of the RHBNow mobile application, the first official mobile banking application in Malaysia that enables money transfers via mobile number, Facebook or e-mail without an account number. We also began integrating Easy 10-minute banking technology into our full service branches enabling faster turn-around-times, paperless processes, a wider network as well as a better customer service experience”

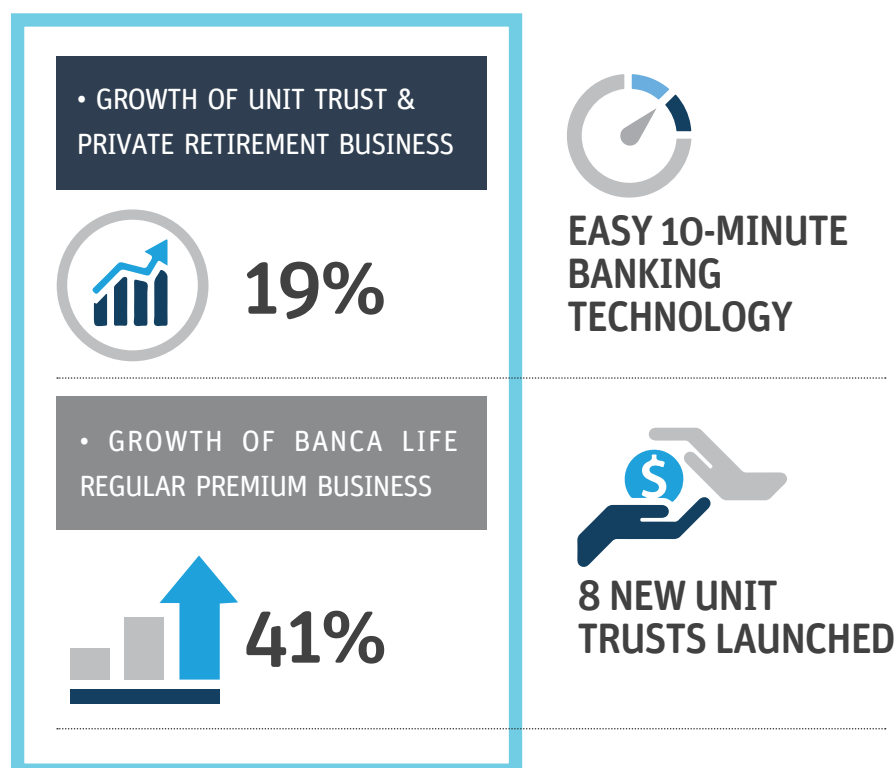
## KEY ACHIEVEMENTS

The year in review saw RHB Banking Group making enhancements to its network by optimising Easy outlets and establishing the RHB Sales Centres. We also relaunched the RHB Premier Banking platform embedding stronger offerings, as well as strengthened our Corporate, Business Banking and SME coverage. To ensure quality asset growth, we undertook proactive management of emerging risk segments.

In 2016, we leveraged on automation to bring about process improvements. May 2016 saw the launch of the RHBNow mobile application, the first official mobile banking application in Malaysia that enables money transfers via mobile number, Facebook or e-mail without an account number. We also began integrating Easy 10-minute banking technology into our full service branches enabling faster turn-around-times, paperless processes, a wider network as well as a better customer service experience. In July 2016, the RHB Premier Banking platform was relaunched providing customers convenient access to wealth and banking needs to help customers grow and protect their wealth.

## WEALTH MANAGEMENT

The Unit Trust and Private Retirement Scheme business as well as Banca Life regular premium businesses, registered steady growth of 19% and 41% respectively in 2016. We launched eight new unit trust funds with five of them being RHBAM IUTA (“RHB Asset Management Institutional Unit Trust Advisers”) products targeted primarily at RHB Premier customers.



Our Wealth Management business will continue to focus its efforts on expanding its investment product suite to customise wealth solutions for SME and Business Banking owners. It will also launch new funds, various structured investment products as well as portfolio management and high net worth Banca life Insurance products to drive higher wealth sales and Assets Under Management or AUM growth.

## AFFLUENT SEGMENT

### • NO. OF NEW AFFLUENT CUSTOMERS



**14,000**  
CUSTOMERS  
(18% GROWTH)

### • AFFLUENT AUM GROWTH



**RM3.1**  
BILLION  
(12% GROWTH)

## PREMIER BANKING

### • NEW PREMIER CUSTOMERS



**8,000**  
CUSTOMERS  
(31% GROWTH)

### • PREMIER AUM GROWTH

**RM4.4**  
BILLION  
(30% GROWTH)

## AFFLUENT SEGMENT AND PREMIER BANKING

Affluent segment continued to gain traction in 2016, growing its customer base by 18% or 14,000 customers in line with Affluent AUM growth of 12% or RM3.1 billion. The good performance was primarily the result of the RHB Premier business registering customer growth of 31% or 8,000 customers and AUM growth of 30% or RM4.4 billion in 2016. Affluent customers, which account for only 2% of Group Retail Banking customers, contributed 63% of total group retail AUM.

The new RHB Premier platform is bringing enhanced lifestyle privileges and services to RHB Premier customers. By tapping the Group's current digital platform, RHB Premier introduced its enhanced RHB Now Mobile Banking App exclusively for RHB Premier Customers in December 2016.

On the backdrop of a challenging year ahead with more intense competition, the Affluent Segment is expected to grow by institutionalising the collaboration with the RHB SME and Business Banking segments. The segment will focus its efforts on tapping the potential customer base from the RHB SME and Business Banking segments as well as develop new wealth products and services for retail as well as SME and Business Banking customers. It will also introduce a series of new lifestyle privileges and events to further consolidate customer relationships. It will also accelerate Premier Banking sales force recruitment to increase client coverage and at the same time expand and give the Premier Centre franchise a new look and feel in strategic locations to increase the Premier customer base.

.....

**“Affluent customers, which account for only 2% of Group Retail Banking customers, contributed 63% of total group retail AUM”**

## PRODUCTS AND SERVICES

### Mortgage Loans

The property industry remained challenging in 2016 even as property transaction volumes and values dropped. Notwithstanding the market dynamics, we remained focused on our segment-led approach and continued targeting our preferred segments, namely the Mass Affluent and Affluent segments. Activities centred on empanelment projects which were associated with target segments, especially in market centres.

Residential mortgage receivables grew by 14.6% as compared to industry growth of 9.2%. New acquisitions in 2016 comprised 61% Mass Affluent customers and 15% Affluent customers with a higher propensity of cross-selling in addition to better credit standing. The Upper Mass and Lower Mass markets accounted for 19% and 5% share of new acquisitions respectively. Non-fund income from mortgage direct bundled products, namely credit life insurance and general insurance, grew by 28% and 56% respectively.

On the mortgage acquisition front, we expanded nationwide coverage to the growth areas of Negeri Sembilan, Melaka and Ipoh, which recorded impressive growth of 127%, 93% and 153% respectively. We also embarked on a Loan Origination System Replacement project that incorporated two new features, namely the online mortgage application and instant approval in principle modules. We believe these features will bring about increased sales due to their unique propositions.

We remain positive about the outlook for the property sector and have projected modest double digit growth in 2017. Notwithstanding this, we continue to adopt a cautious approach and keep abreast of market developments. We believe that the segment-led approach would mitigate any unforeseen adverse market conditions in the coming year. We will further explore sub-segmenting the Mass Market segment with a view to expanding the target market, particularly the Upper Mass Market segment which shows growth potential.



### MORTGAGE BUSINESS

#### NEW ACQUISITIONS

MASS AFFLUENT CUSTOMERS **61%**

AFFLUENT CUSTOMERS **15%**

UPPER MASS MARKET **19%**

LOWER MASS MARKET **5%**

In addition, RHB Banking Group has been chosen as one of the four banks to participate in the recently announced special scheme for PR1MA homes. Aside from portfolio growth, we are now strategising our approach to address the potential impact of the impending MFRS 9 standard on our provisions beginning 2018.

### Amanah Saham Bumiputera Financing

Given the current economic climate and escalating cost of living, we now have the added challenge of maintaining our existing Amanah Saham Bumiputera (“ASB”) Financing customers and securing new ones. We have, together with our partner, jointly developed a new sales proposition which positions the product as a financial planning solution with a long-term focus on portfolio sustainability.

We are also exploring how we can digitise and automate basic ASB services that are currently delivered through our counters. This will enable us to improve operational efficiencies, adopt a consistent sales approach for the product as a financial planning solution, and improve the overall productivity of the product distribution team.

### Customer Deposits

In 2016, our total deposits grew by RM3.0 billion while our market share stood at 6.8%. CASA in the Affluent and Mass Affluent segments increased from 2.2% and 7.0% to 2.4% and 7.8% respectively, while CASA market share increased from 6.9% to 7.1% and the CASA ratio from 33.9% to 34.0%.

Our marketing activities had a significant impact on deposits performance with the roll-out of multiple acquisition campaigns aimed at our target segments. The launch of an online account opening platform, the first of its kind, will help grow deposits via our digital platform. The year’s other highlights included the launch of the Basic Savings-i Commodity Murabahah and the RHB Smart Account for the Mass Affluent market. We are

#### • TOTAL DEPOSITS

**RM3.0**  
BILLION

#### MARKET SHARE

**6.8%**

#### • CASA MARKET SHARE

**7.1%**  
INCREASE

#### • CASA RATIO

**34.0%**  
INCREASE

pleased that our current deposits portfolio has not only increased its market share and customer base, but that it has outpaced the industry growth rate.

With the launch of the iCommodity Murabahah concept and new RHB Smart Account, we envisage substantial customer acquisition with the ease of online applications and no restriction on the product offering. Group Retail Banking will continue with its efforts to increase our deposit market share to at least the level of our branch market share and improve the Loan Deposit Ratio. Other initiatives in the pipeline include a focus on increasing the share of wallet via a sole Family' account proposition to allow the pooling of deposits as well as the rollout of marketing strategies to increase online transaction and debit card spending. In addition, we will aim for wider reach through digitisation activities, implement online account opening for CASA, as well as continue to roll out acquisition campaigns with targeted offerings.

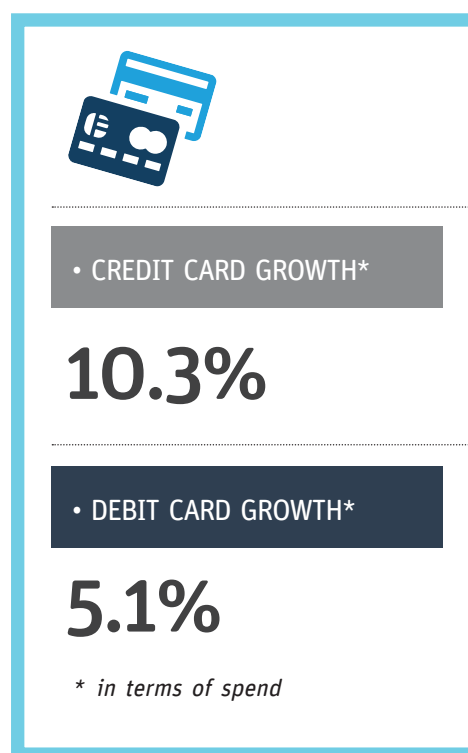
## Cards and Unsecured Business

The year in review saw the spending on RHB Credit and Debit Cards recording growth of 10.3% and 5.1% respectively, mainly as a result of increased consumer spending on the back of a host of campaigns and promotions undertaken with various merchants in 2016. The year's highlights included the launch of the Premier Visa Infinite Credit Card and Debit Card, a re-carding exercise for all cards, Chip and Pin Cards and a terminal migration exercise. The year also saw one of the highest annual new credit card acquisitions achieved. We will look to build greater economies of scale for this business in the next few years.

As for the personal financing business, we will continue to focus on striking a balance between deduction at source for the government and pensioner segments and non-deduction at source for the private sector segment. Our efforts to grow both segments simultaneously will ensure that asset quality is not compromised.

Presently, the sales contribution for personal financing is drawn from internal channels via branches and direct sales.

We will continue to support personal financing products with marketing and awareness campaigns to ensure our competitive edge. We will also work on developing personal financial education programmes to highlight the importance of managing personal finances.



## DISTRIBUTION CHANNELS AND PLATFORMS

### Customer Experience

As we move towards becoming a more customer-centric banking group, we continue to roll out a number of activities to streamline our operations and make them more efficient. Over the course of 2016, we undertook the rationalisation of call centre numbers and enhanced the account opening experience. We standardised the personal data update process and consolidated four forms and processes into one, which led to a reduction in the turn-around-time (“TAT”) from between 3 and 26 days to 2.3 days on average. Measures were also taken to consolidate over 31 product/channel-centric terms and conditions into a single standard banking terms and conditions document.

### eChannel

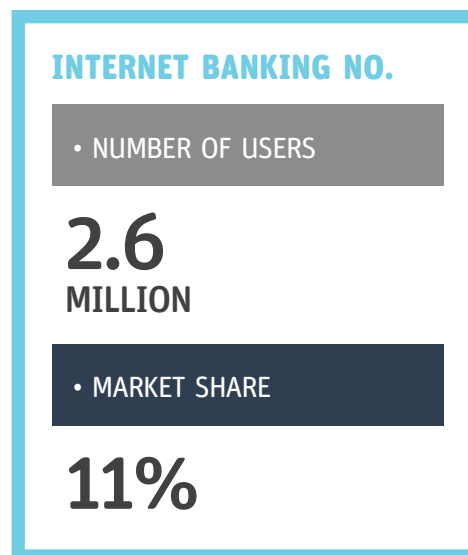
The year saw the revamp of the RHBNow mobile banking and internet banking look and feel, the launch of the RHBNow PayAnyOne service using mobile phones, e-mail and Facebook, plus the launch of the RHBNow mobile banking application for Premier Customers. The ATM fleet was optimised with a reduction of the market share of ATMs nationwide from 12% to 8.8% giving us a total of 1,022 ATMs as at the year’s end.

Our intensified efforts to promote our internet banking platform has seen Internet Banking users reaching 2.6 million which accounts for approximately 11% of market share. The adoption of eStatements too has increased from 15% to 20%, thus helping to reduce cost. Meanwhile the Internet Banking fraud rate, reduced from 0.008% of transactions to 0.001%.

The shift towards providing more electronic services will mean higher costs for us as greater effort is needed to ensure proper security and compliance. Our plan going forward is to make the internet banking experience a more customer centric and convenient experience. We will also explore ways to restructure the internet banking platform to enable quicker response and shorter turnaround times when delivering new services.

“Our ongoing partnership with POS Malaysia continues to provide customers banking convenience at 316 POS outlets nationwide under the RHB-POS Shared Banking Services initiatives”

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### Network

Several existing branches have been relocated to more strategic areas to serve the growing population as well as the growing number of retail and commercial businesses. Our ongoing partnership with POS Malaysia continues to provide customers banking convenience at 316 POS outlets nationwide under the RHB-POS Shared Banking Services initiative.

Under the IGNITE Transformation Programme, we embarked on a branch consolidation exercise which saw seven branches nationwide being optimised. For the Mass segment, Easy 10-minute fast banking technology has been fully integrated across all full service branches. We also optimised 246 Easy outlets while 35 outlets were renamed RHB Bank Sales Centres. Domestically, the Group will look to expand its footprint in new economic growth areas within Klang Valley, Penang and Johor.





## MOVING FORWARD

As Group Retail Banking ventures forth into 2017, we anticipate a challenging environment ahead given the continued weak demand for loans in the mortgage and auto finance sectors. The industry forecast for household loan growth in 2017 is projected to be in the region of 5.6% in line with 2016's growth. With deposits growth lagging behind loans growth, liquidity is expected to tighten in 2017. Domestic demand is expected to be dampened by weak public sector spending, a slowdown in oil and gas investment, the weak housing market as well as more cautious business investment due to the rising cost of doing business. Consumer spending is expected to remain resilient.

Property prices should ease as developers face keen competition from government-backed projects such as PR1IMA aimed at first-time home buyers. The automotive sector too is not expected to be spared from sluggish sales due to cautious business and consumer sentiment.

Group Retail Banking will continue to improve the customer experience and deepen client relationships by offering a seamless customer experience at all touch points. It will also look at providing a 360° view of customer portfolios to better understand their needs, as well as inculcate the RHB Way values at the branch to drive the customer experience.

To improve productivity and profitability, Group Retail Banking will drive sales and productivity improvements across all distribution channels, reduce costs to serve through greater adoption of online and self-service platforms as well as centralised services, plus offer differentiated customer experiences for each segment.

We will also place a greater emphasis on digitisation across the group which will include developing digital capabilities to improve the overall customer experience at all touch points. At the same time, we will capitalise on business opportunities made possible by new digital payment capabilities.

Measures will also be taken to achieve better asset quality management through responsible lending practices and enhanced collection capabilities across all products. As part of the efforts to develop a High Performance Culture throughout RHB, Group Retail Banking will develop a sustainable hiring model to ensure a continuous pipeline of required talent. It will also implement a robust and well developed training programme to close identified skills gaps.

# GROUP BUSINESS & TRANSACTION BANKING

Total Income	RM970.3 Million
Profit Before Tax	RM446.6 Million
Total Assets	RM22.2 Billion

## WHO WE ARE

Group Business & Transaction Banking offers a wide range of business solutions ranging from loans/financing, deposits, cash management solutions, trade finance and services including supply chain financing solutions, FX, remittance and interbank business amongst others.

## WHAT WE DO

### Group Business Banking

- Provides financing solutions to SMEs and Family Owned Enterprises
- Our customers are predominantly large non-listed private companies and SMEs from various industries

### Group Transaction Banking

- Trade business, Cash Management Solutions and Financial institutions
  - Malaysia – cover both Business and Corporate Banking customers)
  - Overseas Branches (provide guidance and support on Transaction Banking products and services)

Our Group Business and Transaction Banking pillar comprises the Group Business Banking segment and Group Transaction Banking segment. The former segment provides financing solutions to SMEs and Family-Owned Enterprises in Malaysia who are predominantly made up of large non-listed private companies and SMEs from various industries.

The latter Group Transaction Banking segment caters to trade businesses and financial institutions as well as offers cash management solutions to both local and overseas customers. These local customers may comprise Business and Corporate Banking customers, while overseas customers are those who need guidance and support on transaction banking products and services at RHB's overseas branches. Our comprehensive transaction banking solutions today include an online platform for supply chain financing to support end to end working capital needs of our clients as well as cash management activities with complete payment and collection solutions.

The year in review, witnessed moderating GDP and trade growth in the domestic market, while the cost of doing business increased partly as a result of the implementation of GST and the depreciation of the Ringgit. There was also weaker demand for goods and services as private consumption slowed with households adjusting to the higher cost of living and market uncertainties. In addition, the overall industry demand for financing dropped with lower loan submissions.

## “Group Business Banking registered revenue totalling RM970.3 million. This 3.4% increase over the previous year’s revenue was driven by strong growth in the SME segment”

### FINANCIAL PERFORMANCE

Against this backdrop, Group Business Banking registered revenue totalling RM970.3 million. This 3.4% increase over the previous year’s revenue was driven by strong growth in the SME segment. Maintainable operating profits rose by 19.6% to RM488.5 million together with an improving cost-to-income ratio. The segment posted PBT amounting to RM446.6 million representing a 45.4% increase from 2015 primarily due to lower cost-to-income and lower charge-off ratios from improving asset quality.

Meanwhile, Group Transaction Banking registered an 8.9% increase in revenue to RM690.3 million on the back of strong CASA growth. It also turned in a 14.6% increase in maintainable operating profits amounting to RM628.2 million, together with an improving cost-to-income ratio.

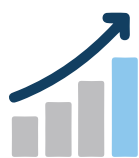
### KEY ACHIEVEMENTS

In 2016, Group Business Banking continued to outpace SME Industry loan growth with its SME market share improving to 8.82% in 2016 from 8.68% in 2015. The segment enjoyed strong financing and investment asset

growth of 12.4% on the back of higher productivity from the SME segment which grew by 15.5%. There was a sustained improvement in asset quality with both impaired and pre-impaired loan ratios improving from 2.65% to 2.11% and 0.84% to 0.80% respectively, leading to a lower charge-out ratio. The segment’s deposit base grew by 4.0% driven by 6.6% growth in CASA while overhead costs reduced by 9.0%.

The year saw Group Business Banking launch the ground-breaking Financial Supply Chain Portfolio Guarantee (“FSCPG”) scheme for SMEs in collaboration with Credit Guarantee Corporation of Malaysia (“CGC”) as part of its efforts to develop an SME ecosystem. The FSCPG is a web-based solution that accords SMEs, their vendors and suppliers a platform to manage their cash flow and inventory more efficiently. It addresses the need for simple, fast and seamless solutions for SMEs to stay competitive and thrive in today’s robust business landscape. Under the strategic partnership with CGC, eligible SMEs involved in the distribution chain working can now tap capital of up to RM1 million to grow their businesses at a reasonable cost, without the need for any collateral.

#### • PROFIT BEFORE TAX



**RM446.6**  
MILLION

#### • KEY ACHIEVEMENTS

**12.4%**  
FINANCING &  
ASSET GROWTH



**15.5%**  
SME SEGMENT  
GROWTH



In line with our overall focus on building a SME ecosystem, we expanded our SME e-Retail Solution by bundling RHB’s Merchant Mobile Point of Sale (“MPOS”) system together with SAGE Software Asia Private Limited’s SAGE One cloud accounting software. With the MPOS terminal linked to the cloud solution, SME retailers now have a holistic, seamlessly connected solution as well as a more efficient and cost effective e-retail ecosystem. The solution will enable automatic updates of transactions providing SMEs real-time access to the financial position of their businesses without the need for manual intervention and reconciliation.

For its efforts to support the SME community, Group Business Banking won the Best Merchant Acquiring Initiative and Most Innovative Digital Solution (Commercial) at the 3rd Cards & Electronic Payments International Asia Awards 2016 event. It also received the Highly Commended Award for Excellence in SME Banking at the RBI Asia Trailblazer 2016 Awards event.

In 2016, Group Transaction Banking experienced strong CASA growth for both its Reflex Cash Management and Business Innovative Solutions with growth rates of 9.8% and 10.6% respectively. At the same time, it reduced overhead costs by 27.0% as it continued to improve productivity by optimising its Trade Windows and improving work processes for its trade operations.



**“Group Transaction Banking upgrading its Reflex Cash Management system to support regional capabilities and a new on boarding process with an improved on boarding turnaround time of three days”**



**BEST TRADE FINANCE  
BANK IN MALAYSIA**



**FPX BEST BANK**



**BEST MERCHANT  
ACQUIRING INITIATIVE**

**BEST INNOVATIVE  
DIGITAL SOLUTIONS**

The year also saw Group Transaction Banking upgrading its Reflex Cash Management system to support regional capabilities and a new on boarding process with an improved on boarding turnaround time of three days. Approval was also received from Bank Negara Malaysia to introduce an export factoring solution which is scheduled to be rolled out by the second quarter of 2017.

For its efforts on the transaction banking front, Group Transaction Banking was hailed the Best Trade Finance Bank in Malaysia at the Asian Banker’s Transaction Banking Award 2016 event and the Best FPX Bank at the MyClear Malaysian e-Payments Excellence Awards 2016 event.

**MOVING FORWARD**

While global and domestic trade growth is expected to be marginal, SME GDP growth is set to once again outpace overall GDP, driven primarily by domestic demand. We anticipate greater competition among financial institutions in both the SME segment and transaction banking segment and are mindful of credit provisioning cost going into 2017 amidst challenging macroeconomic conditions.

Group Business Banking will continue to focus on the small and medium-sized business segments for growth with a focus on capturing the community end-to-end value chain through an integrated ecosystem. The overall growth strategy will be underlined by several on-going strategic initiatives to enhance resource allocation to key growth areas and improve productivity through greater efficiency. We will also continue to optimise the Risk Adjusted Returned on Capital on targeted portfolios through deepening our share of wallet to improve profitability. In view of the challenging economic environment, we will continue to expand our active management of delinquent accounts, implement an early alert mechanism for potential high risk accounts, plus enhance field collection capabilities in key regions.

Group Transaction Banking will lend a greater focus to export trade and supply chain financing. As part of the journey, RHB Bank has become a member of Factors Chain International (FCI) in Jan 2017 to introduce export factoring to complement our suite of financial supply chain solutions. We will also partner with correspondent banks in the respective trade corridors to grow the export business while leveraging on RHB’s regional network to promote trade and cash management capabilities in the ASEAN trade corridor. In addition, payment capabilities and collection services will continue to be enhanced to cater for the larger and sophisticated corporate customers.



# GROUP WHOLESALE BANKING

Total Income	RM2,601.7 Million
Profit Before Tax	RM1,407.7 Million
Total Assets	RM110.5 Billion

## WHO WE ARE

Group Wholesale Banking is one of the leading financial advisory and solutions partners for top corporates in the region. We have deep local presence in 8 countries (Malaysia, Singapore, Indonesia, Thailand, Hong Kong, China, Cambodia and Vietnam) with extensive network of partners in North Asia and the US. We provide a full range of bespoke business solutions to partner and help our customers grow their businesses through M&A advisory, target/buyer search, financial structuring and funding from corporate lending, debt capital markets or equity capital markets. We also help our customers become more effective and efficient through our cash management, trust and custody, trade solutions and cross border transactions from FX, remittances to interbank transactions. Finally, we help our customers grow their own investments and enabling them to gain from participating in the Capital Markets through our trading platform and winning insights and ideas through our asset management, private equity and award-winning research teams.

Group Wholesale Banking was established in July 2016 to provide a more holistic and robust service and product offering to better serve the needs of RHB Banking Group's clients across ASEAN. Group Wholesale Banking's client-centric business model, which is anchored on the Client Coverage team concept, revolves around five key pillars or core business units namely, Investment Banking, Corporate Banking, Group Treasury and Global Markets, Asset Management and Private Equity. Supported by product specialists, the Group Wholesale Banking team provides advice for domestic and regional clients while offering innovative and customised end-to-end financial solutions leveraging on the strengths of the core business units.



MAINTAINABLE  
OPERATING  
PROFIT

**3.4%**  
GROWTH

IN OPERATING  
EXPENSES

**12.9%**  
REDUCTION



**“Group Wholesale Banking delivered solid achievements on multiple fronts. It saw its maintainable operating profit increasing by 3.4% despite a subdued operating environment – Investment Banking clinching key landmark deals while maintaining its position in the market, both Asset Management and Treasury and Global Markets businesses delivered solid business performance while Corporate Banking maintained one of the largest domestic loan book while seeing a significant improvement in both Risk Adjusted Return on Capital (RAROC) and Credit Rating”**

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## FINANCIAL PERFORMANCE

In 2016, GWB registered an maintainable operating profit (MOP) growth of 3.4% despite anaemic loans growth and a soft operating environment. This also came on the back of a 12.9% reduction in operating expenses. The lower operating expenses in turn came through operational efficiencies and the robust adoption of technology. The weak operating environment, however, saw a doubling of the provisions and impairments, leading to a drag on GWB’s overall PBT this year.



## KEY ACHIEVEMENTS

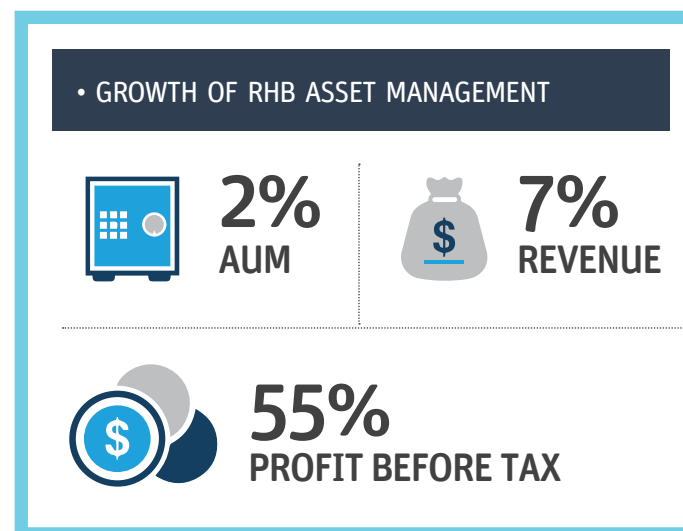
The year saw Group Wholesale Banking launched the Global Trading System in Malaysia as well as strengthened its solid brokerage franchise in the market. It also focused its efforts on deepening customer relationships while enhancing the core trading system with multi-market and multi-product capabilities. All this has enabled the standardisation of systems and best practices as well as helped optimise processes and shared resources leading to lower overall operating costs. Group Wholesale Banking's domestic business continues to strengthen while efforts to scale-up its regional offices are ongoing.

In 2016, we saw significant improvements in Risk Adjusted Return on Capital (RAROC) and our portfolio quality as well as robust Group Treasury and Global Markets performance. We selectively grew our domestic Corporate Loan Book while improving RAROC on our loan portfolio. Given the operating environment, we increased vigilance on our Asset Quality. Our average monthly RAROC has improved by more than 20% year-on-year on the second largest Corporate Loan Book in Malaysia. The Treasury MOP grew by 5% driven by solid Sales and Investments performance and we see continued growth into 2017 with the advantages obtained from the recent roll-out of MUREX.

Asset Management's AUM, Revenue and PBT for Group Asset Management grew 2%, 7% and 55% respectively. RHB Bank Investment Bank Berhad (RHBIB) maintained its domestic league table positions while improving its positions in the non-domestic markets.

Over the course of 2016, the business units under GWB were recognised for their commitment on several fronts by various prominent organisations.

**“In 2016, we saw significant improvements in Risk Adjusted Return on Capital (RAROC) and our portfolio quality as well as robust Group Treasury and Global Markets performance”**



## Group Investment Banking

- i. **IFR Asia Awards**
  - Best Islamic Issue – Lebuhraya Duke Fasa 3 Sdn Bhd RM3.64 billion Sukuk Wakalah Issuance
- ii. **Alpha Southeast Asia 10th Annual Best Financial Institution Awards in Southeast Asia**
  - Best Small to Mid-Cap Corporate Finance House in Malaysia (2007 – 2016)
  - Best Small to Mid-Cap Corporate Finance House in Singapore (2007 – 2016)
- iii. **Bursa Malaysia Broker Awards 2015**
  - Best Retail Equities Participating Organisation – Champion
  - Best Trading Participant in Financial Derivatives – Champion
  - Most CDS Accounts Opened by Participating Organisations – Champion
- iv. **Asiamoney Brokers Poll 2016**
  - 18 Top 3 rankings in Malaysia
  - 22 Top 3 rankings in Singapore

## Group Asset Management

The Edge | Thomson Reuters Malaysia Fund Awards 2017

- i. Best Bond MYR – Malaysia Islamic, 3 years  
RHB Islamic Bond
- ii. Best Bond MYR – Malaysia Islamic, 5 years  
RHB Islamic Bond
- iii. Best Bond MYR – Malaysia Islamic, 10 years  
RHB Islamic Bond
- iv. Best Mixed Asset MYR Conservative – Malaysia Provident, 10 Years  
RHB Smart Income
- v. Best Bond Award – Malaysia Provident Fund

## Group Treasury & Global Markets

- i. Structured Products Asia Awards 2016  
Malaysia house of the year: RHB Banking Group
- ii. 1<sup>st</sup> Malaysian Reinsurer to issue RM-Sukuk  
Market Pioneer Awards – Lead Managers’ Recognition
- iii. Best Loan Syndication  
The Asset Triple A Islamic Finance Awards 2016
- iv. Malaysia Domestic Foreign Exchange Bank 2016





## INVESTMENT BANKING

### LARGEST BOND ISSUANCES IN 2016



**RM5.54 BILLION**  
SUKUK MURABAHAH ISSUANCE



**RM9.00 BILLION**  
IMTN ISSUANCES IN 2016



LEBUHRAYA DUKE  
FASA 3 SDN BHD

**RM3.64 BILLION**  
SUKUK WAKALAH ISSUANCE

### LARGEST EQUITY FUNDRAISING IN 2016



MALAYSIA BUILDING SOCIETY BERHAD

**RM2.90 BILLION**  
RIGHTS ISSUE

## WHAT WE DO

- Offers a full range of investment banking solutions covering Advisory (corporate finance, mergers & acquisitions, corporate restructuring), Fundraising (equity and debt) and Securities Broking for retail and institutional clients.
- Our customers are from Government-Linked Companies, Listed and Large Non-listed typically family-owned companies who are local champions looking to expand domestically and regionally

RHBIB, the investment banking arm of RHB Banking Group, offers a full spectrum of products and services to serve the capital markets and securities broking needs of our retail, institutional and corporate clients. Today, RHBIB is a key player in the Malaysian capital markets with leading market share in the provision of advisory services as well as fundraising and distribution of both equities and fixed income securities. RHBIB has a strong offshore presence in key ASEAN markets, namely in Singapore, Indonesia, Thailand, Cambodia and Vietnam, and also in Hong Kong and China. Outside of these markets, RHBIB continues to maintain strategic partnerships with Okasan Securities from Japan, Auerbach Grayson from the USA and SinoPac Securities from Taiwan.

The year 2016 was a challenging one for the investment banking industry, underpinned by slowdown in the global economic environment, Brexit issue, depreciating Ringgit and volatility in commodity prices. RHBIB Group achieved a pre-tax profit of RM73.4 million, lower by 36.5% compared to its 2015 performance. This was mainly attributed to higher impairment allowances for loans and financing and other assets. Operating profit before allowances however increased 70.1% to RM152.0 million on the back of cost saving initiatives implemented during the year although operating income was subdued due to the operating environment noted above.

During the year, RHBIB carried on with the implementation of various schemes launched in 2015 and embarked on more initiatives to rationalise costs and expenses. We continue to review the extent of our branch network, re-assess IT requirements and re-engineer processes with a view to streamline resources. We expect these initiatives to continue to deliver the anticipated savings in 2017 and beyond.

### Capital Markets

As a key player in the Malaysian capital markets, RHBIB has been a market share leader in Mergers & Acquisitions (“M&A”) as well as in Debt Capital Markets (“DCM”) and Equity Capital Markets (“ECM”) activities. RHBIB closed the year 2016 with Top 3 positions on Bloomberg’s M&A, Malaysian Ringgit Islamic Sukuk and ECM league tables in Malaysia. In the ASEAN region, RHBIB’s regional subsidiaries ended last year with a Top 10 position on Bloomberg’s Indonesia Rupiah Bonds league table and a Top 12 position on Bloomberg’s Singapore Dollar Bonds and Singapore ECM league tables.

**REGIONAL CAPITAL MARKET DEALS**



**SGD600**  
MILLION NOTES ISSUE



**THB5,000**  
MILLION TOTAL DEBENTURE ISSUANCE IN 2016



**IDR800**  
BILLION LISTING ON THE INDONESIA STOCK EXCHANGE

**PRIVATISATION DEALS**

**RM2.26**  
BILLION  
PRIVATISATION OF KULIM  
(MALAYSIA) BERHAD

**Hwang Capital**  
**RM232.13**  
MILLION  
PRIVATISATION OF  
HWANG CAPITAL  
(MALAYSIA) BERHAD

RHBIB is a multi-award winning franchise known for its involvement in headline and high-profile deals. In 2016, RHBIB completed some of the year's largest Ringgit bond issuances for Sarawak Hidro Sdn Bhd (RM5.54 billion Sukuk Murabahah issuance), DanaInfra Nasional Sdn Bhd (total IMTN issuance of RM9.00 billion in May and October) and Lebuhraya Duke Fasa 3 Sdn Bhd (RM3.64 billion Sukuk Wakalah issuance). We were the Joint Principal Adviser/Joint Managing Underwriter/Joint Underwriter for the largest equity fundraising in Malaysia last year, namely the Malaysia Building Society Berhad's rights issue which raised RM2.90 billion. In the advisory space, RHBIB's landmark deals last year were the RM2.26 billion privatisation of Kulim (Malaysia) Berhad as Sole Principal Adviser and the RM232.13 million privatisation of Hwang Capital (Malaysia) Berhad. RHBIB also advised the Employees Provident Fund (EPF) in its acquisition of 40% equity interest in Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd, which is the owner and operator of Dutau-Ulu Klang Expressway (DUKE), from Ekovest Berhad.

RHBIB's investment banking subsidiaries have been making inroads in the regional capital markets with deals completed for established and sought-after names such as Singapore's Housing & Development Board (SGD600 million Notes issue), Thailand's Krungthai Card PCL (THB5,000 million total Debenture issuance in 2016) and Indonesia's PT Aneka Gas Industri (IDR800 billion IPO).

In 2016, RHBIB's deals were the enviable winners of some of the industry's most prominent accolades locally and regionally. RHBIB won IFR Asia's regional award for *Best Islamic Issue* and Alpha Southeast Asia's *Best Wakalah Deal in Southeast Asia*, both awards were for the Lebuhraya Duke Fasa 3 Sdn Bhd's RM3.64 billion Sukuk Wakalah Programme and Issuance. The privatisation of Kulim (Malaysia) Berhad deal was named The Edge Malaysia's *Best Privatisation Deal of the Year* last year. In recognition of its dominance in the small- and mid-cap space locally and in the region, RHBIB and its subsidiary RHB Securities Singapore Pte. Ltd., were accorded *The Best Small- to Mid-Cap Corporate Finance House in Malaysia and Singapore (2007 – 2016)* awards by Alpha Southeast Asia.



**“Our analysts were accorded 18 Top 3 rankings in Malaysia and 22 Top 3 rankings in Singapore by Asiamoney Brokers Poll 2016, firmly establishing RHBIB as the leading name in research and institutional sales”**

### **Securities Broking**

The Malaysian stock market declined the most in 2016 amongst ASEAN markets. On the other hand, other emerging markets such as Indonesia and Thailand, recorded good returns in 2016. The Indonesian market's performance was spurred by the rise in its middle income population driving private consumption and spending and boosting the economy at large. Thailand's stock market was attributed to renewed positive market sentiments and attractive market valuations following increased public spending on infrastructure after a few years of political instability.

Despite the volatility of the Malaysian stock market, RHBIB ended the year with a Top 3 position (by volume) on Bursa Malaysia's Broker Ranking. We were also awarded Bursa Malaysia's *Best Retail Equities Participating Organisation* and *Best Trading Participant in Financial Derivatives*, for the second consecutive year. Additionally, RHBIB was also recognised for having the *Most CDS Accounts Opened by Participating Organisations* by Bursa Malaysia in 2015.

RHBIB continues to grow its market share locally and regionally through the strength of its paid dealers and remisiers which currently stands at more than 1500. We will continue to leverage on RHB Bank's strong network to grow the retail business and expand the complementary share margin financing business. RHBIB remains committed to developing and rolling out RHB TradeSmart as a regional personal wealth management platform with multi-market and multi-asset class capabilities for equities trading, futures trading and asset management.



On the institutional front, RHBIB continues to grow its market share by aggressively pushing its regional account growth throughout ASEAN and Hong Kong. This has led to the broadening of earnings base for the regional institutional equities business and as it continues to mature, this will transform into a more significant revenue contributor for RHBIB.

The market continues to value the research coverage provided by our analysts. Last year, our analysts were accorded 18 Top 3 rankings in Malaysia and 22 Top 3 rankings in Singapore by Asiamoney Brokers Poll 2016, firmly establishing RHBIB as the leading name in research and institutional sales.

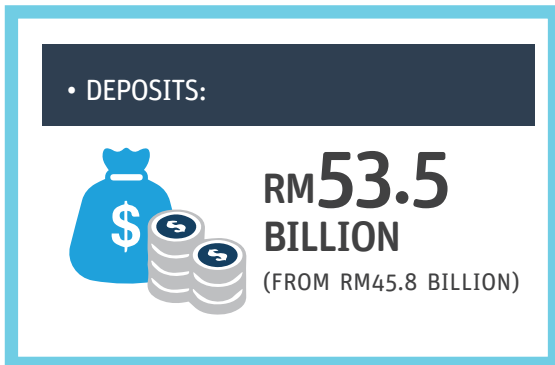
### **Moving forward**

Market indicators and trends are pointing towards 2017 being a reversal from 2016 for investment banking. With a healthy deal pipeline and a backlog of deals deferred in 2016 due to the market conditions then, RHBIB expects to perform better in 2017. We will continue to deepen client relationships locally and regionally via our Client Coverage Model and focus our efforts to undertake more cross-border deals with closer collaboration amongst local and regional coverage and product teams.





**GROUP CORPORATE  
BANKING**



**“Other notable achievements over 2016 included Group Corporate Banking’s continued progress up the financing value chain with several M&A financing deals being concluded, and improved portfolio quality in terms of average credit grading”**

**WHAT WE DO**

- Comprehensive range of Conventional and Shariah-compliant financing to fulfil the funding requirements of corporations - including funding for working capital requirements, trade financing, foreign currency conversion and hedging, project financing as well as funding corporate exercises.
- Presence across Southeast Asia and Hong Kong to support our clients’ growth regionally. The business provides bespoke structured financing to cater to the specific needs of our clients.

In 2016, Group Corporate Banking continued to maintain a strong position in the corporate lending space by virtue of it having the second largest market share in both conventional and Shariah-compliant assets (as at September 2016). Top-line income declined slightly by 0.8%, a result of repayments for two major loans which reduced its loan base size by 5.9%. Group Corporate Banking successfully grew its Shariah-compliant financing to 36.1% in 2016 from 32.1% in 2015. The business also experienced significant success in increasing its customer deposits, enjoying double digit growth due to strong support from major strategic depositors.

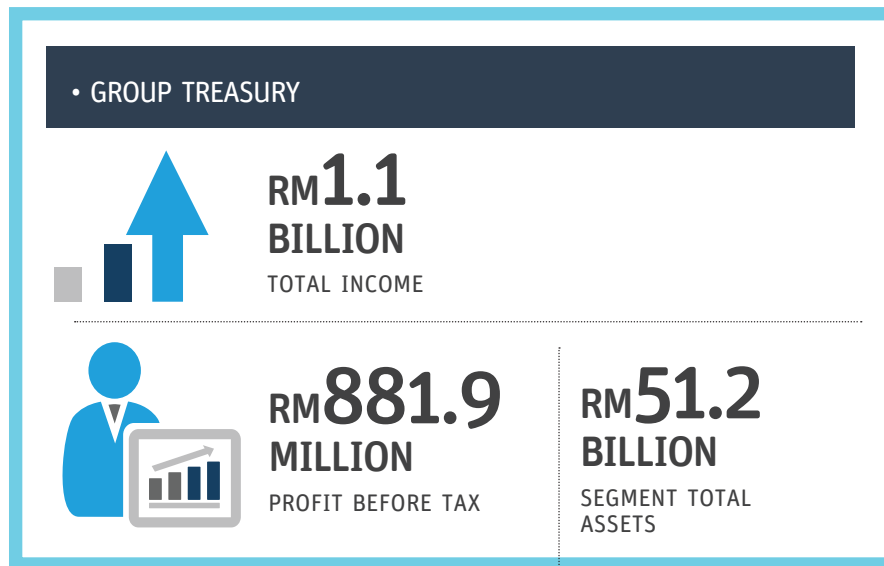
In the year under review, Group Corporate Banking witnessed the reorganisation of its business structure to facilitate the provision of more personalised services in maintaining and strengthening relationships. At the same time, Group Corporate Banking also embarked on the automation of our credit process to improve delivery turnaround.

Other notable achievements over 2016 included Group Corporate Banking’s continued progress up the financing value chain with several M&A financing deals being concluded as well as an increase in deposit size. The Bank was also awarded the Most Outstanding Islamic Corporate Bank Award at the 13th KLIF Islamic Finance Forum, 2016.

Group Corporate Banking’s primary focus in 2017 will be to achieve responsible growth while maintaining asset quality amidst a continued challenging market outlook. Internally the business will continue to improve efficiency and build a mid-office capability by streamlining administrative functions in order to focus on developing client relationships. In addition, re-engineering initiatives, which includes the automation of the credit process, will be introduced in order to improve productivity and enhance customer service experience customer.



## GROUP TREASURY AND GLOBAL MARKETS



“Group Treasury sales rose 29% groupwide and 23% for Malaysia in 2016 as we strengthened the cross selling culture to enhance customer satisfaction by providing effective and competitively priced FX and interest rate solutions including bespoke structured hedging and investment products”

## WHAT WE DO

- Sales and trading of foreign exchange (FX), derivatives and fixed income products, fixed income investment, short-term funding and liquidity management, treasury innovation and product development.
- Our customers are retail/corporate customers of other SBGs that we provide treasury solutions to meet their FX/trading/hedging needs; as well as interbank participants for trading and funding activities.

RHB’s Treasury-related activities cover Malaysia, Singapore, Thailand, Indonesia and Hong Kong and comprise foreign exchange (“FX”) sales and trading; fixed income sales, trading and investment; derivative sales and trading; funding and liquidity management as well as treasury innovation and products. We offer a comprehensive suite of treasury products and solutions which include but are not limited to FX, fixed income and derivatives catering for the hedging and investment requirements of a diverse customer base. Today, the Treasury function enables FX market making in 19 global currencies supported with foreign currency settlement facilities via RHB’s award winning Multi Currency Account or MCA. A dedicated Fixed Income Syndication and Distribution team is in place to match bond issuers liquidity requirements with conventional and Shariah compliant investment pools.



The average funding cost and net interest income spread improved as a result of several initiatives undertaken to optimise liquidity compliance costs.

Group Treasury sales rose 29% groupwide and 23% for Malaysia in 2016 as we strengthened the cross selling culture to enhance customer satisfaction by providing effective and competitively priced FX and interest rate solutions including bespoke structured hedging and investment products. There was also greater collaboration with Corporate Investment Banking Services to leverage Relationship Managers to generate a higher treasury product buy-in from customers.

In addition, we leveraged on fixed income sales and distribution expertise to optimise sales of high profile Ringgit and foreign currency bond transactions to the target investor base. We also standardised the business operating model covering operating and functional processes and the reporting mechanism.

In line with our aggressive growth and product diversification strategy, significant infrastructure and technological changes were executed in 2016. A key highlight was the implementation of the latest third generation Murex (MX.3), a single consolidated treasury system, at the Head Office Treasury for FX Cash, Interest Rate & FX Derivatives and structured products. MX.3 with its streamlined workflow and processes has enhanced business efficiency and redeploy resources to improving the customer experience. It also strengthens our ability to price, package and warehouse various treasury products and asset classes in the regions where RHB Banking Group operates, upon the full implementation of MX.3 to regional offices in the next few years.

.....

In 2016, significant global events such as BREXIT and the US presidential elections, coupled with a challenging external environment, affected the flow of funds to developing markets. Despite the weaker Malaysian Ringgit, the CPI remains subdued and the Government's commitment to fiscal discipline and the maintenance of a positive current account was a comfort to rating agencies. Today, the Ringgit remains significantly undervalued and has room for improvement, bolstered by recovery in the commodity complex and continued growth and interest rate differentials.

Despite a relatively stable increase in money supply during the year 2016 and a 0.25% cut in Overnight Policy Rate in July, interest rate levels for customer term deposits shot up towards the end of the year. This came on the back of competition among market players to accumulate customer deposits for the purpose of regulatory compliance to the Net Stable Funding Ratio ("NSFR") and Liquidity Coverage Ratio ("LCR").

**“In 2016, RHB Banking Group was ranked No. 1 and No. 2 respectively for Ringgit Sukuk and the conventional fixed income distribution secondary market with 24.1% market share. We were ranked 3rd and 4th respectively for Ringgit Sukuk and the conventional fixed income distribution primary market with 16.03% market share. Efforts to grow the franchise continue and we have garnered 7% market share of commercial and corporate FX volume”**

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The year also saw us expanding into regional FX markets by forming alliances with regional banks to increase Ringgit money transmission services to offshore customers. Regional Treasury capabilities were also enhanced with functional management and reporting pillars to streamline business flow and increase cross-border opportunities. We also made our successful debut on the Thai Baht bond market with the execution of two sole lead manager Thai Baht bond deals in the first half of 2016.

In 2016, RHB Banking Group was ranked No. 1 and No. 2 respectively for Ringgit Sukuk and the conventional fixed income distribution secondary market (pursuant to the BNM league table) with 24.1% market share. We were ranked 3rd and 4th respectively for Ringgit Sukuk and the conventional fixed income distribution primary market (Bloomberg) with 16.03% market share. Efforts to grow the franchise continue and we have garnered 7% market share of commercial and corporate FX volume. The business owes its success to its customer-oriented focus and a dedicated sales and trading team for each market segment. By tapping innovative hedging and investment derivative products, the business captured a 8.4% share of the Malaysia FX and interest rate derivatives among local banks as at December 2016.

The year saw, also RHB Banking Group gaining recognition as a market leader in derivative structured products. We clinched the Structured Products Asia Awards (Malaysia House of The Year) after successfully launching 13 series of capital protected Range Accrual Structured Investment Products linked to the FX AUD/USD and KLIBOR Index respectively. These were tailored to deliver enhanced coupons and to provide a shield against market volatility for investors.

Among the accolades that RHB Banking Group received in 2016 were the Malaysia House of the Year at the Structured Products Asia Awards 2016 and Malaysia Domestic Foreign Exchange Bank of the Year (for the fourth consecutive year) at the Asian Banking and Finance Awards 2016. We were also ranked 3rd best bond house for secondary private debt securities sales and distribution at the Asset Triple A Finance Awards 2016 and received the Lead Manager’s Recognition at the RAM Ratings-Market Pioneer Awards.

In Asiamoney fixed income Poll 2016, issuers and investors who invested their portfolio in the Asia-Pacific market selected RHB as the second for credit sales in Malaysia, an improvement from third in 2015.

**AWARDS**



**MALAYSIA HOUSE OF THE YEAR**



**MALAYSIA DOMESTIC FOREIGN  
EXCHANGE BANK OF THE YEAR**



**3RD BEST BOND HOUSE FOR SECONDARY  
PRIVATE DEBT SECURITIES SALES AND  
DISTRIBUTION**



**LEAD MANAGER'S RECOGNITION**



**Moving forward**

Uncertainty over the timing and magnitude of the global interest rate trend is expected to affect fund flows into Malaysia and the strength of the Ringgit. Other factors such as the challenging onshore trading business due to thin liquidity issues, the lack of participation from foreign interbanks and real money on Ringgit assets, the impending 14th Malaysian general election, the upcoming elections in Europe and the effects of Trumpnomics, may all encourage risk adverse sentiments towards the global market in general, further compounding the onshore liquidity issue.

We hope to realise the benefits of our investment through revenue uplifts made possible by warehousing and pricing capabilities following the implementation of the Murex system for foreign exchange and derivative products for Malaysia. Plans are underway to extend the system to our Singapore office and thereafter for application towards fixed income and cash products in Malaysia in the first half of 2018. In addition, we will expand and engage in spread trading business in asset classes such as local and foreign currency credits spread, interest rate spread and futures spread trade.



## GROUP ASSET MANAGEMENT

### AWARDS



#### MOST INNOVATIVE PRODUCT AWARD



#### MALAYSIA'S MOST AWARDED FUND HOUSE 2016

**“We closed the year at RM52.3 billion and emerged as Malaysia’s most awarded fund house in 2016 after winning 15 awards from The Edge-Lipper Malaysia Fund Awards, bringing the total awards won by the enlarged Group Asset Management to 22 for 2016”**

## WHAT WE DO

- Asset management arm of RHB Banking Group with physical presence in Malaysia, Hong Kong, Indonesia and Singapore.
- Top class asset management expertise backed with close to 30 years of experience in developing holistic end-to-end investment solutions that include both conventional and Islamic products, ranging from discretionary and non-discretionary solutions to meet the diverse needs of our institutional and retail clients across geographical regions and asset classes.

RHB’s Group Asset Management function comprises both asset management activities and the trustee business for the Group. In 2016, the asset management business registered improved overall ROE from 11% to 17%. This came on the back of the launch of innovative products, a shift in focus into higher margin products, an expansion of our distribution channels across markets, and increasing synergies within RHB Banking Group.

The year 2016 was a busy year for Group Asset Management as we launched a total of 19 funds across the region, two of which won us the most innovative product award by Asia Asset Management. This marks the second consecutive year that we received the award for our Singapore business, and the third for our Malaysia business.

The launch of our funds during the year cushioned the drop in net asset value due to the volatility experienced in the markets as well as redemptions by corporate clients (to meet their working capital needs). We closed the year at RM52.3 billion and we emerged as Malaysia’s most awarded fund house in 2016 after winning 15 awards from The Edge-Lipper Malaysia Fund Awards, bringing the total awards won by the enlarged Group Asset Management to 22 for 2016.



**“In the trustee segment, we continued to defend our No. 1 market share in the Public Debt Securities market, closing 2016 with a 55% market share”**

Our fund managers continued to work hard to deliver performance to our investors and we closed 2016 with 51% of conventional funds and 53% of our Islamic funds in the top two quartiles. In line with the Group’s ambition to grow contributions from regional offices (although 2016 saw AUM contribution from regional offices fall from 16% in 2015 to 13% in 2016), revenue contribution from our regional offices grew from 24% in 2015 to 25% in 2016.

In the trustee segment, we continued to defend our No. 1 market share in the Public Debt Securities market, closing 2016 with a 55% market share. In the retail segment, we saw healthy growth in wills (conventional and *wasiat*) and private trust accounts.

The year 2017 will see greater focus on driving the Group’s profitability through the agency business, retail business as well as through third party distribution channels. The foundations established in 2016 to extract greater synergies from working more closely with RHB Banking Group (across the conventional bank, private bank, premier bank, Islamic bank, investment bank as well as insurance in Malaysia as well as the region) will see us extracting higher value through the realisation of a

strong cross-referral culture. This will be further spurred on by greater digitisation, automation and process efficiencies via investments in systems. We will continue to manage cost via a productivity management programme.

**Moving forward**

The business outlook for Group Asset Management is cautiously optimistic as continued headwinds in the global markets may impact investor sentiment. This is expected to make fundraising challenging. However, being an innovative fund house, the business will continue to launch products that are relevant in the current climate to help investors weather the volatility and meet their investment objectives of wealth preservation, wealth accumulation and wealth protection. The Asset Management Arm will also be forging new strategic partnerships to enable us to tap into new markets and bring new offerings to our clients. In the pipeline are new first-of-their-kind products for the markets we operate in which will help deepen our relationship with the partners and clients that we are already working with. Group Asset Management aims to grow the PBT contribution from its overseas offices to 16%.

**MOVING FORWARD**

Moving forward, Group Wholesale Banking, as a whole, will continue to strengthen its private sector and government-linked company (“GLC”) client relationships through driving collaboration and sharpening regional account planning. Our priority is understanding and serving the needs of our clients, delivering on customised products and solutions as well as enhancing systems, platforms and processes to facilitate greater collaboration and an effective back office.

Measures are also being undertaken to enhance the monitoring of asset quality which includes regular assessments on critical industries and active management of EAM, Watch List Accounts and pro-active monitoring of repayments.

In line with the Group’s digital transformation agenda, Group Wholesale Banking will embark on further automation initiatives to improve processes as well as invest in systems that will enable the delivery of new product offerings. The Global Trading System which was launched in Malaysia will be introduced to other regional offices in the future.

On the human capital front, Group Wholesale Banking continues to actively seek and hire top-tier talent. Plans are also underway to increase exposure of talent to regional experiences through Global Mobility Programmes, and collaborate closely with top-notch educational Institutions like INSEAD, IMD and the Melbourne Business School to provide our talent with exposure with cutting edge business thought leadership.

# GROUP SHARIAH BUSINESS

Total Income	RM754.4 Million
Profit Before Tax	RM431.7 Million
Total Assets	RM48.1 Billion

## WHO WE ARE

Established in 2005, RHB Islamic Bank Berhad is the first full-fledged Malaysian Islamic bank that has matured from an Islamic banking window operations. It is the primary driver of the Shariah business for RHB Banking Group, the 4th largest banking group in the country in terms of assets.

## WHAT WE DO

Leveraging on the operational capabilities, commitments and synergies within the larger network of RHB Banking Group, we aim to ensure customers enjoy reliable, convenient and efficient Islamic banking experience. We dedicate our thoughts and actions to provide a suite of comprehensive financing, deposit, investment and cash management solutions from retail to SMEs to corporate customers.

Operating in a very competitive playing field, our Group Shariah Business pillar, helmed by RHB Islamic Bank, weathered a challenging 2016 to deliver a commendable performance. The year's weaker macroeconomic environment characterised by low commodity prices, the prolonged downturn in the oil and gas industry and the Ringgit's continuing slide against major currencies, all impinged upon the domestic Islamic banking sector. Despite this, the sector continued to leverage on an aggressive growth trajectory, outpacing conventional banking's growth performance, to move closer towards fulfilling Bank Negara Malaysia's Financial Sector Blueprint target by 2020.

### FINANCING GROWTH



8.9%

GROWTH

RETAIL BANKING



40.1%

GROWTH

BUSINESS BANKING

6.8%

GROWTH

CORPORATE BANKING



**“In 2016, RHB Islamic Bank’s (“RHB Islamic”) total financing amounted to RM34.1 billion making up 24.8% of RHB Banking Group’s financing domestically”**

## FINANCIAL PERFORMANCE

In 2016, RHB Islamic Bank (“RHB Islamic”) saw its Retail, Business and Corporate Banking financing segments grow by 8.9%, 40.1% and 6.8% year-on-year respectively. Apart from the core financing business, non-funding income from the treasury and transaction banking business also contributed to RHB Islamic’s overall earnings.

In 2016, RHB Islamic turned in a PAT of RM324.8 million, a 27.4% increase against PAT of RM254.8 million in the preceding year. RHB Islamic recorded a strong 23.8% growth in pre-tax profit to RM431.7 million and a ROE of 12% (its highest ROE since 2012). However, it registered lower total deposits including CASA growth of 5.3% and 10.1% respectively in 2016 against 14.6% and 21.0% respectively in 2015. Gross financing expanded by 9.5% to RM34.1 billion, which contributed 24.8% to the Group’s total domestic gross loans & financing, up from 23.0% as at 31 December 2015.

• RETURN ON EQUITY

**12%**  
HIGHEST  
SINCE 2012

## KEY ACHIEVEMENTS

In 2016, the Group set up its Islamic Banking Business in Singapore as a whole as it supports the Group’s aspiration to become a key regional bank.

The year also saw several new products and services being introduced which included the RHB Islamic Hire Purchase Variable Rate-i, aimed at increasing the Bank’s market share in the Hire Purchase sector. RHB Islamic in collaboration with the Group Transaction Banking team jointly developed the e-Financial Supply Chain (“e-FSC”) platform as an exclusive ecosystem for business communities. The first of its kind in the market for domestic Islamic banks, the e-FSC is an end-to-end straight through real-time trade process exchange that benefits cash flows, working capital and provides a structured trading system to customers. RHB Islamic also introduced another first in the market, the innovative Flexible Trade Finance-i (“FTF-i”) which supports the e-FSC by facilitating financing schemes to the supplier, receiver and distributor as an all-in-one financing product that covers both the financing of tangible and intangible (services) goods.

## “RHB ISLAMIC BANK IS ONE OF THE TOP SIX BANKS IN THE ISLAMIC BANKING SECTOR IN TERMS OF TOTAL ASSETS, FINANCING AND DEPOSITS”

### AWARDS



**CORPORATE BANKING  
PRODUCT (E-FSC)**



**“SHARIAH COMPLIANT  
FINANCE COMPANY OF THE  
YEAR MALAYSIA 2016”**



**MOST OUTSTANDING  
ISLAMIC CORPORATE BANK  
AND MOST OUTSTANDING  
ISLAMIC SHARIAH  
ADVISOR**

Today, RHB Islamic Bank remains one of the top six banks in the Islamic banking sector in terms of total assets, financing and deposits. In 2016, RHB Islamic was accorded a host of awards and accolades for its commitment to excellence. These included “Best Corporate Banking Product (e-FSC)” at The Asset Triple A Islamic Finance Awards 2016 event, “Shariah Compliant Finance Company of the Year Malaysia 2016” by The European magazine as well as “Most Outstanding Islamic Corporate Bank” and “Most Outstanding Islamic Shariah Advisor” at the 13th KLIFF Islamic Finance Forum 2016.

### MOVING FORWARD

The year 2017 is expected to present an even more challenging year for RHB Islamic as the macro-economy has yet to stabilise while the business environment continues to be more competitive.

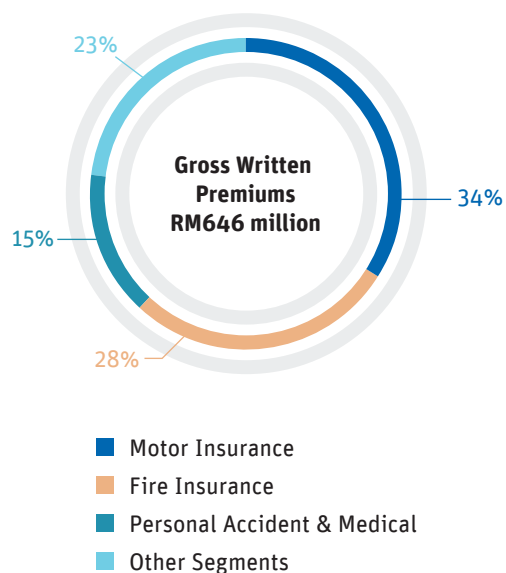
Under the leverage business model it has adopted, RHB Islamic will continue to work closely with the Group to further strengthen its outreach via the Group’s network of 209 RHB branches including the existing dedicated Islamic branches. It will also improve productivity and profitability to increase top line revenue while keeping costs at a manageable level, further enhance the customer experience and strengthen client relationships especially with governmental ministries and related agencies.

RHB Islamic will also focus on growing responsibly and managing asset quality in an effective manner. To this end, the Bank will be selective about the customers and industries it chooses to support while proactively manage the assets that are already in its books. RHB Islamic will also continue to undertake activities that will promote a high and healthy level of engagement amongst the staff toward creating a high performance team.

# GROUP INSURANCE

Total Income	RM237.4 Million
Profit Before Tax	RM130.1 Million
Total Assets	RM1.5 Billion

The General Insurance industry continued its single digit growth, with registered Gross Written Premiums of RM17.674 billion, an increase of 1.1% over the same period in 2015, the lowest seen in many years. The Motor Insurance segment continued to be the largest contributor to the General Insurance business, accounting for 46.2% of total gross written premiums followed by Fire at 18.5% and Marine, Aviation and Transit (MAT) at 8.8%.



## WHO WE ARE

RHB Insurance is a subsidiary of RHB Bank Berhad, a public listed company on the Bursa Malaysia. Established in 1978 and licensed by Bank Negara Malaysia, RHB Insurance is one of the fastest growing general insurers in Malaysia in recent years, with core business in underwriting of general insurance business to meet the needs of our individual and corporate customers

## WHAT WE DO

RHB Insurance provides a comprehensive range of general insurance solutions for individuals, corporates, and small and medium-sized businesses through our multi-channel distribution of Bancassurance, Agents, Brokers, and Motor franchise. RHB Insurance operates through 14 branches in Malaysia with more than 1,800 agents to serve the clients better.

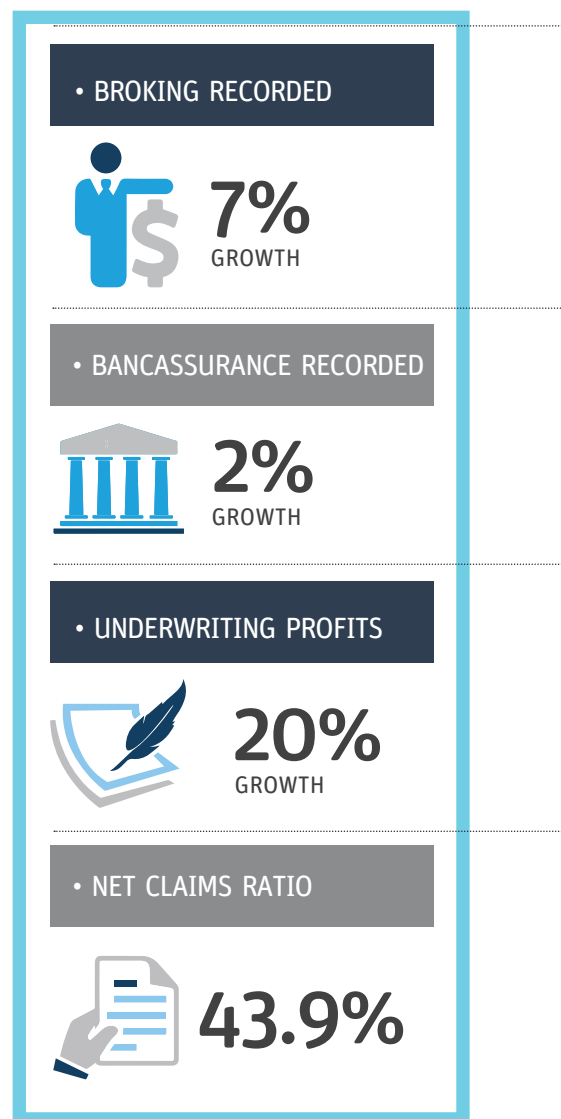
**“Our insurance business managed to sustain a compounded annual growth rate of 11.0% in gross written premiums over the past five years. The business registered an average net ROE of 22.0% in 2016 as compared to 18.9% in 2015 as we continued to capitalise on opportunities from our five distribution channels”**

## FINANCIAL PERFORMANCE

In 2016, our Group Insurance business offered through RHB Insurance, saw its PBT rise by 40% to RM130.1 million in comparison to RM93.2 million in 2015. This was driven by a higher earned premium and lower net claims incurred ratio of 7% and 4% respectively. Motor Insurance maintained its position as the business' largest contributor, delivering 34% of gross premiums, while Fire Insurance contributed 28% of gross premiums. Personal Accident and Medical Insurance collectively contributed 15% of gross premiums during the year, while the remaining insurance segments accounted for 23% of total gross premiums.

## KEY ACHIEVEMENTS

Our insurance business managed to sustain a compounded annual growth rate of 11.0% in gross written premiums over the past five years. The business registered an average net ROE of 22.0% in 2016 as compared to 18.9% in 2015 as we continued to capitalise on opportunities from our five distribution channels. Broking and Bancassurance, recorded the highest percentage growth at 7% and 2% respectively, as we focused on maximising synergies and further penetrating RHB Bank's customer base while continuing to build the agency force. The year also saw the establishment of a Medical and Health Department to build internal capabilities and the infrastructure necessary to develop medical health insurance into a third major revenue stream.





While growing its top line, Group Insurance also focused its efforts on enhancing profitability through risk selection and product management as well as by utilising an actuarial pricing model. Profitability was also strengthened by enhancing claims, underwriting, risk management and various cost saving initiatives.

Underwriting profits registered a 20.0% improvement as compared to 2015, with the net claims ratio at 43.9% (including the Malaysian Motor Insurance Pool), better than the industry's ratio of 54.6%.

RHB Insurance opened a new branch office in Puchong, Selangor to provide greater support and service to agents and customers. Backroom support and operational efficiency continued to be enhanced, with the successful pilot implementation of an automated and integrated end-to-end Enterprise Document Management System at Branch level. This has allowed us to modernise and streamline the policy issuance process, undertake document imaging and improve policy issuance turn-around-time. At the same time, it will boost productivity as well as reduce printing costs and other wastage.

The Point of Sales System for agents was also launched to strengthen support for the agency force which holds the largest market share in personal line insurances. This has enabled us to offer a straight-through processing capability for motor and motor-related products.

We continued to create brand awareness through creative marketing strategies, enhancing the visibility of our agent nationwide as well introducing innovative insurance products to attract new customers.



## MOVING FORWARD

Back in June 2016, Bank Negara Malaysia released the policy document titled “Phased Liberalisation of the Motor and Fire Tariffs”. Subsequently, as of 1 July 2016, insurers were allowed to introduce new products at market rates.

Come 1 July 2017, the market will see the removal of tariff rates for Motor Comprehensive and Motor Third Party Fire and Theft policies. Meanwhile, the Fire class will continue to see gradual adjustments in the tariff rates which came into effect on 1 July 2016. The liberalisation will be good for the industry as customers can expect to see more new products and insurers will have greater discretion to price in a manner which is proportionate to the Motor risks they underwrite.

# RHB SINGAPORE

Total Income	SGD200.5 Million
Profit Before Tax	SGD(93.4) Million
Total Assets	SGD7.9 Billion

## WHO WE ARE

Our core businesses are streamlined into eight pillars, namely Retail Banking, Commercial Banking, Corporate Banking, Treasury, Structured Finance as well as Investment Banking, Brokerage and Asset Management businesses. All the eight business pillars are offered through RHB Bank Berhad, RHB Securities Singapore Pte. Ltd and RHB Asset Management Pte. Ltd.

## WHAT WE DO

We are gearing towards building Singapore as a key market regionally and as one of the hubs in SEA, connecting opportunities across the region.

To harness the potential of this business, the year saw much effort centred on enhancing integration and collaboration between the commercial bank, securities, asset management, and research pillars providing customers, particularly the large corporates and commercial sectors, SMEs and the Affluent segment a full suite of financial banking services.

## RETAIL, COMMERCIAL AND CORPORATE BANKING BUSINESSES

In 2016, Singapore's economy registered growth of 1.8%, marginally beating forecasts, but still the lowest level of growth since 2009 during the global financial crisis. Amidst moderating economic growth, RHB Bank Singapore, registered a decline in its revenue growth of -2% from the previous year due mainly to closure of 13 Bureau de Change (BDC) counters at Changi Airport. The Bank registered 26% total revenue growth from its core banking business excluding BDC income. This growth was contributed by improved net interest margin and continuous growth at the commercial banking and corporate banking segments. The global economic slowdown impacted the ability of key clients to service their loans on time which impinged the Bank's profitability for the year. As a result, RHB Bank Singapore turned in a loss of S\$81 million while customer deposits grew to 22% from the previous year.



PREMIER  
BANKING  
CUSTOMERS

**48%**  
GROWTH

WEALTH  
& INSURANCE  
PRODUCTS

**13%**  
GROWTH

On the **Retail Banking** front, RHB Bank Singapore grew its premier banking customer base by 48% through new product offerings including expanded unit trust funds, insurance, deposits, and financing as well as targeted customer propositions. Retail deposits grew by over 60% where the main contribution came from new products targeted at the premier segment. In 2016, fee income from wealth and insurance products increased 13% year-on-year. This was the result of a strategic focus on building the premier wealth banking segment through growing the premier relationship managers' platform and new products. This growth also came on the back of the efforts of a team of channel sales specialists focused on getting deposits, while existing relationship managers drove sales via campaigns and sales management.

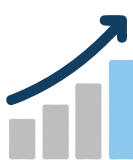
A new collection strategy with stepped up collections efforts, lowered the impaired loans ratio by 20%. This strategy will continue to be implemented even as the loan portfolio grows. The key focus for retail banking in 2017 will be to further grow our wealth segment, as well as loans and deposits.

The **Commercial Banking** business recorded 29% year-on-year revenue increase. This result was primarily driven by the higher acquisition of new-to-bank clients and higher deposit that drives down cost of funding. The success of the BizPower Quad/Quad+ current account led to 2% overall in deposit for Commercial Banking. The BizPower Quads account continues to gain market share and positive traction.

While the Commercial Banking business focused its efforts on growing deposit revenue in 2016, however given the tepid economy, this business faced huge challenges in maintaining its asset book and trade revenue. Thus the business adopted a more conservative stance by focusing on a high quality portfolio which resulted in its asset loan book being flat for the year. In 2017, Commercial Banking will continue to build a high quality portfolio by growing its secured assets book and focus on deposit growth.

In 2016, the **Treasury** business was adversely affected by the slowdown in the Oil and Gas industry and so it turned its efforts to strengthening the capabilities of its products and making it more accessible to a variety of segments. The division will continue to expand the capabilities of its products and make investments in new infrastructure. This will position the Treasury business to capitalise on any opportunities in 2017.

• RETAIL BANKING



**60%**  
GROWTH  
RETAIL DEPOSITS

• COMMERCIAL BANKING



**29%**  
REVENUE  
INCREASE

## • CORPORATE BANKING



LOAN ASSETS  
**SGD1,967**  
MILLION

The **Corporate Banking** business achieved a 3.6% growth in loan assets to reach SGD1,967 million in 2016. This was mainly attributable to its increment in four mandated lead arranger deals with a net increase of SGD320 million. However, this was offset substantially by several scheduled repayments and unscheduled prepayments. On the deposits front, additional CASA with balances went up 38%, while fixed deposits declined 13%. This is in line with the Group's funding strategy to strengthen the CASA portfolio.

## SECURITIES AND ASSET MANAGEMENT BUSINESSES

RHB Securities registered a total income of SGD40.7 million in 2016. However, this was offset by higher operating expenses of SGD38 million which resulted in a management loss before tax of SGD7.3 million. The firm continued to stand strong on the league table in Singapore obtaining 2.77% market share in terms of equities by value. The firm's position as an industry leader in equity research too was underscored by its being awarded the titles "Most improved Brokerage over the last 12 months" and "Second most independent research brokerage in the country" by the Asiamoney Broker's Poll 2016.

The year saw the **Retail Equities** business rolling out several initiatives for their various audiences. To develop, build and sustain retail participation, the RHBInvest Mobile App 2.0 with a fresher and more intuitive interface (including added trading tools) was launched. To educate investors, the team organised more than a dozen workshops, seminars and events in partnership with the Singapore Stock Exchange, Securities Investors Association, REIT Association of Singapore, prominent stock bloggers and listed companies.



Today, the fintech-startups boom has revolutionised and shaken up the traditional broking business. Recognising the importance of innovation and the need to stay ahead of the curve, the retail equities team collaborated with Investing Note, a leading online social network, to connect and share investment ideas with the online investing community. Additionally, the team enhanced its customer service experience, making all communication materials and statements reader-friendly with easy-to-understand terms.

Moving forward, RHB Securities plans to ramp up the institutional equities, retail equities and share margin financing business. Improvements in infrastructure on the new mid-to-back office engine, NOVA, will come on-stream in mid-2017 which will boost the retail business operations.

• CAPITAL MARKETS & ADVISORY SERVICES



• RHB ASSET MANAGEMENT



The **Capital Markets & Advisory Services** segment performed extremely well in 2016, turning in a 280% hike in revenue to SGD12.8 million in 2016 from SGD3.3 million previously. This segment comprises a team of businesses that include the Corporate Finance (CF), Debt Capital Markets (DCM), Mergers & Acquisitions (M&A) and Specialised Lending Advisory businesses.

Additionally, RHB Securities will be working closely with the Corporate Banking and Treasury team from RHB Bank to continue to foster the M&A business and increase Capital Markets activity specifically in the area of Syndicated Loans Advisory and Structuring. The coverage team is being further enhanced to focus on inbound and outbound Singapore-Malaysia corridor opportunities. Plans are in the offing for RHB Securities to obtain a license to be a member of Singapore’s Catalist board by the second half of 2017.

**RHB Asset Management** continued to grow its business even amidst persistent market volatility via the launch of two new funds in 2016. These developments, in combination with growth in existing products and an expanded distribution platform, saw the asset management business garnered a 31% increase in revenue. In recognition of its endeavours to bring new and relevant solutions to its clients, RHB Asset Management also received the accolade “Most Innovative Product in Singapore” for the RHB Pre-IPO and Special Situation Fund III from Asia Asset Management. Moving forward, RHB Asset Management targets 29% revenue growth for 2017 through purposeful expansion of its distribution platforms, intermediaries and smart partnerships.

**MOVING FORWARD**

Singapore’s Ministry of Trade and Industry forecasts that the growth prospects for Singapore Growth are expected to be at a modest pace of between 1% and 3% even as backlash against globalisation is set to intensify. To weather 2017’s expected economic headwinds, RHB Singapore will focus on deepening its share of wallet of quality clients and driving more synergies across different businesses and geographies in SEA where the Group has a market presence. Anticipating an increase in mergers and acquisitions opportunities in Singapore despite the volatile economic landscape, the Bank will position itself to capitalise on these opportunities. The Bank will also prioritise investing in the future through digitalisation of key banking infrastructure, growing its products and services to expand its reach and enhance the customer experience.



# GROUP INTERNATIONAL BUSINESS

Total Income	RM143.8 Million
Profit Before Tax	RM33.2 Million
Total Assets	RM6.2 Billion

## WHO WE ARE

Group International Business comprises our overseas commercial banking portfolio excluding Singapore. Our network of branches in Cambodia, Thailand, Lao PDR and Brunei offers a wide range of services that cater to retail, commercial and corporate customers. We have also set up representative offices in Vietnam and Myanmar to help build rapport with potential customers and regulators, as well as to deepen our understanding of the local operating environment.

## WHAT WE DO

We offer a diverse range of business solutions catering to the different needs of our customers. Our offerings range from loan facilities and deposits to trade finance and other services such as FX and remittance amongst others.



MAINTAINABLE OPERATING  
PROFIT: RM69 MILLION

**51.5%**  
**GROWTH**

Group International Business posted strong growth in maintainable operating profit of 51.5% to RM69 million in 2016. This came mainly on the back of strong net interest income growth from Cambodia and Lao PDR.

Excluding a one-off provision, our international business sustained its momentum to record solid pre-tax profit growth of 44.9% to RM46.9 million against a challenging macroeconomic backdrop.

This was buoyed by strong loans and deposits growth of 20.3% to RM3.1 billion and 33.5% to RM2.7 billion respectively, while CASA composition improved significantly from 24.5% to 31.5% in 2016 exceeding full year target. The improvement in CASA composition was achieved through the successful deposit strategy in Cambodia, and Thailand's strategic initiative to recalibrate deposits to lower cost of funds.

Also noteworthy is the strong performance posted by RHB Laos, their pre-tax profit surging from USD92 thousand in 2015 to USD1.1 million in 2016 with just two branches in operation, one of which was newly opened in 2016.

As testament to effective cost management efforts while scaling foothold, the overall international business portfolio's cost-to-income ratio improved from 59.8% to 51.9% with positive JAWS position recorded, despite the fact that 3 new branches were opened in Cambodia and Lao PDR last year.

For 2017, the overarching approach for Group International Business is to focus on optimal utilisation of existing RHB network and resources to grow profitably and garner higher market share in each country. This will be adopted while ensuring key priorities are in tandem with the Group's five strategic themes, namely to enhance customer experience and forge deeper client relationships; to improve productivity and profitability; to grow responsibly and effectively manage asset quality; to digitise across the Group; and to enhance a high performance culture. Concrete plans along these five key themes have been put in place, and significant effort will be channelled into executing these plans in the year ahead.





MAINTAINABLE OPERATING  
PROFIT: USD13.5 MILLION

**29.7%**  
**GROWTH**

## CAMBODIA

Cambodia's banking sector experienced slower growth in 2016, stemming mainly from asset quality concerns and compounded further by uncertainties in global macroeconomic developments. On the regulatory front, the banking sector was impacted by more stringent Liquidity Coverage Ratio and higher minimum capital requirements. Despite this, RHB Indochina Bank Ltd ("RHBIBL") posted healthy growth in maintainable operating profit of 29.7% to USD13.5 million, largely contributed by effective cost management which resulted in improvement of cost-to-income ratio from 42.0% to 35.5%. RHBIBL's prudent management of credit risk has resulted in pre-tax profit growth of 11.1% to USD8.4 million.

RHBIBL successfully contained its costs despite network expansion with the opening of two new branches at Mao Tse Tung and Boeng Keng Kang both in Phnom Penh, bringing the total branch network to 12 branches across the country. Efforts to be self-sufficient have begun to bear fruits as RHBIBL posted strong customer deposits growth of 35.7% to USD301 million, contributed largely by effective targeted deposit campaigns. This in turn resulted in improvement of loans-to-deposits ratio from 156% to 120%, while CASA composition rose from 25.3% to 30.4% of total customer deposits.

2016 saw the second collaboration between RHBIBL and Startupbootcamp Fintech ("SBC") to engage and offer expert advice to the local start-up community in Cambodia via "Fintech Office Hours" and "Fintech Social" which were held in Phnom Penh. This initiative is in line with the Group's Digital Strategy to grow and nurture prospective start-ups with innovative digital solutions that have the potential to be integrated into conventional banking services and operations. While the fintech scene in Cambodia is still at a nascent stage, ample opportunities exist for RHBIBL to strengthen its contribution in this area and gain recognition as the trusted partner to support this growing ecosystem.

Moving forward, the Cambodian economy is expected to experience a healthy growth rate of 6.9% in 2017. To capitalise on this, RHBIBL will work to scale the business through its existing branches as well as increase profit contribution from its retail portfolio by introducing a wider array of new products and services such as the launch of mobile and internet banking, Premier Banking, credit and debit cards. RHBIBL will also set its sights on growing CASA through strategic deposit acquisition campaigns and active rebalancing of the portfolio to reduce funding reliance on Group Treasury. In view of the higher provisions required due to the increasingly stringent local regulatory requirements, managing asset quality will be one of the highest priorities for 2017. The Bank will continue to grow loans responsibly with prudent and stringent standards, targeting resilient growth sectors of the economy. We have also taken measures to increase resources for greater asset management quality.

To maintain its competitive edge and keep in line with Cambodian government's initiative to digitise the banking sector, RHBIBL will launch RHB Now internet and mobile banking platform to scale customer touch points to reach the underserved segments. RHBIBL will continue to support the start-up scene in Cambodia through its collaboration with SBC while simultaneously exploring potential partnerships with viable and high potential start-ups.

RHBIBL has today established a strong presence in Cambodia and enjoys the confidence of both its clients and community as well as the regulatory authorities. To further bolster the RHB brand image and standing in Cambodia, we have made plans to relocate to a new Corporate Head Office Building in Phnom Penh by the end of 2017. The new building will improve efficiency and productivity with the consolidation of several business and support units in one single location. The building would incorporate a pillar-less customer lobby which will be the first of its kind in Cambodia, and facilitate the introduction of several new services such as digital banking, premier banking and safe deposit boxes to improve customer experience and deepen client relationships.



MAINTAINABLE OPERATING  
PROFIT: THB31.9 MILLION

**370%**  
**GROWTH**

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## THAILAND

RHB Thailand posted strong Y-o-Y growth in pre-tax profit of 201% to THB52 million, excluding a one-off provision. This was largely resulted from our focused efforts on improving profitability through revenue and cost management initiatives. We lowered funding cost significantly by 43bps through active recalibration of our deposits portfolio and strategic funding via the swap market, which has allowed us to maintain our competitive pricing in the market. We have come a long way in terms of our continued investment in our people, with enhanced bench strength and key senior hires leading to marked improvements in our operational efficiencies.

Against a challenging economic backdrop with increasing asset quality challenges in Thailand banking industry, RHB Thailand remains disciplined with its prudent credit culture. During the year, we focused on the strategic growth of assets in selective industries with low non-performing loans (“NPL”) ratio. Coupled with pro-active monitoring of customers’ profiles and early warnings triggers firmly in place, there were no occurrences of new NPL cases in 2016 keeping our delinquency rate below industry average.

As a foreign bank branch with only three branches in Thailand, RHB Thailand will adopt a wholesale banking model in 2017, centred on close collaboration with RHB Thailand Securities business to ensure long-term sustainability. To operationalise the wholesale banking model, emphasis will be placed on establishing a single client coverage model between Bank and Securities to forge stronger client relationships. Further, harmonisation of back and middle office functions between the two businesses will be carried out to capture cost synergies and enhance operational efficiencies.

Ensuring long term sustainability is of utmost priority to us. Therefore we will continue to invest in IT infrastructure and our people by upskilling our staff through learning and development. We are confident that we are on firm footing to execute our priorities and realise our growth agenda for the year ahead.



**“RHB Lao continued to exceed expectations in 2016, with pre-tax profit surging from USD92 thousand to USD1.1 million with just two branches in operations”**



MAINTAINABLE  
OPERATING PROFIT:  
USD1.5 MILLION

**813.6%  
GROWTH**

**LAO PDR**

RHB Lao continued to exceed expectations in 2016 growing pre-tax profit to USD1.1 million with just two branches in operations. This was largely driven by strong loans growth of 71%, resulting in healthy net interest income growth of 88%, while the bank continued to expand its network with the opening of a new branch at Sithan Neua in Vientiane Capital.

Moving forward, RHB Lao will continue to strengthen its foothold and scale its business with ongoing emphasis on cultivating solid relationships with customers through various networking and engagement activities. The Bank also aims to drive trade finance to better serve its corporate customers from the import and export business.

In view of the softening local market outlook, active monitoring of asset quality will be required in the year ahead. Enhanced monitoring activities and review of early warning indicators with risk and credit teams will be employed to manage potential delinquent accounts. As with the other countries, significant resources will be devoted to improve staff competencies and promote career development through job rotation, attachments and increased training opportunities.



MAINTAINABLE OPERATING  
PROFIT: BND1.5 MILLION

**13.2%  
GROWTH**



**BRUNEI**

Brunei’s small population of 400,000 people translates into limited growth opportunities for the retail, corporate and SME sectors. Nonetheless, the Group’s long-serving presence in this kingdom since 1965 has enabled strong relationships to be fostered with clients to remain profitable.

In 2016, RHB Brunei registered 116.9% growth in pre-tax profit of BND589 thousand despite a lacklustre business environment. This was mainly attributable to a 7% growth in non-interest income mainly

driven by high volume in remittances and higher net interest income following positive impact from adoption of IAS 39.

Moving forward, the Brunei operation plans to increase collaboration with the Group to help capture cross-border businesses while effectively managing asset quality. A key strategy to boost profitability will be to drive the trade and FX business by targeting suppliers of the wholesale and retail trade sectors to boost non-interest income as well as rebalancing portfolio via enlarging commercial and SME coverage.



# SIGNIFICANT EVENTS 2016

## CORPORATE EXERCISE



- **28 June 2016** – Listing of RHB Bank Berhad on Bursa Malaysia which entailed the transfer by RHB Capital of its entire equity interests in, and certain assets and liabilities of its subsidiaries to its wholly-owned subsidiary, RHB Bank

## MAJOR AWARDS



- **7 March 2016:** The Edge Thomson Reuters Lipper Fund Awards 2016 where RHB Asset Management won a total of 15 awards

- **1 April 2016:** RHB Investment Bank were amongst the winners at the Bursa Malaysia Annual Brokers Awards 2016



21  
Nov

- **21 November 2016:** KILFF Awards 2016 – RHB Islamic bagged the Most Outstanding Islamic Corporate Bank Award

- **15 December 2016:** RHB Banking Group was awarded the Merit Award at the Minority Shareholders Watchdog Group Awards for Corporate Governance
- **19 December 2016:** RHB Investment Bank received the Alpha Southeast Asia Awards – 10th Annual Best Financial Institution Awards In Southeast Asia

15  
Dec

## MAJOR DEALS IN 2016

- Ekovest – RM3.64 billion Sukuk Wakalah, Malaysia's largest ringgit-denominated greenfield toll-road project financing, to partly fund Setiawangsa-Pantai Expressway (DUKE)
- Sarawak Hidro – RM5.54 billion Sukuk Murabahah facility
- Serba Dinamik IPO prospectus launch
- Salutica IPO prospectus launch
- Privatisation of Kulim (Malaysia) Berhad – RM2.26 billion
- United Fiber System's RTO of PT Golden Energy Mines Tbk – SGD1.879 billion

## MAJOR DIGITAL INITIATIVES



5  
May



9  
Nov



7  
Dec

- **5 May 2016:** Launch of the New RHB Now Mobile Banking App
- **9 November 2016:** RHB enhanced our SME e-Retail solution with the roll-out of the RHB Merchant Mobile Point of Sale (MPOS)
- **7 December 2016:** Launch of RHB Premier Now Mobile Banking App with enhanced features which allows customers to engage with Premier Relationship Managers, thus, providing simple, and seamless customer experience



## SIGNING CEREMONY



9  
Mar



2  
Nov



7  
June



13  
Aug



9  
Nov



8  
Dec

- **9 March 2016:** RHB Bank & Credit Guarantee Corporation Malaysia Berhad (CGC) – to mark the collaboration between both parties for the RHB Financial Supply Chain Portfolio Guarantee (RHB FSCPG) which provides working capital financing, specifically for SMEs
- **7 June 2016:** RHB Insurance & United Nations High Commissioner for Refugees – to provide Insurance schemes for refugees
- **13 August 2016:** RHB Insurance & National Union of the Teaching Profession – for a Group Hospitalisation and Surgical (GHS) Scheme
- **2 November 2016:** RHB Bank and SOGO – to provide Financial Supply Chain Solutions for SOGO's vendors and suppliers
- **9 November 2016:** RHB Bank ties up with Sage Software Asia Pte Limited
- **8 December 2016:** RHB Bank & Baker Tilly Malaysia – tax diagnosis services for RHB Premier customers

# CORPORATE MILESTONES

1913  
-  
1990



## 1913

The Kwong Yik (Selangor) Banking Corporation, Limited incorporated and commenced business on 15 July 1913 at the Old Market Square.

## 1915

Moved from Market Square to the corner of Jalan Bandar and Jalan Silang where it remained until 1938.

## 1920's & 30's

Extended credit to local traders, mainly Chinese businessmen, miners and planters, in a financial environment largely dominated by foreign banks. Despite the economic depression of the 1930's, Kwong Yik Bank played a significant role in the growing prosperity of Malaya and the demand for rubber and tin.

## 1938

Moved to the Kwong Yik Bank Chambers. This remained its base until the 1960s.

## 1940's

Operations suspended with the Japanese Occupation and World War 2. The bank resumed business when the war ended. In 1941, deposits totalled RM5 million.

## 1950's

Played an integral part in the rehabilitation of the country's economy leading up to Independence. Links with overseas banks were established.

## 1961

Moved to its temporary premises in Jalan Bandar while awaiting the completion of its new headquarters. By this time, customer deposits totalled RM34 million.

## 1963

Kwong Yik Bank celebrated its Golden Jubilee.

## 1964

First sub-branch opened in Jalan Pasar.



## 1965

The landmark 10-storey Headquarters at Jalan Bandar (now Jalan Tun H.S. Lee) was opened by the Prime Minister then, Tunku Abdul Rahman on September 10. Opened branches in Jalan Ipoh and Jalan Bukit Bintang.

## 1967

First branch opened in Petaling Jaya. Both Kuala Lumpur and Petaling Jaya were rapidly expanding at this point and many of the landmark buildings were financed by Kwong Yik Bank.

## 1968

Malayan Banking buys 30% of Kwong Yik Bank's issued capital.

## 1970

Malayan Banking's shareholding in the bank increased to 51.15%. Kwong Yik Bank's deposits at this juncture totalled more than RM130 million.

## 1970

New linear logo unveiled.



## April 1981

Opened a branch in Ipoh, the first outside Federal Territory and Selangor.

## 1985

Introduced ATM service called 'Boss' simultaneously at 12 of its branches in Kuala Lumpur, Petaling Jaya and Klang.

## 1987

Joined forces with Malayan Banking to launch the country's first shared ATM service called the ABC network.

## 1989

Launched the Boss Corporate Card and its Sunday Banking service.

## 1990

Mastercard facility launched.

# 1991 - current

## 1993

Kwong Yik Bank celebrated its 80th anniversary. It had 50 branches throughout the country at this juncture and 1,680 staff. To mark the occasion, the bank produced its first TV commercial.

## 1993

Rashid Hussain Bhd purchased Malayan Banking's share in Kwong Yik Bank. The bank then merged with DCB Bank (formerly D&C Bank, established 1966), which has been under the RHB stable since 1993. This biggest bank merger in the country's history formed RHB Bank Berhad, then Malaysia's third largest financial services group.



## 1997

Launch of RHB Online service for financial services via computer and telephone.



**Sime Bank Berhad**

## 1999

Sime Bank merged with RHB Bank to become part of RHB Banking Group. Sime Bank was set up after UMBC (United Malayan Banking Corporation, established 1960) became part of the Sime Darby Group in 1996.



## 2003

Merger of RHB Bank with Bank Utama Berhad, which was first established in 1976.

## 2007

The Employees Provident Fund (EPF) emerged as the single largest shareholder of RHB Capital. 30% equity in RHB Bank was purchased from Khazanah Nasional Berhad, making RHB Bank a 100% subsidiary of RHB Capital.

## 2009

Inception of Easy by RHB, the first innovative community bank in Asia that offers fast and simple banking experience through cutting-edge technology.

## 2012

RHB Capital acquired OSK Investment Bank, paving the way for RHB Banking Group's strong presence in ASEAN and Hong Kong.



## 2013

RHB Banking Group celebrates RHB Bank's 100th Anniversary.

## 28 June 2016

RHB Bank Berhad assumed the listing status of RHB Capital Berhad on Bursa Malaysia, thus becoming the new financial holding company of RHB Banking Group.





# RHB Bank to focus on improving asset quality

Against challenging insurance landscape, bank to enhance efficiency and focus on growth areas

By PRISMA LINA DEWARMAN

RHB Bank Bhd, which resumed the listing process at Bursa Capital Market (CEB) on Aug 11, will focus on enhancing efficiency and quality of assets, and focus on growth areas to deal against challenging insurance landscape.

Group CEO Dato' Khairuddin Kahli said the bank's industry faces another challenging year, worsened by global uncertainty and sluggish economic conditions.

"One of the areas we are focusing on would be improving the asset quality as competition heightens."

"Along with RHB, RHB is in a good position to withstand upside or downside risk," he said regarding the bank's listing on Bursa Malaysia in Kuala Lumpur yesterday.

He said the bank is also looking at making investments in areas that can deliver higher



RHB Bank Group Chairman Tan Sri Khairuddin Kahli speaking at a press conference.

return on capital employed (ROCE). "We will continue to focus on the core business, which is banking, and we will continue to invest in growth areas, which are insurance, investment and real estate."

He said the bank's listing on Bursa Malaysia is a significant milestone for the bank, and it will continue to focus on improving its asset quality and efficiency.

RHB Banking Group Chairman Tan Sri Khairuddin Kahli said the bank's industry faces another challenging year, worsened by global uncertainty and sluggish economic conditions.

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## RHB Bank listing to strengthen group

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Group CEO Dato' Khairuddin Kahli said the bank's industry faces another challenging year, worsened by global uncertainty and sluggish economic conditions.



Group photo of RHB Islamic Bank staff at the KLIFF 2015 Awards Dinner.



RHB Islamic Bank staff receiving an award at the KLIFF 2015 Awards Dinner.

## RHB IB is third top lead manager for corporate bonds, sukuk — RAM

By YIMIE YONG

KUALA LUMPUR: RHB Investment Bank Bhd (RHB IB) took the third spot in RAM Rating Services Bhd's lead managers league table for corporate bonds and sukuk as at end-September, having arranged RM2.0 billion worth of RAM-rated corporate bonds and sukuk in the first nine months of 2016.

In a statement yesterday, RAM said the new ranking was due to a revision of its RAM Lead Managers League Table for Private Debt Securities and Sukuk Issues for the first nine months of the year.

The revision, it said, takes into account RHB IB's role as the co-lead arranger of the new RM1.5 billion RMIS-54 program.

Previously, RHB IB was ranked No.4. Hence, the list, which is topped by CIMB Investment Bank Bhd with RM21.25 billion worth of RAM-rated corporate bonds and sukuk as at August, with Maybank Investment Bank Bhd (Maybank IB) in second place (RM14.32 billion), now has the Bank of Tokyo-Mitsubishi UFJ (Malaysia) Bhd in the fourth place (RM1.25 billion), followed by the United Overseas Bank (Malaysia) Bhd and OCBC AJ-Antin Bank Bhd (joint RHB place with RM660 million each), Bank Muamalat Malaysia Bhd (RM500 million), and Citibank Bhd (RM400 million).

RAM said the new ranking was based on the volume of new issues of corporate bonds and sukuk in the first nine months of 2016.

The revision, it said, takes into account RHB IB's role as the co-lead arranger of the new RM1.5 billion RMIS-54 program.

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## Penstrukturan semula RHB Group selesai



RHB Group executives celebrating the completion of restructuring with a large ceremonial key.

RHB Group Chairman Tan Sri Khairuddin Kahli said the bank's industry faces another challenging year, worsened by global uncertainty and sluggish economic conditions.

Group CEO Dato' Khairuddin Kahli said the bank's industry faces another challenging year, worsened by global uncertainty and sluggish economic conditions.

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## RHB awarded global standard

PEKALING JAYA: RHB Group Technology Services has been awarded the ISO/IEC 20000:2011 certification. With this certification, RHB Bank has become the first financial institution in Malaysia and Singapore to be certified under the IT Service Management portfolio.

"This certification is testament to RHB's capabilities and capacity to manage and operate its various highly complex IT services business operations."

It also strengthens our customers' confidence in RHB in terms of service quality and facilitates our activities as a trusted partner.

Group CEO Dato' Khairuddin Kahli said the bank's industry faces another challenging year, worsened by global uncertainty and sluggish economic conditions.

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## RHB expects RM340m cost savings per year

After the completion of its restructuring exercise.

By PRISMA LINA DEWARMAN

RHB Bank Bhd, which resumed the listing process at Bursa Capital Market (CEB) on Aug 11, will focus on enhancing efficiency and quality of assets, and focus on growth areas to deal against challenging insurance landscape.

Group CEO Dato' Khairuddin Kahli said the bank's industry faces another challenging year, worsened by global uncertainty and sluggish economic conditions.

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# RHB IN THE NEWS



# RHB ISLAMIC WINS TWO PRESTIGIOUS AWARDS

RHB Islamic Bank was awarded the Most Outstanding Islamic Corporate Banking and the Most Outstanding Islamic Corporate Banking Supply Chain at the 12th Kuala Lumpur Islamic Finance Forum (KLIFF) 2015. The event themed "Islamic Finance & Investment - Credibility, Sustainability and Scalability". This year saw RHB Islamic Bank as the main sponsors.



## RHB ups the ante with new brand initiative

RHB Islamic Bank has launched a new brand initiative to enhance its corporate image and strengthen its relationship with stakeholders. The initiative includes a new logo, brand identity, and marketing materials. The bank aims to position itself as a leader in the Islamic banking industry and to attract more customers.

# Banking in the know, now and future with RHB Now

Revolutionary features for money transfer... RHB Now is a mobile banking app that offers a range of services including money transfer, bill payment, and account management. The app is designed to be user-friendly and secure, providing customers with a convenient way to manage their finances on the go.



Table with 2 columns: Feature, Description. Lists features like Money Transfer, Bill Payment, Account Management, etc.

Infographic showing app statistics and features. Includes icons for security, ease of use, and service availability.

## RHBcap, CXGC launch new working capital financing product

RHBcap and CXGC have launched a new working capital financing product designed to help businesses manage their cash flow and improve their financial health. The product offers flexible terms and competitive rates, making it an attractive option for SMEs and larger corporations alike.



## RHB Bank hosts first FinTechathon with Startupbootcamp

RHB Bank has hosted its first FinTechathon in partnership with Startupbootcamp. The event brought together fintech startups and RHB Bank executives to discuss innovative solutions for the banking industry. Several startups presented their ideas, and RHB Bank expressed interest in exploring potential partnerships.



## RHB Investment menang 3 anugerah broker Bursa Malaysia 2015

RHB Investment has won three awards from Bursa Malaysia for 2015, recognizing its excellence in corporate advisory services. The awards include Best Corporate Finance Advisor, Best Mergers and Acquisitions Advisor, and Best Restructuring Advisor. RHB Investment's success is attributed to its strong client relationships and innovative solutions.



sepanjang tahun menyumbangkan kepada lebih banyak pemelukah agama," katanya dalam pernyataan hari ini. Beliau berkata, pemberian itu mengesahkan kedudukan RHB sebagai pemimpin berkeadilan dalam industri perbankan Islam di Malaysia. "Selain status berkeadilan kami mahu meningkatkan pengesanan pasaran, kami juga mearahkan kekuatan dalam usaha memajukan pelanggan bagi memperkukuh sokongan pelanggan dalam dagangan masing-masing," katanya.



From left: Deputy Chief Executive Officer Datuk Rosnah Abdul Rashid Shireh, Youth and Sports Minister Khairul Johari Johanneh, SMI Group CEO and executive officer Datuk Sazali Haryati Chow and RHB Banking Group Managing Director Datuk Abdulrazzak bin Yusoff. RHB participants at the cycling event held in Ipoh, Perak.

## RHB launches enhanced mobile banking app

RHB Bank has launched an enhanced version of its mobile banking app, offering a more intuitive and feature-rich user experience. The new app includes enhanced security features, faster transaction processing, and a range of new services. RHB Bank aims to provide a seamless and secure mobile banking experience for its customers.



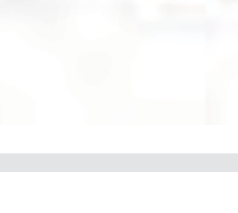
having upgraded to this app. "With this enhanced app, we aim to sign up a majority of our premier customers onto this new mobile platform," he said. "I said that RHB's premier banking customer base had risen to 34,000 from 30,000 in July. To be eligible for premier banking membership, an individual must have at least RM200,000 of assets under management."

# RHB Asset wants to be outstanding regional fund house

MOI is very blessed that asset management is viewed as a major pillar in the RHB Group.

MOI Group CEO and executive officer Datuk Sazali Haryati Chow, Managing Director of RHB Asset Management, said that the group is committed to providing high-quality investment solutions for its clients. RHB Asset Management has a strong track record and a team of experienced professionals, making it a leading player in the regional fund house industry.

"When asked whether she felt the pressure of being kept close to the MOI, Sazali said she did not feel any pressure. "The MOI Group has been my mentor and my friend since I was in NUS. Today, for my big boss to be so close to me as the Managing Director of RHB Asset Management, and also a dear father to me," says Sazali. "I am honored because I can go to him and he is one of the best mentors in the industry. I can go to him for his advice whenever I need it and also look to him for guidance not only in terms of my working life but also my personal life. It is not just the pressure because whenever I feel overwhelmed, I talk to him and we talk through it and he helps me to draw strength for myself to go forward to whatever situation I am in. I am truly thankful to God for being the MOI Group's Managing Director."



## RHB ties up with Aussie business school

RHB Bank has signed a strategic partnership with an Australian business school to enhance its corporate training and development programs. The partnership will focus on providing high-quality training for RHB employees and clients, helping them to stay competitive in the global market.

RHB Insurance in collaboration with UNHCR... RHB Insurance has partnered with UNHCR to provide financial support and assistance to refugees and displaced persons. The partnership aims to help these vulnerable groups improve their financial stability and quality of life.

## RHB BANK OPENS SECOND BRANCH IN LAO PDR

RHB Bank has opened its second branch in Laos PDR, marking a significant milestone in its regional expansion. The new branch is located in a major city and will provide a range of banking services to the local community. RHB Bank is committed to supporting economic growth and development in the region.

The new branch provides a wide range of services including savings, loans, and remittance. RHB Bank is pleased to serve the people of Laos PDR and to contribute to the country's economic growth.

You can also check on our website for more information [www.rhbgroup.com](http://www.rhbgroup.com)





# CALENDAR OF EVENTS 2016

## AWARDS & ACCOLADES

- **4 April 2016:** RHB Bank won the Malaysia ePayments Excellence Awards
- **7 – 10 April 2016:** RHB Asset Management was a winner at the EPF Portfolio Managers Annual Awards Dinner 2016
- **11 April 2016:** RHB Banking Group received Malaysia Best Employer Brand Awards 2016
- **10 May 2016:** RHB Banking Group Presentation of the IT Service Management ISO(IEC2000) Certificate
- **18 May 2016:** RHB Investment Bank walked away with several awards at the RAM League Awards
- **24 May 2016:** RHB Investment Bank was recognised with the The Asset Triple A Islamic Finance Awards 2016
- **2 June 2016:** RHB Banking Group – The Asset Corporate Awards 2016



4  
Apr



7-10  
Apr



11  
Apr



18  
May



24  
May

## CORPORATE ENGAGEMENT ACTIVITIES



18  
Feb



25  
Jul



2  
Sep



19  
Nov

- **21 January 2016:** RHB Premier Banking Chinese New Year celebrations with its Premier Customers
- **18 February & 25 July 2016:** RHB hosted Open House celebrations for our corporate clients and business partners during the Chinese New Year and Hari Raya Aidil Fitri celebrations
- **26 – 29 July 2016:** Private Equity Fund Talk Series
- **2 September – 4 November 2016:** A series of Hi-Tea was held to show our appreciation to our loyal customers and business partners nationwide
- **12 November 2016:** RHB & Teraju friendly golf tournament
- **19 November 2016:** The RHB Golf Classic tournament at Tropicana, a charity event that saw more than 70 golfers coming together to play for charity. The amount of RM150,000 was distributed to 10 charity homes and pledged to National Diabetes Institute (NADI)
- **8 December 2016 (Finale):** RHB Premium Cards Gold Series 2016 for RHB's high net worth customers



## COMMUNITY ENGAGEMENT

### Arts & Culture: Art With Hearts



- **16 November 2016:** RHB successfully held its inaugural RHB Art with Heart exhibition, which was held at the National Visual Arts Gallery. It is aimed at supporting the work of local artists while promoting creative arts to increase awareness and an appreciation for local talents. The exhibition showcased selected works of 11 featured artists

### Nurturing Future Generations



- **1 October 2016** – Continuing our commitment to nurturing the future generations, RHB once again brought together a determined group of students to participate in the RHB-New Straits Times National Spell-It-Right Challenge
- **4 June 2016:** The Cambodia Junior Football programme was a hit once again in the country







## RHB Community Weekend

The RHB Community Weekend was held between **20 – 21 August 2016** in Malaysia and across the Asean region. The first-of-its-kind activity saw 32 groups who undertook 37 community projects within Malaysia and the region, pooling together their resources to spend quality time with young people from disadvantaged backgrounds. Needless to say, the effort was well worth every drop of sweat as the team left feeling humbled by their experience yet satisfied that they could give back to society in a meaningful way.









## DIGITAL INITIATIVES

- **8 January & 13 May 2016:** Startupbootcamp Programmes continued to attract fintech start-ups to pitch their innovations to RHB in Kuala Lumpur and made an appearance in Cambodia. The FinTech Hackaton was held in way in Kuala Lumpur
- **11 May 2016:** The Cohort and Hackaton Programme took place as part of the Startupbootcamp initiative
- **14 June 2016:** RHB Now Mobile Banking App @ KDU Shah Alam campus was launched, making the college a cashless campus
- **1 December 2016:** KL Fast Track Day was another component of the Startupbootcamp programme



## LEADERS WHO INSPIRE

- **4 March – 22 September 2016:** RHB invited several corporate captains who have acquired a strong standing as inspiring leaders, to share their insights and philosophies with our staff. These leaders included Christoph Mueller, formerly of Malaysia Airlines; Tan Sri Liew Kee Sin of Ecoworld and Tan Sri Dr Rebecca Fatimah Sta Maria, an RHB Board member and formerly the Secretary General of MITI



## PRODUCT PROMOTIONS & LAUNCHES

- **7 March 2016:** Prize Giving Ceremony for the RHB Save to Win Contest where the winner took possession of a Mercedes S400 Hybrid
- **20 April 2016:** RHB participated in the Minggu Amanah Saham Malaysia 2016 which was held in Tapah, Perak
- **12 May 2016:** RHB Islamic ASEAN Megatrend Fund launch
- **31 May 2016:** A Honda Jazz was given away in the prize giving ceremony for the Drive Easy Sweepstakes Campaign with RinggitPlus
- **31 July 2016:** Prize giving “RHB Reflex Transact & Win” Contest
- **3 – 22 August 2016:** Private Equity Opportunity Fund 1 Launch





## STAFF ENGAGEMENT

- **20 February – 16 April 2016** – In an effort to inculcate a healthy lifestyle amongst the staff, RHB launched a cycling event led by Dato Khairussaleh Ramli, our Group Managing Director. The staff were also joined by our Chairman, Tan Sri Azlan Zainol at several of the rides, which was usually held in Cyberjaya
- **29 March & 8 September 2016** – The RHB teams were once again in the thick of action at the Rat Race 2016 and at the Bursa Bull Charge 2016
- **23 April – 31 December 2016** – Staff from across the nation held their respective annual dinners, which saw some clever and entertaining themes coming to live at the various locations
- **30 April 2016:** Malaysia's First Closed Highway Night Cycling Event @ Lekas E21 saw our Group Managing Director, Dato' Khairussaleh Ramli and a team of cyclists from RHB participating in this night Ride
- **17 May 2016:** RHB Innovative Minds Contest Prize Giving Ceremony for teams who came up with the most innovative cost savings or process improvement initiatives
- **9 September & 2 November 2016:** Group Managing Director Engaging event with RHB talents
- **8 October 2016:** RHB Broga Challenge 2016 saw runners enjoying a brisk run up and down the hill and around the Broga area
- **7 December 2016:** RHB Leadership Signature Programme was launched to develop the RHB talent pool



20  
Feb



29  
Mar



23  
Apr



23  
Apr



30  
Apr



17  
May



9  
Sep



8  
Oct



7  
Dec

## STAFF GET-TOGETHER:



19 Feb



25 June



25 June



9 Nov



- **19 February; 25 June & 9 November 2016** – Staff came together to celebrate the spirit of friendship and camaraderie through the colourful festivals of Chinese New Year, Hari Raya Aidil Fitri and Deepavali

- **25 June 2016** – The Hari Raya festivities saw RHB staff taking young children from several orphanages and single mothers to Jakel Mall to shop for new Baju Raya

- **27 June 2016:** In conjunction with the Holy month of Ramadan, RHB Banking Group hosted the Majlis Iftar at RHB Centre

## ZAKAT DISTRIBUTION

- **27 May – 7 December 2016** – Zakat totalling RM3 million was distributed nationwide throughout the year





# AWARDS AND RECOGNITION



**Minority Shareholder Watchdog Group (MSWG)**

MERIT AWARD – CORPORATE GOVERNANCE DISCLOSURES

**The Pinnacle Group's Global Good Governance Awards 2016**

SILVER – BEST GOVERNED AND MOST TRANSPARENT COMPANY

**7th Retail Banker International Asia Trailblazer 2016 Award**

EXCELLENCE IN SME BANKING (HIGHLY COMMENDED)

**Myclear – Malaysian e-Payments Excellence Awards 2016**

BEST FPX BANK

**The Asian Banker Transaction Banking Awards 2016**

BEST TRADE FINANCE BANK IN MALAYSIA

**DRI International (In Collaboration with Cybersecurity Malaysia)**

BCM CONTINUITY AWARENESS AWARD 2016

**Bursa Malaysia Annual Brokers Awards 2015**

- BEST RETAIL EQUITIES PARTICIPATING ORGANISATION – CHAMPION
- BEST TRADING PARTICIPANT FINANCIAL DERIVATIVES – CHAMPION
- MOST CDS ACCOUNTS OPENED PARTICIPATING ORGANISATION – CHAMPION





## RHB BANKING GROUP

### 1 MINORITY SHAREHOLDER WATCHDOG GROUP ('MSWG')

Merit Award – Corporate Governance Disclosures

### 2 THE ASSET CORPORATE AWARDS 2016

Platinum winner – Excellence in Governance, Corporate Social Responsibility & Investor Relations Benchmarking

### 3 NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2016

Silver Award – Best Annual Report in Bahasa Malaysia

### 4 THE PINNACLE GROUP'S GLOBAL GOOD GOVERNANCE AWARDS 2016

Silver – Best Governed and Most Transparent Company

### 5 STRUCTURED PRODUCTS ASIA

– Malaysia House of the Year

### 6 FTSE4GOOD BURSA MALAYSIA INDEX CONSTITUENT

– Good demonstration of Environmental, Social & Governance ("E.S.G.") practices

## RHB BANK

### 7 7<sup>TH</sup> RETAIL BANKER INTERNATIONAL ASIA TRAILBLAZER 2016 AWARD:

Excellence in SME Banking (Highly Commended)

### 8 MYCLEAR – MALAYSIAN E-PAYMENTS EXCELLENCE AWARDS 2016

– Best FPX Bank

### 9 THE ASIAN BANKER TRANSACTION BANKING AWARDS 2016

– Best Trade Finance Bank in Malaysia

### 10 ASIAN IT BEST PRACTICE PROJECT OF THE YEAR AWARD

– For Group IT Service Management's ISO 20000 Certification project

### 11 CARDS & ELECTRONICS INTERNATIONAL (CEPI) ASIA AWARD

– Most Innovative Digital Solution  
– Commercial & Best Merchant Acquiring Initiative

### 12 ASIAN BANKING & FINANCE WHOLESALE BANKING AWARD

– Malaysia's Domestic Foreign Exchange Bank of the Year – Wholesale Banking category

### 13 EXCELLENT SERVICE AWARDS (SINGAPORE)

by the Association of Bank Singapore

### 14 HR ASIA

– Best Companies to Work for in Asia 2016

### 15 DRI INTERNATIONAL (IN COLLABORATION WITH CYBERSECURITY MALAYSIA)

– BCM Continuity Awareness Award 2016

### 16 IFAST AWARD (SINGAPORE)

– Top Bank in Wealth Management for the Best Investment Unit Trust Net Sales

### 17 ASIA PACIFIC CUSTOMER SERVICE CONSORTIUM CUSTOMER EXCELLENCE AWARDS 2016 (SINGAPORE)

– Contact Center of the Year  
– Corporate Social Responsibility Leadership of the Year (Banking)

### 18 EXCELLENT SERVICE AWARD (EXSA) BY THE ASSOCIATION OF BANKS SINGAPORE

### 19 PLATINUM BUSINESS AWARDS 2016

– Top SME Supporter Award

### 20 PNB SYSTEMATIC INVESTING PLAN (ONLINE BANKING) AWARD at ASNB Starz Award 2016 – 2nd placing

### 21 MALAYSIA'S BEST EMPLOYER BRAND AWARD BY EMPLOYER BRANDING INSTITUTE

– **HR Excellence Award** – Excellence in Talent Management by Human Resources  
– **LIFE@WORK Honouree Award** by TalentCorp

Best Companies to Work for Award by HR Asia



## RHB INVESTMENT BANK

### 22 IFR ASIA AWARDS 2016

- **Regional Award – Best Islamic Issue**  
Lebuhraya Duke Fasa 3's RM3.64 billion Sukuk Wakalah

### 23 ALPHA SOUTHEAST ASIA 10<sup>TH</sup> ANNUAL BEST FINANCIAL INSTITUTION AWARDS IN SOUTHEAST ASIA

- **Best Small to Mid Cap Corporate Finance House in Malaysia (2007-2016)**  
– RHB Investment Bank
- **Best Small to Mid Cap Corporate Finance House in Singapore (2007-2016)**  
– RHB Securities Singapore

### 24 ALPHA SOUTHEAST ASIA 10<sup>TH</sup> ANNUAL BEST DEAL & SOLUTION AWARDS 2016

#### RHB INVESTMENT BANK

- **Best Islamic Finance Sukuk of the Year in Southeast Asia**  
Sarawak Hidro's RM5.54 billion (USD1.33 billion) Sukuk Murabahah
- **Best Wakalah Deal of the Year in Southeast Asia**  
Lebuhraya Duke Fasa 3's RM3.64 billion (USD820 million) Sukuk Wakalah
- **Best Secondary Deal of the Year in Southeast Asia**  
Malaysia Building Society's RM2.90 billion Rights Issue

#### RHB SECURITIES SINGAPORE

- **Best Reverse Takeover M&A Deal of the Year in Southeast Asia**

United Fiber System's SGD1.879 billion (USD1.446 billion) RTO of PT Golden Energy Mines Tbk

### 25 THE ASSET TRIPLE A ISLAMIC FINANCE AWARDS

- **Best Equity Deal**  
Al-Salam Reit RM252.36 million IPO
- **Best Corporate Sukuk – Highly commended**  
MMC Corporation RM1.2 billion Murabaha sukuk (via tawarruq arrangement)
- **Best Project Finance Deal – Highly commended**  
West Coast Expressway RM4.74 billion financing facilities
- **Best Loan Syndication**  
SapuraKencana TMC US\$2.1 billion equivalent syndicated Murabaha term financing facility

### 26 RAM RATINGS 2015

#### AWARD OF DISTINCTION

- **Lead Manager Award** (by programme value)  
– 2nd place
- **Lead Manager Award** (by number of issues)  
– Joint 2nd place

#### MARKET PIONEER AWARDS

##### – Lead Managers' Recognition

- **1st Malaysian Reinsurer to issue RM-Sukuk**  
Malaysian Reinsurance Berhad's RM250 million Subordinated Medium-Term Notes Programme

#### BLUEPRINT AWARDS

##### – Lead Managers' Recognition

- **Project Finance Landmark Deal**  
West Coast Expressway Sdn Bhd's Guaranteed Sukuk Murabahah Programme of up to RM1,000 million in nominal value

### 27 THE EDGE MALAYSIA'S BEST DEALS OF THE YEAR 2016

- **Best Mergers & Acquisitions**  
Best Deal – Desmond Lim's acquisition of a 19.7% stake in WCT Holdings Bhd from Peter Taing Kim Hwa and Wong Sewe Wing for RM614.3 million
- **Best Privatisation**  
Best Deal – Kulim (M) Bhd's privatisation by JCorp Bhd
- **Best Initial Public Offering**  
Notable Mention – Initial public offering of 101 million shares of Salutica Bhd at RM0.80 per share

## 28 BURSA MALAYSIA BROKER AWARDS 2015

- **Best Retail Equities Participating Organisation** – Champion
- **Best Trading Participant in Financial Derivatives** – Champion
- **Most CDS Accounts Opened by Participating Organisations** – Champion

## 29 THE ASSET BENCHMARK RESEARCH

- **Top Bank in the Secondary Market (Corporate Bonds – Malaysia)**
  - RHB Investment Bank
- **Best Individuals in Research, Sales & Trading (Malaysia Ringgit Bonds – Sales)**
  - Louis Goh – Commended
  - Soh Chin Yong – Commended

## 30 ASIAMONEY BROKERS POLL 2016

- **Malaysia – individuals – top 3 rankings**
  - #1 Best Economist – Lim Chee Sing
  - #2 Best Strategist – Lim Chee Sing
  - #2 Best Analyst (Materials) – Ng Sem Guan
  - #2 Best Analyst (Real Estate) – Loong Kok Wen
  - #3 Best Analyst (Diversified Financials) – Fiona Leong
  - #3 Best Analyst (Semiconductors & Semiconductor Equipment) – Kong Heng Siong
  - #3 Best Analyst (Software, Internet & Services) – Kong Heng Siong

## • Malaysia – firm level – top 3 rankings

- #1 Best Strategist Team
- #1 Best Economist Team
- #1 Best Small Caps Team
- #2 Best Materials Team
- #2 Best Real Estate Team
- #3 Best Banks Team
- #3 Best Diversified Financials Team
- #3 Best Healthcare Team
- #3 Best Semiconductors & Semiconductor Equipment Team
- #3 Best Software, Internet & Services Team
- #3 Best Telecommunication Services Team

## • Singapore – individuals – top 3 rankings

- #1 Best Analyst (Semiconductors & Semiconductor Equipment) – Jarick Seet
- #1 Best Analyst (Small Caps) – Jarick Seet
- #1 Best Analyst (Software, Internet & Services) – Jarick Seet
- #1 Best Analyst (Technology Hardware & Equipment) – Jarick Seet
- #1 Best Analyst (Utilities) – Juliana Cai
- #1 Best Analyst (Consumer Staples) – Juliana Cai
- #2 Best Analyst (Consumer Discretionary) – Juliana Cai
- #2 Best Analyst (Materials) – Juliana Cai

- #3 Best Analyst (Small Caps) – Juliana Cai
- #3 Best Analyst (Consumer Discretionary) – James Koh
- #3 Best Analyst (Consumer Staples) – James Koh

## • Singapore – firm level – top 3 rankings

- #1 Best Consumer Discretionary Team
  - #1 Best Consumer Staples Team
  - #1 Best Materials Team
  - #1 Best Semiconductors & Semiconductor Equipment Team
  - #1 Best Software, Internet & Services Team
  - #1 Best Technology Hardware & Equipment Team
  - #1 Best Small Caps Team
  - #1 Most Improved Research
  - #2 Most Independent Research
  - #2 Best Utilities Team
  - #3 Best Healthcare Team
- **Indonesia – firm level – top 3 ranking**
    - #2 Best Small Caps Team

## RHB ASSET MANAGEMENT

### 31 ASIA ASSET MANAGEMENT – BEST OF THE BEST AWARDS:

- Malaysia: Most Innovative Product RHB Pre-IPO & Special Situation Fund III
- Singapore: Most Innovative Product RHB Pre-IPO & Special Situation Fund III
- Indonesia: Rising Star PT RHB Asset Management Indonesia

### 32 THE EDGE-LIPPER FUND AWARDS 2016

- RHB Islamic Bond-Bond Malaysian Ringgit (3, 5 & 10 years)
- RHB Emerging Opportunity – Equity Malaysia Diversified – Malaysia (3, 5 & 10 years)
- RHB Multi Asset Regular Income-Mixed Asset MYR Balanced – Global (3 years)
- RHB Smart Balanced – Mixed Asset MYR Balanced – Malaysia (3, 5 & 10 years)
- RHB Smart Income – Mixed Asset MYR Conservative – Malaysia (3, 5 & 10 years)
- RHB Growth and Income Focus – Mixed Asset MYR Flexible – Malaysia (5 & 10 years)

### 33 2016 APRDI-BLOOMBERG INDONESIA FUND AWARDS:

- RHB LQ45 Tracker Fund – Best Index Fund (3-year category)

### 34 2015 EPF EXTERNAL PORTFOLIO MANAGERS ANNUAL DINNER AWARDS CEREMONY

#### RHB ASSET MANAGEMENT

- Best Domestic Fixed Income Portfolio Manager Year 2015

### 35 MORNINGSTAR AWARDS 2016 MALAYSIA

- RHB Bond Fund (Best Malaysia Bond Fund)

## RHB ISLAMIC

### 36 THE ASSET TRIPLE A ISLAMIC FINANCE

- Best Corporate Banking Product e-Financial Supply Chain

### 37 GLOBAL BANKING AND FINANCE AWARDS 2016

- Shariah Compliant Finance Company of The Year – Malaysia 2016

### 38 13TH KLIFF ISLAMIC FINANCE FORUM 2016

- The Most Outstanding Islamic Corporate Bank
- The Most Outstanding Islamic Shariah Advisor Award

## RHB INSURANCE

### 39 THE GOLDEN GLOBE TIGERS 2016

- CIO Excellence & Leadership





**NURTURING FUTURE GENERATIONS**







We believe that it is essential to cherish the potential of today's youth and empower them for a sustainable and better tomorrow. Our CR programmes have resulted in many tangible positive outcomes and we will continue with our initiatives to enrich and empower children with skills and knowledge to further unlock their potential.



# SUSTAINABILITY REPORT

## COMMITTED TO CREATING SUSTAINABLE VALUE

As a conscientious corporation, RHB Bank Berhad (“RHB Bank” or “the Group”) is committed to growing its business in a responsible manner by balancing out our commercial interests with our economic and social obligations. We are focused on creating long-term shared value for our stakeholders and to safeguarding the future of the Group by upholding responsible management and sustainable development. Today, this focus on sustainable development is helping spur operational excellence across our organisation as well as providing the impetus for our businesses to make continuous improvements to strengthen business efficiency.

This, our inaugural Sustainability Statement, underscores the Group’s initial efforts to align with Bursa Malaysia’s sustainability reporting requirements. It serves to highlight the Group’s Sustainability philosophy and framework as well as our commitment to undertaking business in a responsible and sustainable manner through our Economic, Environmental and Societal or EES performance.

### SCOPE AND METHODOLOGY

This Sustainability Statement which will be produced on an annual basis highlights the business sustainability activities of RHB Banking Group, the fourth largest fully integrated financial services group in Malaysia. It covers and addresses the activities of RHB Bank Berhad and the following seven key business pillars, namely Group Retail Banking, Group Business & Transaction Banking, Group Wholesale Banking, Group Shariah Business, Group Insurance, as well as Group International Business and Singapore operations.

### OUR PHILOSOPHY

TO CARRY OUT SUSTAINABLE INITIATIVES THAT GENERATE, DELIVER BENEFITS AND PRODUCE POSITIVE IMPACT ON ALL OUR STAKEHOLDERS

TO EMBARK ON INITIATIVES THAT CUT ACROSS AND IMPACT COMMUNITIES; TRANSCENDING CULTURAL AND RELIGIOUS DIFFERENCES

TO PROMOTE THE SPIRIT OF VOLUNTEERISM, THEREBY INSTILLING POSITIVE VALUES AMONG THE GROUP’S EMPLOYEES AND SOCIETY AS A WHOLE

While the Group's regional presence now spans 10 countries including Malaysia, Singapore, Indonesia, Thailand, Brunei, Cambodia, Hong Kong (with a representative office in China), Vietnam, Myanmar and Lao PDR, for the purpose of this statement, we focus only on the Group's key sustainability activities in Peninsular Malaysia as well as provide insights into the key policies and structures pertaining to business sustainability.

This Sustainability Statement is to be read in conjunction with the rest of RHB Bank Berhad's 2016 Annual Report, which highlights other financial and non-financial aspects of our business. To avoid content overlap, certain parts of this Statement may make reference to existing content within other sections of this Annual Statement.

“ .....  
**From 2007 till 2015, approximately RM75.6 million was invested largely for the development of children and youth, with an average of some RM8.4 million per year set aside, which equated to 0.44% of the Group's Profit Before Tax, as at December 2015**  
 ..... ”

### Disclosure and external assurance

While sustainable practices form part and parcel of the daily operations within the Group's respective businesses, we are still at the early stages of developing a formal sustainability policy that encompasses all areas of the Group. As this is our first consolidated Sustainability Statement adhering to Bursa Malaysia's Sustainability Reporting Guide issued in 2015, it has not been subjected to external assurance. We are in the process of streamlining our sustainability data collection and monitoring activities across the Group. We do however, recognise the importance of ensuring the credibility of our published Sustainability Statement and plan to seek external assurance for the next reporting cycle.

Rest assured that the Group is committed to integrating the sustainability agenda into its overall strategy and operations in a more distinct manner for the long-term as we acknowledge this as key to the success of our business. Going forward, we will focus our efforts on delivering a more comprehensive Sustainability Statement in the next reporting cycle.

### APPROACHING SUSTAINABILITY MATTERS

#### Sustainability governance

The Group's commitment towards sustainable growth is evident throughout all levels of our organisation. At the leadership level, our Board of Directors and our senior management recognise the importance of pursuing an agenda that upholds good EES practices and have committed to investing in measures that promote the sustainable growth of the Group's businesses and which create value for our shareholders.

Meanwhile, on the ground, the Group's diverse teams are tasked with carrying out their everyday functions in a manner that makes a sustainable impact on the EES front. As all employees within RHB Banking Group do their bit to ensure responsible and sustainable behaviour, this is successfully safeguarding the Group's reputation and enhancing shareholder value.

#### RHB's Corporate Responsibility journey

RHB's Corporate Responsibility (“CR”) journey began in the year 2007 with a key focus on nurturing and developing the younger generation. From 2007 till 2015, approximately RM75.6 million was invested largely for the development of children and youth, with an average of some RM8.4 million per year set aside, which equated to 0.44% of the Group's Profit Before Tax, as at December 2015.

#### The RHB Foundation

In December 2015, the Group set up RHB Foundation, charged with implementing the Group's sustainability initiatives and driving all its community programmes. The Foundation is an independent legal entity which is governed by a Board of Trustees comprising of the following members:

- Dato' Khairussaleh Ramli (Chairman)
- Tan Sri Dato' Dr. Yahya Awang
- Datin Yap Siew Bee
- Puan Norazzah Sulaiman

In line with the Foundation's Mission, “Nurturing Future Generations and Empowering Communities at Large”, there is a strong focus on undertaking activities under the following four key pillars:



## NURTURING FUTURE GENERATIONS – Children and Youth

Nurture and provide opportunities for young individuals to interact and embrace their fullest potential to be outstanding members of society

## HEALTH & WELLNESS – Healthy Living

A coordinated approach towards promoting and creating awareness on Diabetes as a cause to champion:

1. Nurturing healthy lifestyles through outdoor activities
2. Advocating awareness on good health practices



## ARTS & CULTURE – Preservation

Preserve, share and promote the creative arts with the aim of generating awareness, appreciation, value and respect of local emerging creative artists and their works



## ENVIRONMENT – Conservation

Implement and promote greening initiatives to reduce RHB's environmental footprint, which will also foster a culture of care and respect for nature





*The RHB Foundation logo reflects RHB Banking Group's primary CR pillars which include nurturing the future generation, promoting health and wellness, preserving the environment and promoting arts and culture. These elements can be seen in the outstretched arms of the human icon, reaching upwards, to reflect progress and advancement. The green dots represent the environment while the yellow circle symbolises wellness and good health*

## THROUGH PROACTIVE ENGAGEMENT WITH OUR MANY STAKEHOLDERS, WE ARE ABLE TO RESPOND TO THEIR DIFFERENT EXPECTATIONS, MEET THEIR CHANGING NEEDS AND STRENGTHEN OUR TIES WITH THEM

### The Foundation's philosophy

In support of the Foundation's four key pillars, the following philosophy or approach is applied to all related activities.

- To carry out sustainable initiatives that generate, deliver benefits and produce positive impact on all our stakeholders;
- To embark on initiatives that cut across and impact communities; transcending cultural and religious differences; and
- To promote the spirit of volunteerism, thereby instilling positive values among the Group's employees and society as a whole.

### MATERIAL MATTERS

While RHB Banking Group has yet to undertake a formal materiality analysis at the Group-level to determine the key areas of importance to our external stakeholders, we have however identified several risk areas that may have a direct or indirect impact on the Group's ability to create, preserve or erode EES value. The Group's risks in key areas, their possible impact on the Group, as well as the related actions to mitigate these risks are spelt out in the Management Discussion & Analysis ("MD&A") and Risk Management sections of this Annual Report.

### STAKEHOLDERS' ENGAGEMENT

As the Group's businesses and markets evolve, we find ourselves engaging with a growing number of diverse stakeholder groups.

Proactive stakeholders' engagement is a fundamental component of the Group's sustainability strategy and we are committed to undertaking continuous activities in this area. Through proactive engagement with our many stakeholders, we are able to respond to their different expectations, meet their changing needs and strengthen our ties with them.

Stakeholder engagement is largely led by the respective business units whose operations are most impacted by a particular stakeholder group. We engage with our stakeholders in a variety of formal and informal settings. These engagements range from meetings with local groups, to ongoing dialogue with our suppliers, to undertaking surveys, campaigns and workshops.




We also interact with different audiences at diverse levels on a regular basis and in many ways through a host of platforms, which include the Group's corporate website, publications, social media, forums, briefings, meetings, market research and surveys. These platforms enable us to garner feedback and effectively communicate to our stakeholders on how RHB Banking Group is delivering balanced growth in a responsible and sustainable manner.

By proactively working together with external stakeholder groups, we have been able to identify and address specific areas of concern. By bringing together and leveraging on the expertise, knowledge and passion of different organisations and individuals, we have achieved far greater impact on the EES fronts than if we went it alone.








The Stakeholder Engagement Matrix below highlights the stakeholder engagement activities that we implemented in 2016:

#### Stakeholder Engagement Matrix

STAKEHOLDER	KEY AREA OF FOCUS	PLATFORMS AND TOOLS UTILISED
<p><b>Shareholders/ Investors</b></p> 	<p>Financial performance, strategic initiatives and their progress, corporate developments, economic outlook</p>	<ul style="list-style-type: none"> <li>• Shareholder communications/announcements on Bursa Malaysia related to material transactions and events impacting the Group</li> <li>• Sharing of information related to the Group's businesses and operations on the Group's corporate website</li> <li>• Annual General Meetings/Extraordinary General Meetings to discuss and to adopt resolutions</li> <li>• Quarterly and annual statements</li> <li>• Quarterly briefings with analysts and Fund Managers (local and international)</li> </ul>
<p><b>Customers</b></p> 	<p>Knowledge sharing, product and service information, relationship building and engagement/networking opportunities, business direction</p>	<ul style="list-style-type: none"> <li>• Sharing of information through the Group corporate website and social media platform</li> <li>• For key customer segments, information is shared through one-on-one discussions with appointed Relationship Managers</li> <li>• Customer networking sessions are held across Malaysia and regionally on a yearly basis</li> <li>• Constant engagement through formal and informal networking events</li> </ul>
<p><b>Employees</b></p> 	<p>Financial performance, strategic initiatives and their progress, talent management programmes, performance management system, governance and internal control policies</p>	<ul style="list-style-type: none"> <li>• Regular communications via email blasts and quarterly publications</li> <li>• Townhall and dialogue sessions spearheaded by the Group Managing Director on a quarterly basis</li> <li>• Roadshows by Senior Management to selected countries to share and engage with employees at Branch level and Regional level</li> <li>• Training and development initiatives</li> <li>• Social and sports activities through the Sports &amp; Recreational Clubs</li> <li>• Employee engagement activities which is done on a continuous basis</li> <li>• Voluntary participation in community programmes through the RHB Community Weekend</li> <li>• Sharing of events within the Group through employee social media channels, i.e. Connected@RHB, MyOne Portal (an employee portal) and news email blasts</li> </ul>



STAKEHOLDER	KEY AREA OF FOCUS	PLATFORMS AND TOOLS UTILISED
<b>Regulatory Bodies</b> 	Regulation, compliance and strong relationships	<ul style="list-style-type: none"> <li>• Participation in exhibitions, site visits, case studies and sports activities</li> <li>• Discussions and consultations as and when required</li> </ul>
<b>Business Partners</b> 	<ul style="list-style-type: none"> <li>• Partnership performance and strengthening collaborations</li> <li>• Gaps and weaknesses and ways to improve collaborations</li> <li>• Optimising partnerships</li> <li>• Changes in the Group impacting the partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Sharing of information through Group's corporate website and social media platform</li> <li>• Continuous formal and informal engagement with relevant partners</li> </ul>
<b>Service Providers/ Vendors</b> 	<ul style="list-style-type: none"> <li>• Service turnaround times and deliverables</li> <li>• Pricing</li> <li>• Performance expectations</li> <li>• Governance – compliance with Group policies, processes, procedures and guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• Policies, procedures and guidelines are shared on the Group's corporate website</li> <li>• Constant engagement to ensure service turnaround time and key deliverables meet the required standards</li> </ul>
<b>Government Bodies/NGOs</b> 	Areas for collaboration	<ul style="list-style-type: none"> <li>• Consultative sessions on a 'need be' basis</li> <li>• Engagement to obtain feedback and to discuss improvements</li> </ul>
<b>Local Communities</b> 	Education and social assistance	<ul style="list-style-type: none"> <li>• Ground engagement through the Group's CR initiatives</li> <li>• Engagement during festive occasions, employee volunteerism, community weekend, motivational camps and sports activities</li> </ul>

For most stakeholder groups, we have put in place the relevant policies, procedures and guidelines to ensure that their interests and the Group's interests are protected. These policies, procedures and guidelines are available on our Group Corporate website. We also continue to carry out certain engagement initiatives to strengthen ties and foster goodwill with them.

# UPHOLDING GOOD ECONOMIC PRACTICES

This section aims to provide insights into the Group's interaction within the marketplace ecosystem and describes how our business activities influence the economic conditions of our various stakeholders.



## BUSINESS STRATEGY

RHB Bank is continuously reviewing its strategic direction and key focus areas in order to remain relevant and competitive to ensure the sustainable growth of the Group. This enables us to cater to the ever changing and challenging economic and business environment as well as to ultimately identify and embed resilient strategies that will ensure the long-term success of the organisation.

IGNITE 2017 is a three-year transformation programme that focuses on strengthening the Group's value propositions by segments, launching differentiated and regional capabilities and scaling our regional businesses to achieve 30% revenue contribution from international operations by 2017. IGNITE 2017 represents RHB Bank's transformation efforts towards achieving the RHB 2020 vision, and to turn aspirations into impactful outcomes that will enrich our organisation, customers, industry and community. It will accelerate the Group's journey towards achieving its 2020 ambition of being a Leading Multinational Financial Services Group in the region.



Please refer to the MD&A section on pages 050 to 151 of this Annual Statement for relevant updates on our overall strategic direction as well as the financial and operational performance of the various divisions.

## Our impact on the market ecosystem

RHB Bank acknowledges that the total marketplace ecosystem is important to the Group's sustainable growth. By virtue of our being a key player in the financial industry, the Group's activities continue to have a tangible impact and create value for the many sectors, markets and communities we serve. We are committed to engaging in initiatives that will help us to establish and nurture enduring ties with our customers, suppliers, regulatory bodies and other stakeholders in the marketplace.

The Group today is structured into seven interconnected business sectors and nine functional sectors:

### BUSINESS SECTORS

1. Group Retail Banking
2. Group Business & Transaction Banking
3. Group Wholesale Banking
4. Group Shariah Business
5. Group Insurance
6. RHB Singapore
7. Group International Business

### FUNCTIONAL SECTORS

1. Group Marketing & Communications
2. Group Legal & Secretariat
3. Group Finance
4. Group Strategy & International Business
5. Group Technology & Operations
6. Group Risk, Compliance & Credit Management
7. Economics
8. Group Human Resource
9. Group Internal Audit

The specific details of the activities and performance of these business sectors can be found in the MD&A section on pages 050 to 151 of this Annual Report.

## Advocating good marketplace practices

As one of the largest banking groups in Malaysia, RHB Bank stands committed to exercising responsible behaviour in our marketplace. Guided by our philosophy of integrity, transparency and accountability, we endeavour to ensure that the sustainable growth of our marketplace is rooted in good corporate governance and risk management practices throughout our organisation.

**IGNITE 2017 REPRESENTS RHB BANK'S TRANSFORMATION VISION TO IGNITE OUR JOURNEY TOWARDS THE RHB 2020 VISION**

## Corporate governance best practices

The Board of Directors ("Board") of RHB Bank recognises the importance of good corporate governance in pursuing quantifiable and long-term success for the Group, and value creation for shareholders and all other stakeholders. The Board is fully committed to high standards of governance designed to protect the interests of shareholders and all other stakeholders while promoting the highest standards of integrity, transparency and accountability. The Board strives to ensure that the Group's integrity and professional conduct are beyond reproach.

The following Policies on Corporate Governance are available on our website for public viewing at <http://www.rhbgroup.com/about-us/our-principles/corporate-governance>:

- Statement on Corporate Governance
- Board Charter
- Terms of Reference Of Board Nominating & Remuneration Committee
- Terms of Reference Of Board Audit Committee
- Memorandum & Articles of Association
- Code of Ethics And Business Conduct For Directors





### In-house policies and procedures

In 2016, we continued to ensure adherence to our in-house policies and procedures to safeguard against unethical business practices that could impact our business and operations.

The following table details our Key Values, Governance and Compliance Policies:

## GROUP CORE VALUES

Our core PRIDE values guide us in our day-to-day dealings. They advocate the following:



**Professional:** We are committed to maintain a high level of proficiency, competency and reliability in all that we do.



**Respect:** We are courteous, humble and we show empathy to everyone through our actions and interactions.



**Integrity:** We are honest, ethical and uphold a high standard of governance.



**Dynamic:** We are proactive, responsive and forward thinking.



**Excellence:** We will continuously achieve high standards of performance and service deliverables.

### GROUP PROCUREMENT POLICY

Ensures the Group's interests in the procurement of goods and services as well as suppliers' interests are protected by implementing a transparent and fair process that upholds best practices and achieves economies of scale for the Group.

### GROUP CODE OF ETHICS

Articulates the standards of conduct and behaviour that should be adopted by employees when dealing in such situations where public trust and confidence might be compromised or a law might be violated.

### GROUP WHISTLE BLOWER POLICY

Encourages employees to raise concerns regarding malpractices or misdeeds without fear of retaliation or discrimination.

### GROUP AML POLICY

Drawn up to comply with the Anti-Money Laundering/Counter Financing of Terrorism Act ("AML/CFT") and BNM's Sector 1 Standards. Defines the policies to be adopted to prevent the Group from being used by money launderers and terrorist financiers to further their illicit business.

### GROUP CHINESE WALL & INSIDER TRADING

Establishes procedures to control the flow of confidential or material non-public and price sensitive information within the Group to avoid the risk of possible breach of the insider trading provisions under the Capital Market Services Act and to protect client confidentiality.

### DECLARATION OF CONNECTED PARTY

Articulates the process for directors and connected staff to declare or update details of their close relatives and interested entities so that any credit transactions with connected parties shall be conducted on an arms' length basis.

### POLICY ON RELATED PARTY TRANSACTIONS ("RPT")

Deals with the reporting and review process for RPTs under Bursa Malaysia Listing Requirements which should be conducted on an arms' length basis. Note: RPT means a transaction entered into by RHB Capital or its subsidiaries which involves the interest (direct or indirect) of a related party.

### GIFTS & HOSPITALITY GUIDELINE

Sets the standards of conduct on the giving and acceptance of gifts and hospitality.

## Other internal controls

The Group also has in place a host of other specific internal controls to alleviate any abuse of power, position and interest within the Group.

## Performance Management

The Group has a robust performance management framework in place whereby senior executives who are identified as material risk takers are subject to a penalty of minus 1.0 rating when they breach any provisions of the law and bypass internal controls put in place. For example, if the senior executive's performance for the year was rated above average (i.e. 4.0) but the employee was also involved in breaching regulatory requirements, his/her rating would be downgraded from the initial performance rating (i.e. 4.0 – 1.0 = 3.0)

## Credit Management Policy

The Group has in place a robust credit management policy which spells out that loan applicants are subject to strict governing rules observed by the credit team and various credit committees on 'fit & proper' criteria such as bankruptcy status, credit repayment behaviour, financial integrity, monthly commitments, responsible lending, credit worthiness, blacklisted individuals/corporations and so forth. These governance elements aim to ensure that all the loans disbursed will later become sustainable Group's assets of high quality.

## Customers' Regulation Management

RHB has in place policies and regulations pertaining to customer management encompassing:

- Customer Resolution framework, A guide to operational best practice in complaints, appeal and overall customer handling.
- Product Disclosure guidelines, A comprehensive disclosure guidelines aimed at improving information disclosure of products and services of the bank.
- Personal Data Protection Act The bank is obligated to protect the confidentiality of all customers' and former customers' data and affairs with bank.

There are various platforms available for customers to enquire or provide feedback in relation to the Group's products and services through social media, corporate website, customer service contact centre, Branch Service Ambassadors and Relationship Managers.

Customer Due Diligence ("CDD"), Enhanced Due Diligence ("EDD") & Know Your Customer ("KYC") Policy: Lending activities must adhere to the internal KYC policy and requirements on CDD/EDD especially for those in the business of sensitive and high-risk in nature, including compliance with regulatory requirements set in BNM's various financial policy documents targeted for Sector 1 (Banking & Deposit-Taking Institutions), Sector 2 (Insurance & Takaful) and Sector 3 (Money Services Business). This is also to prevent the company's lending business from exposure to money laundering, terrorist financing and other unlawful activities.



The details of these can be found on our Awards and Accolades page on pages 168 to 173 of this Annual Statement.

## Business awards and accolades

The Group and its subsidiaries continue to garner recognition from the marketplace for our achievements on several fronts. In the year under review, we received a host of awards and accolades for our commitment to business excellence and to upholding good corporate governance. The details of these can be found on our Awards and Accolades page on pages 168 to 173 of this Annual Report.





# UPHOLDING GOOD ENVIRONMENTAL PRACTICES



This section describes our interaction with living and non-living natural systems and how our business activities influence these.

## Promoting Environmental Sustainability

The Group believes in and supports initiatives that promote environmental sustainability. We pursue a balanced and sustainable approach to long-term economic growth and quality of life, while seeking solutions that help minimise the impact of our operations on the environment.

The importance of preserving and protecting our environment is something close to our hearts. We are focused on implementing and promoting greening initiatives through nature walks and conservation internally to reduce the Group's environmental footprint, which will also foster a culture of care and respect for nature. To this end, we endeavour to implement "green solutions" in a bid to minimise our carbon footprint. We also support companies that undertake green projects as part of our sustainability agenda.

## The TrEx initiative

RHB Bank remains devoted to the protection and preservation of the environment through its investment in the Nature Trail Experience ("TrEx"), an environmental-themed initiative intended to inculcate environmental awareness among the urban population.

Back In 2014, we adopted Broga Hill, a popular hiking site situated on the border of Selangor and Negeri Sembilan. The restorative works on the trail included refilling hollow ground on the trail with soil, carving out sustainable steps that are safe for visitors, and installing ropes for climbing through steep routes.

In March 2015, RHB officially launched the TrEx at Broga Hill. Since then the conservation efforts executed through TrEx have seen an exponential rise in the number of visitors to the trail with approximately 1,000 visitors per weekend as compared to only 300 per weekend in previous years. Moreover, frequent visitors and hikers have noticed the marked improvements made on the site and the safety measures we have installed.





**... the conservation efforts executed through TrEx have seen an exponential rise in the number of visitors to the trail with approximately 1,000 visitors per weekend as compared to only 300 per weekend in previous years**

To add further excitement for Broga Hill enthusiasts, we organised the 2nd RHB TrEx Broga Challenge on 8 October 2016 in conjunction with *Hari Sukan Negara 2016*, in collaboration with the Department of Environment, Ministry of Natural Resources and Environment. Moving forward, RHB is committed to carry out the TrEx programme in new location within the Klang Valley region as soon as it receives approval from the relevant authorities.

#### **Minimising Energy Consumption**

In line with our aim of reducing our cost-to-income ratio, we are working on reducing our energy consumption which will also help protect the environment in the long-run. In 2016, the average electricity bill for the RHB Complex in Bangi was RM400,000 per month and our target was to gradually reduce overall energy consumption so as to contribute to a reduction in the cost-to-income ratio below 50% for 2016. As each fluorescent light, computer and air-conditioner consumes 40 W, 250 W and 700 KW respectively at a RM0.365 rate per hour, staff were reminded to save power where possible, especially during their lunch break or after office hours. The Group is also in the midst of changing the existing bulbs and lamps into the energy saving type to reduce the monthly electricity consumption.

#### **Supporting Earth Hour**

RHB has been an active participant of the annual Earth Hour campaign, a global initiative which sees participants switching off the electricity on an appointed day at a specific hour in solidarity for the planet's welfare. During the event, lights at our buildings such as our RHB Centre at Jalan Tun Razak, Kuala Lumpur are switched off, while our staff are also encouraged to take part in the symbolic lights-out initiative in their own homes.



### Promoting Sustainable Financing

RHB is proud to institute a sustainable financing agenda in support of environmentally-friendly activities. Today, the Group is one of several participating financial institutions in Malaysia who are working closely with Credit Guarantee Corporation and Malaysian Green Technology Corporation to make loans and financing available to companies that supply and utilise green technology. The objective of the financing scheme is to minimise the degradation of the environment by promoting investments in green technology which have zero or low greenhouse gas (GHG) emissions, are safe to use and which promote a healthy and improved environment for all forms of life. To date, the Group has financed seven of these projects with the ultimate aim of conserving the environment and natural resources as well as promoting the use of renewable resources.



The Group is also jointly involved as an arranger in the rollout of the DanaInfra Retail Sukuk (Islamic Bond), a green financing sukuk where the proceeds will be utilised to fund the construction and development of the MRT projects. Since May 2016, investors and the general public have had the opportunity to subscribe to this ethical and socially responsible investment (SRI) instrument, which is also known as an Exchange Traded Sukuk.

**The Group is one of several participating financial institutions in Malaysia who are working closely with Credit Guarantee Corporation and Malaysian Green Technology Corporation to make loans and financing available to companies that supply and utilise green technology**



## Other Environmental Preservation Efforts

As part of our efforts to preserve the environment, we continue to implement these measures:

### e-Bank Statement

All customers are given the option of receiving their bank statements electronically as opposed to receiving their physical bank statements via postal delivery. This paperless cost-cutting strategy is helping reduce our carbon footprint and decelerating deforestation.

### Board-related Minutes and Papers

The Group has also adopted a paperless environment since 2014 for Board and Senior Management Committee minutes and proposal papers. Under this top-down approach, the Board of Directors and Senior Management use their iPads to gain secure access to a meeting management solution system via an online portal. The dissemination of meeting minutes and papers to the Board, Board Committees and Senior Management, where applicable, are made via iPad not only to promote greater flexibility and efficiency, but also with the aim of contributing to environmental conservation.

## Special Staff Mug

Staff receive a special discount for drinks that they purchase if they use their respective RHB mugs at the cafeterias at the head office in Kuala Lumpur and the Bangi training centre. All staff are given a special edition RHB mug for personal use and they have just to bring the mug to the cafeteria when making an order of drink. Staff, who do not bring their mugs, will have to pay a surcharge for their drinks.

## Environmental Awards and Accolades

The year 2016 marked another year of achievement for the Group as reflected in the recognition that we received on the environmental front.



The details of these can be found on our Awards and Accolades page on pages 168 to 173 of this Annual Statement.

# UPHOLDING GOOD SOCIAL PRACTICES



This section highlights our interactions within the social ecosystem that we operate in.

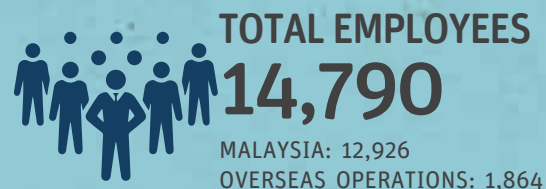
## LABOUR PRACTICES AND DECENT WORK

The Group continues to invest in developing sustainable businesses that are helping drive the country's economy. Our emphasis is on enhancing the lives of our nation's citizens by providing employment opportunities and establishing meaningful collaboration with our customers, partners and the communities we operate in.

### Workforce Details

As at 31 December 2016, the Group had a staff strength of 14,790 employees comprising 12,926 employees in Malaysia and 1,864 employees in our overseas operations. The Group's workforce comprised 42.31% males and 57.69% females.

### • EMPLOYEE BREAKDOWN



MALES: 42.31%



FEMALES: 57.69%



The following charts show the composition of RHB Banking Group's workforce in Malaysia and abroad as at 31 December 2016. Although the scope of our Sustainability Statement covers activities in Malaysia only, for the purposes of this section, we are highlighting the details of our workforce across all markets that we operate in to show the length, breadth and diversity of our organisation.

### RHB Banking Group – Total Staff by Gender (as at 31 Dec 2016)

Location/Country	Gender				Grand Total
	Male		Female		
	HC	%	HC	%	
Domestic	5,241	40.83%	7,594	59.17%	12,835
Overseas	1,017	52.02 %	938	47.98 %	1,955
<b>Grand Total</b>	<b>6,258</b>	<b>42.31%</b>	<b>8,532</b>	<b>57.69%</b>	<b>14,790</b>

### RHB Banking Group – Total Staff by Ethnicity (as at 31 Dec 2016)

Location/Company	Ethnicity Group				Grand Total
	Bumi/Malay	Chinese	Indian	Others	
Domestic	7,546	4,412	740	137	12,835
Overseas	117	738	31	1,069	1,955
<b>Grand Total</b>	<b>7,663</b>	<b>5,150</b>	<b>771</b>	<b>1,206</b>	<b>14,790</b>

### RHB Banking Group – Total Staff by Age Range (as at 31 Dec 2016)

Location/Company	Age Range					Grand Total
	< 26	26 – 35	36 – 45	46 – 55	> 55	
Domestic	1,357	5,091	4,145	1,957	285	12835
Overseas	188	766	537	336	128	1955
<b>Grand Total</b>	<b>1,545</b>	<b>5,857</b>	<b>4,682</b>	<b>2,293</b>	<b>413</b>	<b>14790</b>

Our employment practices are underpinned by the principles of fair treatment for our employees and a balance between performance, pay and participation. In 2016, the Group's annual turnover rate was maintained at acceptable level as compared to market norms. In 2015, the Group's overall attrition rate was 26.8% whereas in 2016, it dropped to 24.9%. This is attributable to the positive working relationship between employees and the respective companies they work for, competitive pay structures and the opportunities for career advancement.

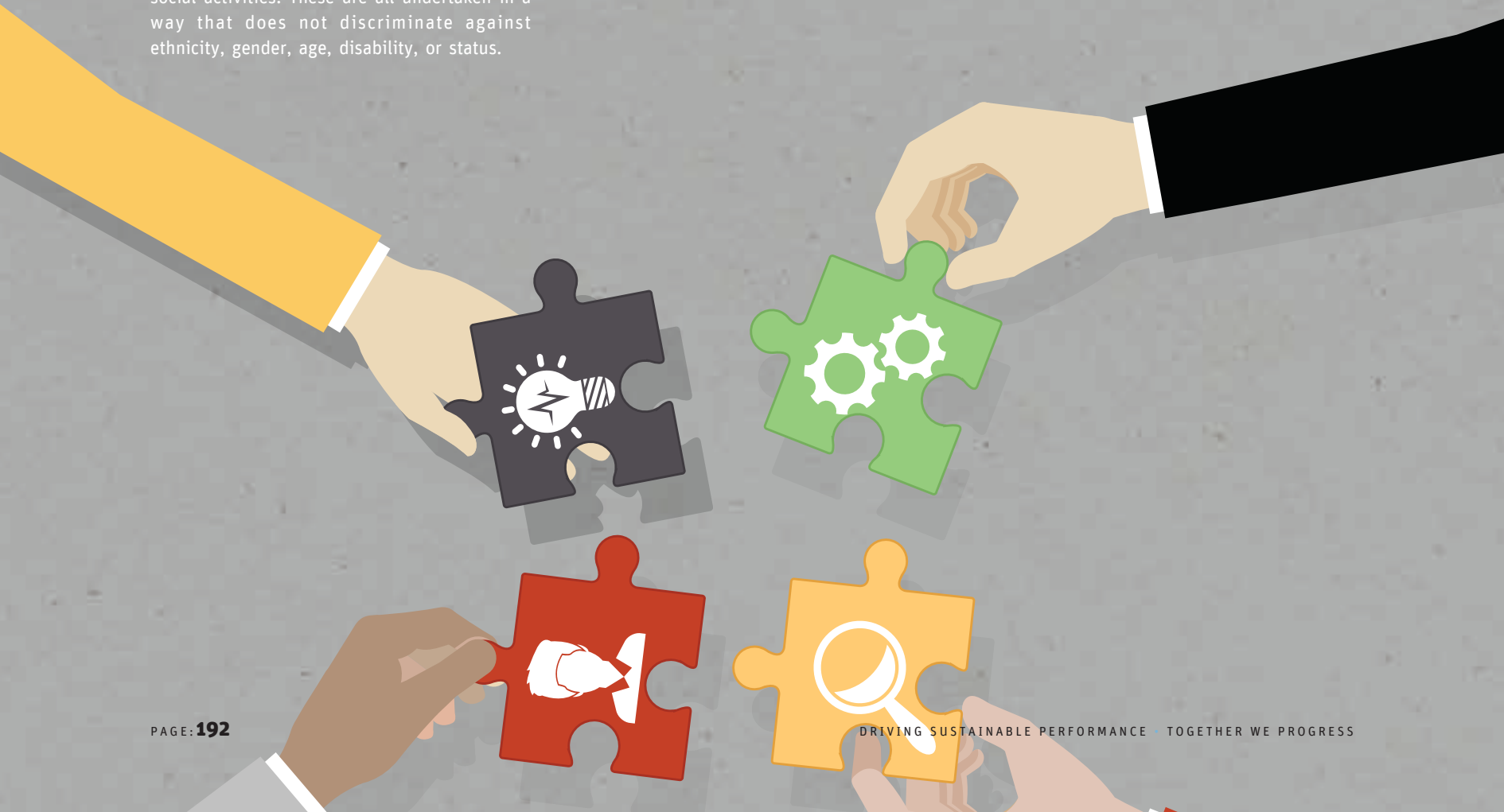
# UPHOLDING GOOD DIVERSITY

The Group's workforce consists of individuals from different ethnic backgrounds and cultures with different values, thus reflecting the diversity of the population. This diversity is a strength and an invaluable trait that we leverage on when serving the varied needs of diverse customers within these markets.

The Group's forward-thinking businesses remain committed to promoting equal opportunities and nurturing diversity and inclusiveness within their respective organisations and marketplaces. They assimilate the Group's policies and business initiatives such as recruitment, retention, training and development, as well as Group's corporate and social activities. These are all undertaken in a way that does not discriminate against ethnicity, gender, age, disability, or status.

Being an equal opportunity employer, the Group employs, appoints, promotes, develops and rewards its employees through the principles of meritocracy and fairness. We are committed to hiring and promoting people based on company-defined criteria. All these measures ensure that the RHB family remains a well-balanced, safe and harmonious one.

As part of the Group's efforts to strengthen our employer brand and increase talent retention, we have our RHB Employee Value Proposition, known as the RHB CLIP-R. The RHB CLIP-R is rooted in the five pillars of RHB Cares, RHB Leads, RHB Inspires, RHB Progresses and RHB Rewards.



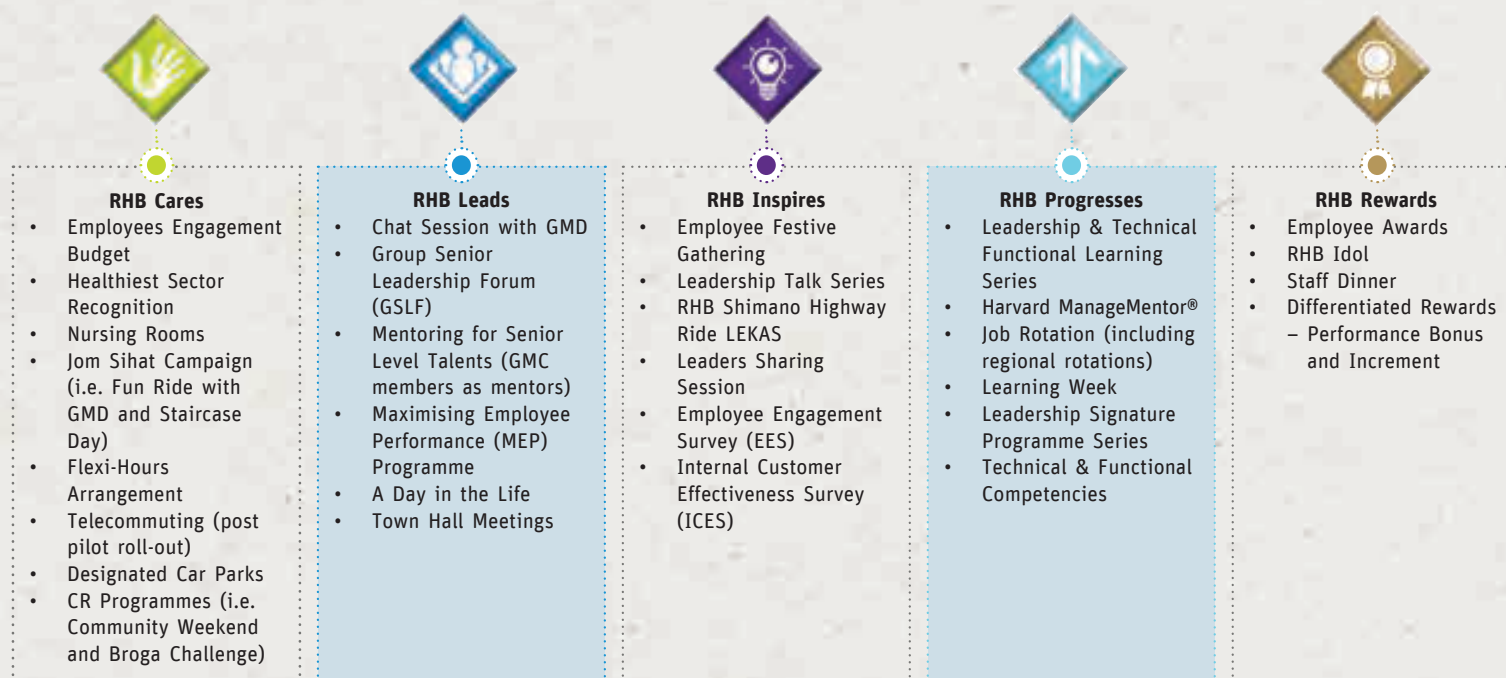
## EMPLOYEE VALUE PROPOSITION (EVP)



### GREAT TEAMS, DYNAMIC WORKPLACE

At RHB, we take PRIDE in our people and our teams. Great relationships built on trust, a “leading it right” environment, challenging assignments and a culture of excellence are the pillars to the dynamic workplace we call home.

## EVP INITIATIVES





### Employee engagement activities

Even as our respective businesses grow, we recognise the need to maintain a united workforce. To this end, the Group continues to implement employee engagement activities to communicate with and unify our employees. We understand that engaged employees are more satisfied with their jobs, are open to staying longer, and are more productive and committed.

To better understand our employees' perspectives, we measure engagement and engagement drivers through surveys. The survey results are then used by our leaders to address employees' concerns and identify opportunities for improvement. In October 2016, we embarked on an Employee Engagement Survey ("EE Survey") which saw a total of 12,054 employees participating out of the 13,810 who were invited to participate, translating into an 87% participation rate. The survey also garnered 4,485 comments from employees in a variety of categories.



### The RHB Sports & Recreation Club

The RHB Sports & Recreation Club serves as a platform for staff to interact and socialise with one another. In 2016, the club organised the following activities:

- Yearly gift distribution
- Bowling Tournament
- Table Tennis Tournament
- Futsal Tournament
- Social Trip to overseas (Bandung, Bali)
- Trip To Hat Yai by Train
- Squid Jigging

The Group received an overall score of 76% in the EE Survey, an improvement from the 73% attained in 2013. The survey showed that 10 out of 11 categories had improved, with the Rewards & Recognition, Communication and Leadership categories demonstrating the highest improvement with an increase of 9%, 8% and 7% respectively.

The Group continues to make tremendous progress in providing opportunities for personal development and growth among our people. We have also been focusing on communication by providing avenues for feedback and interaction between management and staff. In addition to this, we have been regularly updating employees on the Group's strategic direction. The positive improvements in the EE Survey results attest to our commitment to developing our people and building a united and engaged talent pool.

The feedback received through the EE Survey has paved the way for the Group to plan and implement improvements in critical areas. High Performance Culture ("HPC") Champions have been appointed in the respective businesses/functions to support the Group in driving employee engagement and customer effectiveness in specific areas.



## Employee benefits and remuneration

The long-term success of RHB Banking Group is due to the dedication, skill and efforts of our employees. To attract, retain and motivate high-performing talent we offer an attractive range of employee benefits and remuneration plans as well as benchmark our compensation plans and benefits with other companies that are comparable in size and scope. In 2016, we implemented these measures:

### Competitive Pay

- The salary structure for the Malaysia operations was reviewed to reflect one structure for all job families and this was then benchmarked against the market;
- A newly designed fee-based incentive scheme was introduced;
- Enhancements were made to the Treasury Incentive Plan.

### Competitive Benefits

- We undertook a review of regional benefits to ensure we remain competitive on the regional front. In 2016 the following were introduced for our Regional employees:
  - Introduced staff housing and car loans for RHB Bank Laos as new benefits;
  - Enhanced the staff preferential rates on banking products to entice our employees to bank with RHB; and
  - Undertook a review of staff loans (housing, car and personal loans) for RHB Bank Thailand to position ourselves on par with the market.
- We also set up a financial assistance mechanism for staff affected by natural disasters in the form of an interest free emergency loan.

## Labour relations

The Group respects and recognises the right of its employees to be members of a registered union and for the union to be the sole negotiating body for that relevant category of employee. The union has the right to collectively bargain for rates of pay, wages, hours of employment, working conditions, and other employment-related issues on behalf of its members.

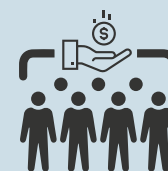
We are committed to building and maintaining constructive relationships with local unions, in this instance the unions representing RHB Bank Berhad and RHB Insurance Berhad. The unions in return shall recognise the rights of both companies to operate and manage their businesses in good faith in accordance with the law and Trade Unions Act and to consistently uphold the highest ethical standards.

Approximately 25% of the Group's workforce are registered union members. In 2016, several collective agreements were concluded with the various registered union bodies represented at RHB Bank Berhad and RHB Insurance Berhad.

## Staff welfare fund

The staff welfare fund provides financial assistance to contributing members who require financial aid as a result of a natural disaster, a medical condition or the demise of an immediate family member. As at end December 2016, there were 5,492 contributors to the fund while the fund has rendered financial assistance in these instances:

### STAFF WELFARE FUND



NO. OF CONTRIBUTORS

**5,492**

DEMISE OF IMMEDIATE FAMILY

**RM70,600**

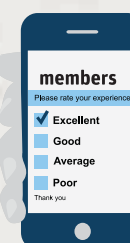
NATURAL DISASTER

**RM16,000**

MEDICAL ASSISTANCE

**RM52,830**

**25%**  
OF THE GROUP'S WORKFORCE ARE  
**REGISTERED UNION  
MEMBERS**





ESTABLISHMENT OF  
**214 SAFETY  
 & HEALTH**  
 COMMITTEE MEMBERS NATIONWIDE

#### Occupational health and safety

We are committed to providing a safe and healthy environment for all employees, customers and the communities that we operate in. Health, Safety and Environment (“HSE”) standards and regulations throughout the operations in the Group are based on absolute compliance with regulatory requirements such as the OSHA 1994 and FMA 1967. In 2016, the following activities were undertaken;

- A restructuring of the governance structure with the appointment of new committee members and the establishment of 214 Safety & Health Committee members nationwide;
- The formation of Emergency Response Team Committees nationwide;
- The RHB-NIOSH OSHA Compliance workshop programme for all branch managers;
- The RHB-CIDB Green Card programme for all technical personnel;
- A renewed commitment towards no-smoking premises;
- A reduction in the number of smoking zones at the RHB Centre and RHB Complex Bangi;
- The introduction of new safe manual handling operating procedures reflecting our commitment towards eliminating manual handling works that result in back pain and spine injuries;
- The development of in-house Indoor Air Quality (IAQ) assessment capabilities.

The Group has maintained a good safety performance record over the past few years. The Group’s lost time injury frequency rate compares favourably with other international and local companies. Throughout 2016, the following results were reported:

	RHB Bank Berhad	RHB Investment	RHB Islamic	RHB Insurance	RHB Asset Management	Grand Total
Accidents with Lost Time Injury	5			1		6
Dangerous Occurrence						
Occupational Poisoning						
Occupational Disease	1					1
<b>Total Overall</b>	<b>6</b>			<b>1</b>		

## “RHB Jom Sihat” initiative

The health of our employees is of utmost importance. Various programmes were implemented to ensure that the working environments at the various offices are not hazardous or harmful to an individual’s health.

In 2016, we rolled out the following activities under the banner of the “RHB JOM SIHAT”.

- The RHB Staircase Day campaign was started in 2014 to promote staircase usage among head office staff with the objectives of promoting a healthy lifestyle amongst our employees.
- The Fun Ride Cycling with GMD was personally initiated by GMD as part of his commitment towards promoting health and wellness. All RHB Banking Group staff and family members are invited to join in the cycling activities which are usually held around the Putrajaya and Cyberjaya area.

- The quarterly Blood Donation Campaign is organised in collaboration with Pusat Tabung Darah Negara as part of our social responsibility efforts.
- The Lunch Hour Health Talk Series aims to raise awareness among RHB Bank staff about specific health topics given by medical experts from Beacon’s & KPJ Hospitals. These typically include topics such as sleep disorder, stress management, nutrition, eye health and diabetics.
- This basic health screening programme is offered to all staff in collaboration with KPJ and Beacon’s Hospital during Lunch Hour Health Talk events. The free tests cover cholesterol, sugar and fat levels, BMI, eye checks and bone density tests.

## Managing the unexpected

The Group’s emergency response management plans are focused on prevention, preparedness, response and recovery. RHB Bank uses a tiered approach for emergency management leveraging on processes and tools that effectively manage emergency response, crisis management and business continuity planning efforts. The Group also develops and maintains emergency notification procedures, and supports emergency teams, conduct drills and maintains relationships with organisations that provide emergency response support.

In the event of an emergency at any of our sites, a floor warden will lead the staff to safety and to the identified assembly point. Meanwhile, the security team will liaise with external rescue agencies on response and recovery activities. Once the safety of staff is confirmed, the Disaster Recovery Plan and Business Continuity Plan (“BCP”) will be activated to recover critical systems and to ensure essential functions run without impediment. The Business Continuity Planning Call Tree will be activated to provide direction to key staff who will operate from an alternative site.





## The year saw RHB being awarded the Continuity Awareness Award 2016 by DRI International, in collaboration with CyberSecurity Malaysia

Should a major crisis occur, the crisis command centre will be activated and the crisis management team led by the Group Chief Crisis Director and assisted by Group Chief Crisis Commander will provide strategic direction to the incident management team.

The Group's Business Continuity Management ("BCM") initiative aims to minimise any disruption in the event of disaster by ensuring business resiliency and the provision of critical and essential services. To this end, RHB staff has undergone training to ensure they are BCM-ready. A quarterly BCP awareness bulletin is circulated while an e-Learning module on Proficient BCM is made available.

The year saw RHB being awarded the Continuity Awareness Award 2016 by DRI International, in collaboration with CyberSecurity Malaysia, an agency under the Ministry of Science, Technology and Innovation or MOSTI. The award recognises the Group's continuous efforts in enhancing BCM awareness amongst staff as well as safeguarding the interests of all stakeholders.



### Learning and development

Here at RHB, we have invested heavily in several structured Learning and Development initiatives to ensure our people are accorded the appropriate tools and skills so that they can be the best they can be.

In 2016, we achieved significant milestones in relation to the Learning & Development Architecture which was introduced at the launch of the Learning and Development Handbook via the My1Portal platform on 1 August. The same was officially launched by the GMD on 7 September during the Group Induction Programme. Defined as an "organisation's unique map of agreed upon learning needs, learning strategies and delivery strategies for all of its training", the Learning Architecture at RHB is providing a strong platform for ensuring the effectiveness of our learning eco-system.

Through our new Learning Architecture, the Group is today leveraging on three key shifts to transform our Learning & Development eco-system and Group Learning Culture. These include:

- Shift from an 'Event' to 'Learning is a Journey'
- Shift from 'Skill-Based' to 'Competency-Based Curriculum' Content; and
- Shift from 'Instructor-Centric' to 'Learner-Centric' Experiences and Environment





## ADULT LEARNERS

### 01. LEARNING CONTEXT

- Vision & Roles
- Career Model
- Learning Needs

#### Learning Needs

- Immediate: Current success
- Intermediate: Job & competency expansion
- Transitional: Career growth



## CONTENT

### 02. LEARNING CONTENT

- Competency based
- New Learning Series



## ENVIRONMENT

### 03. LEARNING ENVIRONMENT

- Learner-centric
- Flexible & Connected

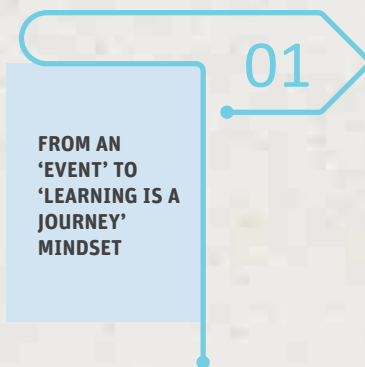


## EXPERIENCE

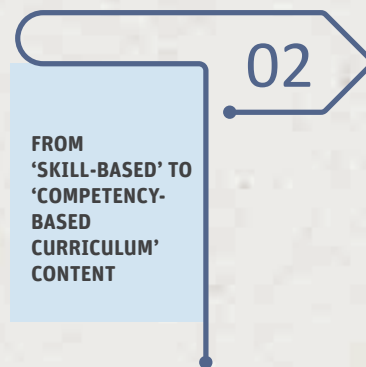
### 04. LEARNING EXPERIENCE

- 70:20:10 Learning Journey
- Mindset

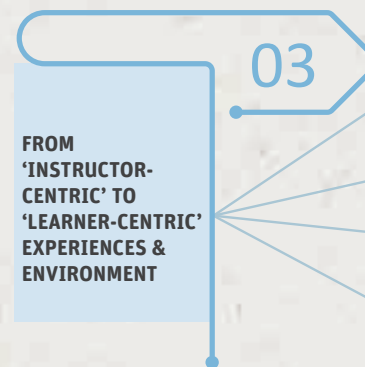
## 3 KEY SHIFTS



- Implement 70:20:10 approach
- "Taking ownership" of one's Learning Journey



- Launch more competency-based Learning Series for both Leadership & Technical aspects
- Inculcate 6Ds ISO capability in D&D

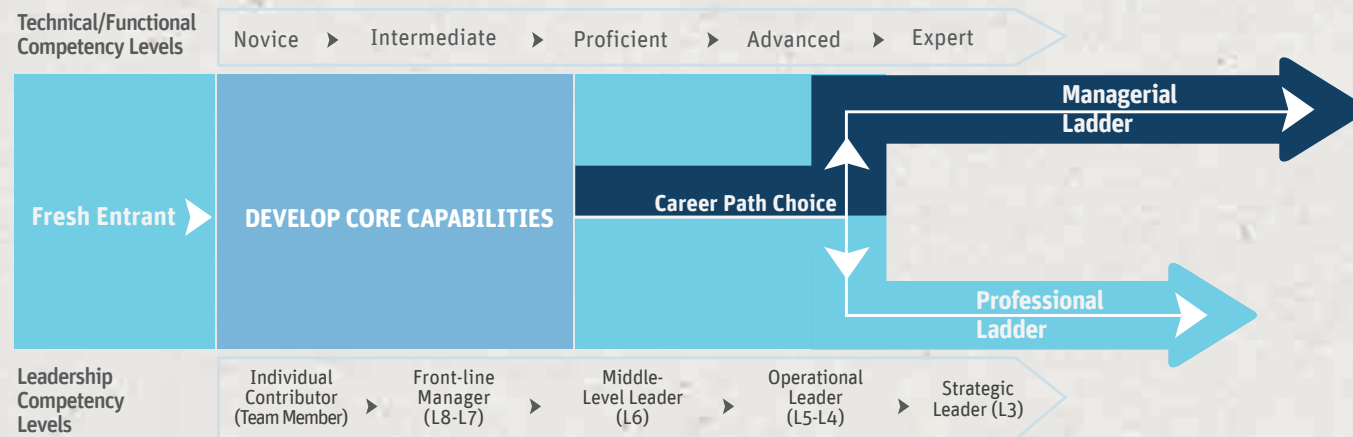


- Multi-mode learning delivery
- Leaders-Devel op-Leaders
- Facilitation vs 'Downloading'
- Conducive learning facilities



## RHB Career Progression – Dual-Career Ladder Model

The Group implements a Dual-Career Ladder Model which opens up greater opportunities and possibilities for staff development and growth.



## Key Leadership & Management Programmes

In 2016, RHB launched a total of 25 formal unique Leadership & Management programmes...

		10% Formal Learning Solutions					
Level	Curriculum Focus	Open Enrolment	Foundational Programmes	Signature Programmes	Core/Bespoke Programmes	Total No. of Programmes	
GMC	Leadership at C-Suite	<ul style="list-style-type: none"> <li>✓ AMDP I: Senior Leadership Programme (Business School US/Europe)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Harvard ManageMentor (HMM)</li> <li>✓ Maximising Employee Performance (MEP) (Appreciation)</li> </ul>	-	<ul style="list-style-type: none"> <li>Bespoke</li> <li>✓ Top Team Effectiveness Programme (TTEP)</li> <li>✓ Formal Mentoring Programme for GMC-1 Successors (Mentor)</li> </ul>	5	
GMC-1	Transitioning to Senior Leadership	<ul style="list-style-type: none"> <li>✓ AMDP II: OE Programme (Business School US/Europe)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Harvard ManageMentor (HMM)</li> <li>✓ Maximising Employee Performance (MEP) (Appreciation)</li> </ul>	-	<ul style="list-style-type: none"> <li>Bespoke</li> <li>• Formal Mentoring Programme for GMC-1 Successors (Mentee)</li> </ul>	4	
Mid-level Leaders	Leading Business/ Operating Functions	-	<ul style="list-style-type: none"> <li>✓ Harvard ManageMentor (HMM)</li> <li>✓ Maximising Employee Performance (MEP) (Appreciation)</li> <li>✓ Enhanced RHB Group Induction Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Transition to Business Leadership</li> </ul>	<ul style="list-style-type: none"> <li>• Managing Staff Career &amp; Succession Planning</li> <li>• Mentoring for Mentors</li> <li>• Story Telling for Leaders – Ethics &amp; Integrity for Leaders</li> </ul>	8	
Front-line Managers	Leading Teams	-	<ul style="list-style-type: none"> <li>✓ Harvard ManageMentor (HMM)</li> <li>✓ Maximising Employee Performance (MEP) (Appreciation)</li> <li>✓ Enhanced RHB Group Induction Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Emerging Leaders (replacing LEAP 2)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Feedback &amp; Coaching</li> <li>✓ Managing Lean Six Sigma</li> <li>✓ Living Our Values Everyday</li> <li>✓ Personal &amp; Team Visioning – Negotiation Skills</li> </ul>	9	
Individual Contributors	Leading Self	-	<ul style="list-style-type: none"> <li>✓ Harvard ManageMentor (HMM)</li> <li>✓ Enhanced RHB Group Induction Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Foundation of Leadership (replacing LEAP 1)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Understanding Change</li> <li>✓ Enhancing Interpersonal Skills</li> <li>✓ Problem Solving &amp; Decision Making</li> <li>• Personal Career Planning – Planning &amp; Organising</li> </ul>	8	
<b>Roll-Out Plan</b>		<ul style="list-style-type: none"> <li>✓ Ongoing &amp; Launched in Q2 – 14 programmes</li> <li>• To be launched in Q3 – 8 programmes</li> <li>o To be launched in Q4 – 3 programmes</li> </ul>				<b>Total</b>	<b>34 programmes (25 unique)</b>

These included:

### Open Enrolment

- AMDPII – Nominated three GMD-1 Successors to attend the following Executive Education Programme:
  - 1) Wendy Ting – The Executive Development Programme: The Transition to General Management by the University of Chicago Booth;
  - 2) Patrick Cheah – The Transition to General Management by INSEAD; and
  - 3) Azlina Bt Safian – The 2016 Global Banking Leaders Programme by the Asian Banking School (ABS) and the Cass Business School, City of London.

### Foundational Programmes

- Rollout of the Harvard Manage Mentor (HMM) E-learning Programme
- Introduced the Enhanced RHB Group Induction Programme. Key enhancements included:
  - “RHB Banking Group Induction Programme” Workbook to facilitate engagement;
  - “RHB Corporate Video” on the Journey of RHB and RHB’s Branding;
  - Energizers in between presentations;
- Designed, developed and delivered the “Maximising Employee Performance Programme” to enhance people management skills. A total 1,176 line managers and employees have completed the programme.

### Signature Programmes

- Appointed the Melbourne Business School to design, develop and deliver the RHB Leadership Signature Programmes for Executive to mid-level managers;
  - Foundation of Leadership for Individual Contributors (IC) – For executives
  - Emerging Leaders for Frontline Managers (FLM) – For mid-level Managers
  - Transition to Business Leadership for Mid-Level Leaders (MLL) – For Team Leaders

### Core Programmes

#### • RHB Mentoring Programme

##### Cohort 1

- Successfully rolled out and completed the Formal Mentoring Programme for 13 GMD-1 Successors from February 2016 until January 2017;
- Conducted 16 mentoring sessions with the mentors and mentees i.e. 11 sessions of one-to-one briefing to Mentors, 3 sessions of the Mentoring Appreciation Workshop, 1 session of Mentee Sharing and Reflection Workshop and 1 Teh Tarik Session with the GMD

##### Cohort 2

- Conducted 8 mentoring sessions with the mentors and mentees, 4 sessions of How to Be a Mentor Workshop and 4 sessions of How to Be a Mentee Workshop between the third quarter of 2016 and first quarter of 2017 to prepare both the mentors and mentees for the mentoring programme starting from 10 February 2017 until 10 January 2018.

#### • RHB Core Programmes

- Introduced 12 Core Leadership & Management Programmes



FORMAL MENTORING PROGRAMME FOR  
**13 GMD-1 SUCCESSORS**



**1,176 LINE MANAGERS**  
AND EMPLOYEES COMPLETED THE “MAXIMISING EMPLOYEE PERFORMANCE PROGRAMME”



**12 CORE LEADERSHIP & MANAGEMENT PROGRAMMES**

### Key Technical & Functional Level Programmes

In 2016, RHB successfully rolled-out the Industry Foundational Programmes comprising:

- Banking & Financial Services 101 (July 2016)
- Commercial Banking 101 (July 2016)
- Investment Banking 101 (Sept 2016)
- General Insurance 101 (Oct 2016)

The Group also organised the Leadership Talk Series as follows:

### Leadership Talk 2016

<b>GUEST SPEAKER</b>	<b>Mr Christoph Mueller</b> Group Chief Executive Officer of Malaysia Airlines	<b>YBhg Tan Sri Dr. Rebecca Sta Maria</b> Independent Non-Executive Director of RHB Bank Berhad	<b>Tan Sri Liew Kee Sin</b> Chairman of Eco World Development Group Berhad
<b>WHEN</b>	4 Mar 2016	9 June 2016	22 Sept 2016
<b>SHARING A VISION</b>	Turnaround Leadership	A Personal & Corporate Journey	Sharing a Vision

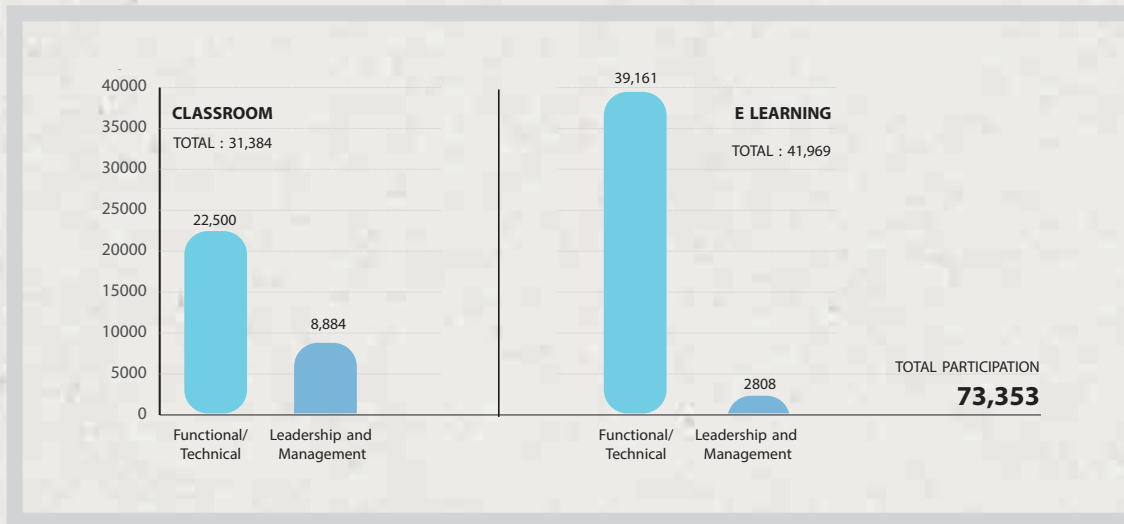
Other significant initiatives related to people development included the following:

- i. Successful rollout of Learning Management System in April 2016;
- ii. Conducted the Learning Month in September 2016 with various sharing sessions on Leadership & Management and Technical & Functional Topics; and
- iii. 48 New enrolments for the Chartered Banker Programme in 2016





The following is the breakdown of the number of participants for the Leadership & Management and Functional & Technical training sessions in 2016.



### Talent management

Talent management is about making sure that RHB has the right people in the right jobs at the right time to deliver the results and to grow our business. The Group is committed to attracting talent with the appropriate competencies as well as the relevant experience and qualifications. We also believe in providing equal opportunities to each and every employee in the area of career progression. Training and career development opportunities for all staff involve the sharpening of skills, concepts, changing attitudes and gaining more knowledge to enhance the employees' performance. Induction courses throughout the year prepare newly recruited staff to welcome them to the Group and prepare them for their roles.

Employees' skills and competencies are identified and any gaps highlighted so that a learning and development plan can be implemented. We consistently track the progress of our pool of internal talent and give them ample opportunity to move up to assume higher responsibilities. Suitable candidates are also provided the opportunity to participate in cross-company projects, secondment opportunities and transfer within the Group.

RHB's enhanced talent development programme consists of the areas of Formal Learning, Mentoring/Coaching and On-the-Job training. In 2016, a variety of internal and external training and development programmes were conducted to cater to different employees' needs.



**73,353 PARTICIPANTS**

ATTENDED THE LEADERSHIP & MANAGEMENT AND FUNCTIONAL & TECHNICAL TRAINING SESSIONS IN 2016

**RHB's enhanced talent development consists of Formal Learning, Mentoring/Coaching and On-the-Job**

Talent Segmentation	10% Formal Learning				20% Mentoring	70% On-the-Job
	Curriculum-focus	Foundational Programmes	Signature Programmes	Core/Bespoke Programmes <sup>1</sup>		
Senior Level (GMC members)	Leadership at Senior Level/ C-Suite	<ul style="list-style-type: none"> <li>Harvard ManageMentor®</li> <li>Maximising Employee Performance (MEP) (Appreciation)</li> </ul>	<ul style="list-style-type: none"> <li>AMP I –Business School (US &amp; Europe i.e. Uni. of Chicago-Booth, INSEAD, IMD)</li> </ul>	<ul style="list-style-type: none"> <li>Top Team Effectiveness Programme (TTEP)</li> <li>Story Telling for Leaders</li> </ul>	<ul style="list-style-type: none"> <li>Executive Coaching</li> </ul>	<ul style="list-style-type: none"> <li>Business Innovation &amp; Turnaround Experiences</li> </ul>
Senior Level (R10 & above)	Transition to Sr. Leadership Role	<ul style="list-style-type: none"> <li>Harvard ManageMentor®</li> <li>MEP (Appreciation)</li> </ul>	<ul style="list-style-type: none"> <li>AMP II -Business School (US, Europe and in-house)</li> </ul>	<ul style="list-style-type: none"> <li>Formal Mentoring with GMC</li> <li>Mentoring for Mentors</li> <li>Story Telling for Leaders</li> </ul>	<ul style="list-style-type: none"> <li>Mentoring</li> </ul>	<ul style="list-style-type: none"> <li>Business Innovation &amp; Turnaround Experiences</li> <li>Internal / External Relationships</li> </ul>
Middle Level 2 (R8 –R9)	Business-based i.e. Operations/ Functional Leadership	<ul style="list-style-type: none"> <li>Harvard ManageMentor®</li> <li>MEP</li> <li>RHB Induction</li> </ul>	<ul style="list-style-type: none"> <li>Transition to Business Leadership</li> </ul>	<ul style="list-style-type: none"> <li>Managing Staff Career &amp; Succession Planning</li> <li>Mentoring for Mentors</li> <li>Story Telling for Leaders</li> <li>Ethics &amp; Integrity for Leaders</li> </ul>	<ul style="list-style-type: none"> <li>Mentoring /Coaching</li> </ul>	<ul style="list-style-type: none"> <li>Operational/ Business/Functional Experiences</li> <li>Special Projects</li> <li>Job Enlargement</li> </ul>
Middle Level 1 (R4 –R7)	Leading Teams	<ul style="list-style-type: none"> <li>Harvard ManageMentor®</li> <li>MEP</li> <li>RHB Induction</li> </ul>	<ul style="list-style-type: none"> <li>Emerging Leaders</li> </ul>	<ul style="list-style-type: none"> <li>Feedback &amp; Coaching</li> <li>Managing Lean Six Sigma</li> <li>Living Our Values Everyday</li> <li>Personal &amp; Team Visioning</li> <li>Negotiation Skills</li> </ul>	<ul style="list-style-type: none"> <li>Performance Coaching</li> </ul>	<ul style="list-style-type: none"> <li>Cross Functional Projects</li> <li>Job Rotation</li> </ul>
Junior Level (R1 –R3)	Leading Self	<ul style="list-style-type: none"> <li>Harvard ManageMentor®</li> <li>MEP</li> <li>RHB Induction</li> </ul>	<ul style="list-style-type: none"> <li>Foundation of Leadership</li> </ul>	<ul style="list-style-type: none"> <li>Understanding Change</li> <li>Enhancing Interpersonal Skills</li> <li>Problem Solving &amp; Decision Making</li> <li>Personal Career Planning</li> <li>Planning &amp; Organising</li> </ul>	<ul style="list-style-type: none"> <li>Coaching &amp; Guidance</li> </ul>	<ul style="list-style-type: none"> <li>Task-related/ Functional Projects</li> </ul>

## Succession planning

The Group has a policy that systematically identifies and nurtures talent for the purpose of employee career development and succession planning. In order to establish an effective succession plan, a Talent Management and Succession Planning Programme has been formed to facilitate the succession planning process within the Group. The Talent Management Programme identifies, develops and manages the careers of individuals who have the capability to make a significant difference to the current and future performance of the organisation.

A talent is defined as an individual who has the ability to make significant difference in the current and future performance of the organisation. A talent demonstrates:

- Performance – the employee’s ability to achieve superior results and demonstrate behaviours that are aligned to the RHB’s Core Values. He/she should demonstrate a sustained history of exceeding expectations (usually for 2 years); and

- Potential – the employee’s capacity to take on increasingly business critical, complex and/or challenging roles. RHB Bank defines potential in terms of Ability, Engagement and Aspiration.

The main objectives of these programmes are to identify successors for critical positions within the Group. Succession planning is a forward looking process to ensure the continuity of management by the smooth transition of talent in the key jobs in the organisation, by identifying and grooming successors. The programmes which have been implemented to date are as follows:

### RHB’s enhanced talent development consists of Formal Learning, Mentoring/Coaching and On-the-Job

	1 Capacity Projections	2 Talent Identification	3 Talent Assessment	4 Talent Development	5 Talent Review/ Deployment
Objectives	<ul style="list-style-type: none"> <li>• Determine what it will take for RHB to succeed in 3-5 years</li> </ul>	<ul style="list-style-type: none"> <li>• Identify leaders who demonstrate the highest promise to be great leaders</li> </ul>	<ul style="list-style-type: none"> <li>• Gauge readiness of leaders to assume leadership roles</li> <li>• Leverage assessment and selection data</li> </ul>	<ul style="list-style-type: none"> <li>• Determine and deliver the right mix of experiences aimed at developing leaders</li> </ul>	<ul style="list-style-type: none"> <li>• Decide deployment of talent</li> <li>• Determine who will have the highest probability of achieving RHB’s aspiration</li> </ul>
Standards/ Processes	<ul style="list-style-type: none"> <li>• Key &amp; critical position criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Talent identification criteria – Performance Potential Matrix</li> </ul>	<ul style="list-style-type: none"> <li>• Talent assessment framework</li> <li>• Potential assessment</li> <li>• Succession readiness assessment (SRA)</li> <li>• Assessment Centre</li> </ul>	<ul style="list-style-type: none"> <li>• Career discussion</li> <li>• Leadership development framework</li> </ul>	<ul style="list-style-type: none"> <li>• Talent review – Business/Function and Group</li> <li>• Succession plan</li> </ul>
Outcome	<ul style="list-style-type: none"> <li>• Key &amp; critical positions</li> <li>• Success profiles</li> </ul>	<ul style="list-style-type: none"> <li>• Talent category – Performance Potential Matrix</li> <li>• Successor Pool</li> <li>• Talent Pool</li> <li>• Talent profiles</li> </ul>	<ul style="list-style-type: none"> <li>• Potential indication</li> <li>• Succession readiness level</li> <li>• Personality inventory</li> <li>• Leadership competencies – strengths &amp; gaps</li> </ul>	<ul style="list-style-type: none"> <li>• Individual development plans (IDP)</li> <li>• Development progress</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership bench strength</li> <li>• Succession plan</li> <li>• Deployment plan</li> </ul>

The main purpose of the Talent & Succession Management activity is the analysis of leadership competencies. The assessment will formulate the foundation for the creation of personal development plans for the selected employees. Our investment into developing the Group’s future leaders also involves input from business leaders to ensure that learning is driving retention, engagement and performance as well as supporting our core businesses.



## SOCIETY/COMMUNITY

As one of Malaysia's leading financial institutions with a regional footprint, we are deeply committed to enriching the communities we serve in the long-term by positively impacting their lives. As such, much of our activities are focused on empowering communities with the skills and knowledge to unlock their potential. In 2016, we undertook a host of activities to enrich communities, most of which were under the three pillars of the RHB Foundation.

### Pillar 1: Nurturing Future Generations

Our "Nurturing Future Generations" pillar is the first pillar under the RHB Foundation. It focuses on impacting children in primary and secondary schools, as well as youth at the pre-university and undergraduate levels.

Children are the bedrock of our future. In recognising that education is key to their development, the Group's key objective is to equip children with the requisite skills, capabilities and the competencies needed to face the future with vigour and confidence. This is undertaken through programmes such as the Spell-It-Right Challenge, the Mesra OKU Project, and our RHB Community Weekend, which challenge and encourage students to pursue knowledge beyond the schoolroom, while promoting character-building.

**The Group's key objective is to equip children with the requisite skills, capabilities and the competencies needed to face the future with vigour and confidence**





## The SIR Challenge – inculcating English proficiency

The Spell-It-Right (“SIR”) Challenge is a nationwide spelling competition that is open to primary and secondary school students in Malaysia. The programme, which has been jointly organised with the New Straits Times Press (Malaysia) Bhd since 2008, is aimed at promoting better usage of the English language, instilling good reading habits and improving students’ language proficiency, whilst boosting their confidence. This initiative has impacted over 74,300 students nationwide since 2008 in Malaysia and 5,000 students in Singapore since 2012.

SIR has seen encouraging growth in participation since its launch, and in 2016, recorded a 35% increase in participation to 23,000 from 16,982 participants in the previous year. Endorsed by the Ministry of Education, SIR challenges children to expand their vocabulary beyond the confines of their day-to-day textbooks. To date, the participants of SIR have been exposed to more than 60,000 words of Latin, medieval, and modern origins.

Into its 10th year, SIR has now taken a new direction by going digital. The plan for 2017 is to introduce an online module through the development of a Spell-It-Right app which will be made available via IOS and Android so as to reach out to a wider group of students. Incorporating technology in line with the Bank’s mission will certainly see a significant increase in participation as the competition will no longer be area-bound and will facilitate participation of the more rural and remote schools. The implementation will follow a new format: Online Prelim, Online State Challenge, Semi Finals and Finals and will focus on further increasing the quality and standard of participants.



Grounded on the same objectives as SIR and supported by Singapore’s Ministry of Education, the RHB-Straits Times National Spelling Championship (dubbed “Spelling Masters”) has seen an 8.8% increase in primary school participants since 2015 with 1,800 participants compared to 1,654 in the preceding year. Throughout the five years of NSC, the programme has increased its engagement depth with spelling guides, teacher briefings, videos, radio, online and social media interaction. This has grown RHB’s association with the spelling competition into a staple and reputable Singapore mind sport for the young to enjoy.



**SPELL-IT-RIGHT (“SIR”) CHALLENGE:**  
PARTICIPATION OF 74,300 STUDENTS  
NATIONWIDE (MALAYSIA) &  
5,000 STUDENTS (SINGAPORE)

### The Mesra OKU Project – supporting schools with special children

The Mesra OKU Project is RHB's endeavour to enhance community awareness that special children should be given equal opportunity to excel. It promotes inclusiveness and opportunity by encouraging parents to send their special children to school and provides these children a safe and conducive environment to achieve academic excellence. This initiative calls for facilities for special needs students to be built at selected special Integrated Schools across Malaysia.

There are approximately 53,388 special children/children with special needs in government schools. Common special needs include learning disabilities, communication disorders, emotional and behavioural disorders, physical disabilities and developmental disabilities. This can range from children with dyslexia, visual impairment, hearing impairment and autism to those with attention deficit disorder (ADD), attention deficit hyper activity (ADHD) and Down syndrome, to children having multiple disabilities.

We have worked hand-in-hand with the Ministry of Education ("MOE") to create a disable-friendly environment in schools with special children. For the year 2016, a total of five schools from Kuala Lumpur and Selangor (2 in Kuala Lumpur and 3 in Selangor) were selected for this project. A sum of RM500,000 went towards building facilities in each of these five schools. These facilities comprised two toilets, one parking area and hand rails and ramps for the disabled at each of the schools. A total of 505 special children have benefited from this project.



These five schools were selected in 2016:

- SK Seri Indah, Kuala Lumpur
- SMK Taman Desa Perdana, Kuala Lumpur
- SMKV Shah Alam, Selangor
- SK Bukit Rimau, Shah Alam Selangor
- SMK Taman Desa 2, Rawang

Under Phase 2 of the Mesra OKU Project, we will be turning our efforts to children with autism whereby we aim to create awareness about autism, conduct training for teachers who are involved in educating autistic children, and provide learning tools for children with autism.

### FinTech Hackathon – cultivating innovative minds

As part of the Group's efforts to reach out and spur the minds of youth at the pre-university and undergraduate levels, we will be organising a Financial Technology Hackathon (FinTech Hackathon) in partnership with a local university. This platform aims to inspire young Malaysian youth at public/private

universities to channel their potential towards being a leader in FinTech and to help pave a way to re-imagine the finance and banking industry. The project kick starts in the second quarter of 2017.

### Financial literacy among the young

Aimed at upper Primary and Secondary school students, this initiative serves to educate children and young people about personal finance and prepare the next generation of banking consumers to manage their personal affairs.



MESRA OKU-PROJECT  
**RM500,000 SPENT ON  
BUILDING FACILITIES**  
FOR SPECIAL NEEDS CHILDREN IN 5  
SCHOOLS IN KUALA LUMPUR & SELANGOR

**500 SPECIAL  
CHILDREN BENEFITED**  
FROM THIS PROJECT





## RHB Community Weekend

Our inaugural RHB Community Weekend activities were carried out simultaneously across eight countries in which we operate. Themed “Nurturing Future Generations”, this initiative is aimed at promoting the spirit of volunteerism among employees by providing them with the opportunity to give back to the community through various corporate responsibility activities. Held from 20 to 21 August 2016, it saw 32 teams from Malaysia, Singapore, Indonesia, Hong Kong, Thailand, Cambodia, Laos and Brunei participating in 37 humanitarian projects that involved thousands of youth and children.

RHB staff were involved in upgrading homes, shelters and rural schools as well as distributing educational tools, furniture and provisions for the needy. Other initiatives that were carried out included educating children on environment conservation and spreading cheer to autistic and dyslexic children with fun games.

As they prepared for the RHB Community Weekend 2016, employees also organised fundraising events and showed their enthusiasm by hash-tagging their photos and videos on social platforms with the tag #rhbtouchhearts. The weekend simply reflected RHB’s commitment to investing in the community, especially among the younger generation, and helping them in a fun yet meaningful way.



## Pillar 2: Health & Wellness

Our second Pillar under the RHB Foundation advocates a focus on cultivating health and wellness within the community, particularly among children and the youth.

### Championing diabetes awareness

It sees us adopting diabetes as a cause to champion and taking a coordinated approach towards promoting and creating awareness about this disease. The objective is to provide health education and awareness to targeted segments of the community as well as members of the public on the dangers of diabetes and the risk factors related to diabetes.

In collaboration with National Diabetes Institute (“NADI”) and Ministry of Health we have implemented a Diabetes Awareness & Outreach Programme. This programme serves to create awareness and provide continuous education on diabetes management and intervention amongst parents, caregivers, teachers, children and the community as a whole in collaboration with NADI. We are currently exploring a partnership with NADI in establishing the RHB-NADI Diabetes Care Programme centre to provide medical attention to T1 children and educate parents and T1 children on the management of diabetes. Activities will include cycling in aid of diabetes and other educational activities be it on ground or through media. We will kick start the programme in May 2017 with a health screening at the RHB Centre for our employees.



RHB COMMUNITY WEEKEND  
**32 TEAMS FROM MALAYSIA, SINGAPORE,  
 INDONESIA, HONG KONG, THAILAND,  
 CAMBODIA, LAOS AND BRUNEI PARTICIPATED**  
 IN 37 HUMANITARIAN PROJECTS  
 INVOLVING THOUSANDS OF YOUTH AND CHILDREN



### Promoting healthy lifestyles through outdoor activities

On 30 April 2016, competitive cycling enthusiasts as well as health-conscious Malaysians participated in the RHB Shimano Highway Ride @ LEKAS 2016, a first-of-its-kind night cycling race set at the Kajang Selatan Toll Plaza, Lebuhraya Kajang Seremban (LEKAS Highway) E21. The race, a collaboration between RHB Banking Group with Shimano Singapore Pte Ltd and Lebuhraya Kajang Seremban Sdn Bhd (LEKAS Highway) under IJM's Toll Division, saw approximately 3,000 participants from Malaysia and overseas competing in the 78 km and 102 km categories as well as in the 20 km VVIP category and 3 km Kids' category.

This unique cycling event was the first night cycling race on a closed highway. Now into its second year, we hope that events such as this will encourage members of the public as well as our employees to engage in activities that promote healthy lifestyles.



### Pillar 3: Arts & Culture

Under the Foundation's third pillar, RHB has pledged support to local emerging artists and the local Arts & Culture scene by preserving, sharing and promoting awareness of the creative arts. The aim is to generate an awareness, appreciation, value and respect for local emerging creative artists and their works, particularly among RHB's affluent and CIB customers.

RHB's "Art with Heart" exhibition is our initiative to showcase and sell artworks by Malaysia's new and emerging artists and other artists of calibre. The exhibition also provides our valued customers and business partners the opportunity to invest in a unique asset class. The inaugural showcase which was held on 16 November 2016 at Balai Seni Lukis Negara, featured 10 artists with 71 pieces of artwork. Artworks worth RM231,900 were sold during this event with 10% of the proceeds from the sale earmarked for 20 underprivileged families.

RHB will continue to showcase the 10 local emerging artistes through media profiles and other on-the-ground activities as well as provide a platform for local artists to exhibit their creative work once a year, with special opportunity given to emerging artists. A share of the funds raised from these events will be channeled to the underprivileged.

### RHB'S "ART WITH HEART" EXHIBITION

**SOLD**  
**RM231,900**  
WORTH OF ARTWORKS FROM  
NEW & EMERGING ARTISTS



**10%**  
**SALE PROCEEDS**  
CHANNELED TO  
20 UNDERPRIVILEGED  
FAMILIES





## RHB BANK IS GENUINELY COMMITTED TO BALANCING OUT OUR GOOD ECONOMIC PERFORMANCE WITH RESPONSIBLE ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

### PRODUCT AND SERVICE RESPONSIBILITY

RHB Banking Group is focused on providing excellent customer service and products to meet the needs of the market. We go all out to provide tangible benefits, improve our brand's reputation, differentiate ourselves from the competition and create customer loyalty and trust. To this end, we ensure a customer service culture is embedded within our organisation.

#### Social-related awards and accolades

For our good work on the human resource, community and product fronts, we received numerous recognition. Details of these can be found on our Awards and Accolades page on pages 168 to 173 of this Annual Statement.

### TOWARDS A SUSTAINABLE FUTURE

RHB Banking Group, (through RHB Bank Berhad), is a public company that cares for the wellbeing of its stakeholders and the environment, and thus adopts sustainability initiatives and measures as a vital component of its operations.

As a good corporate citizen, RHB Bank is genuinely committed to balancing out our good Economic performance with responsible Environmental and Social considerations. Even as we set our sights on delivering a sustainable performance on the EES fronts, we will endeavour to ensure that the notion of sustainability becomes embedded within our organisation in a more prominent manner.

As the Group ventures forth in its undertakings, we will endeavour to deliver true and sustainable value as well as establish long-term relationships ties with our many stakeholders so that RHB Banking Group is recognised as a model for responsible corporate behaviour.





**DELIVERING SOLUTIONS**







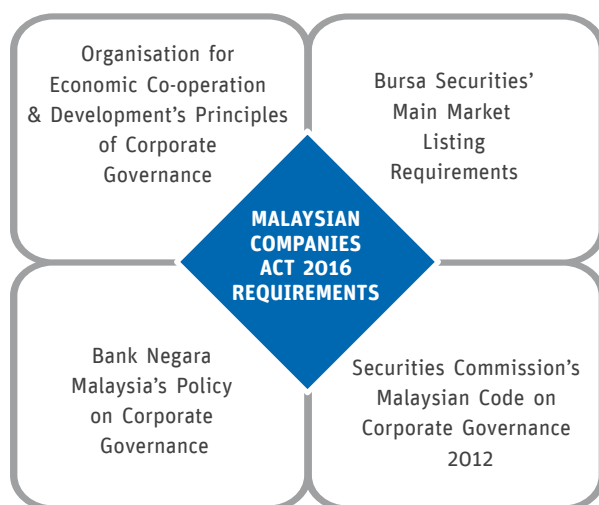
We offer a diverse range of financial products and services as well as non-banking offerings. Our products and services are offered through both personal and digital channels. We are leveraging on digital technology to provide customers with simple, fast and seamless experiences, fulfilling their lifestyle needs and exceeding their expectations.

“ GOOD GOVERNANCE IS A CRITICAL COMPONENT OF SOUND FINANCIAL INSTITUTIONS AND PLAYS A KEY ROLE IN MAINTAINING PUBLIC CONFIDENCE IN THE FINANCIAL SYSTEM. ”

– Bank Negara Malaysia’s public statement released on 3 August 2016.

## STATEMENT ON CORPORATE GOVERNANCE

The Board of RHB Bank Berhad (“RHB Bank” or “Company”) fully supports adoption of best practices in good corporate governance beyond regulatory requirements. RHB Bank, as the new ultimate holding company for RHB Banking Group (“Group”) effective 13 June 2016, recognises that enterprise governance, which is a balancing act of steering the Group’s performance while it conforms to best practices, whether in accordance with mandatory or voluntary requirements, is the turnkey to strengthen and ensure long-term sustainability in the Group-wide governance arrangements. Under the enterprise governance umbrella, the Company continuously strives at its best to sustain and stimulate value creation by subscribing the broad principles set out in the following essential requirements and practices:



### COMMITMENT TO CONFORMANCE

RHB Bank is fully committed to protect the interests of all its stakeholders by applying good corporate governance practices, including greater transparency and sustainable disclosure. This office norm subsequently being translated into corporate culture as manifested top-down across the internal stakeholders, from the Board of Directors, down to the Senior Management and subsequently touches the rest of its Employees. A dedicated Business Risk and Compliance Officer is then employed in each respective business and functional units or branches to act as a focal point for line departments to relay matters relating to regulatory and internal requirements. This control function further formalised an in-house gatekeeper embedded into the existing enterprise risk management framework and covers all streams of businesses and functional arms of the Company within the Group.

The continuous enhancement in the Company’s corporate governance deck has shown significant results in the way RHB Banking Group operates. A more emphasis placed by the Board of Directors on its fiduciary duty as guardian of public deposits, customers’ investments and account holders’ policies, through sustainable boardroom scrutiny, decision-making and directives has gained more trust and in return, builds lasting commercial relationship with the Company’s business partners. More rewardingly, this effort was externally assured by reputable and independent third parties’ assessments which currently positioned the holding company among **Top 6** of Malaysian Public Listed Companies (“PLCs”) and **Top 50** of Association of Southeast Asian Nations (“ASEAN”) Publicly Listed Companies, in terms of quality disclosures and scope of corporate governance practices.



During calendar year 2016, the Group's good corporate governance practices were externally verified and assured via the following recognitions:

- **'Merit Award for Corporate Governance Disclosures'** accorded by the Minority Shareholder Watchdog Group ("MSWG") on 15 December 2016. This merit award has been won for two consecutive years and earned 6th position in ranking among Malaysian PLCs under MSWG-ASEAN scorecard methodology, based on the Organisation for Economic Co-operation and Development ("OECD")'s Principles of Corporate Governance.
- **Enlisted** on the FTSE4Good Bursa Malaysia Index effective 19 December 2016 for good demonstration of Environmental, Social & Governance ("E.S.G.") practices.
- **Silver Award** for 'Best Annual Report in Bahasa Malaysia' during the National Annual Corporate Report Awards ("NACRA") Ceremony 2016 on 1 December 2016.
- **Platinum winner** for 'Excellence in Governance, Corporate Social Responsibility & Investor Relations Benchmarking 2016' under The Asset Corporate Awards.
- **Silver winner** for 'Best Governed and Most Transparent Company' category during The Pinnacle Group's Global Good Governance Awards Ceremony 2016.

Excellence in corporate governance is central towards promoting the Company's financial services amongst the ASEAN and Greater China economic community ventured. This compliance culture fosters the Group's Directors, Senior Management and the rest of the Employees to embrace professional business ethics and be self-adherence to internal and external requirements.

#### MERIT AWARD FOR CG DISCLOSURES (BY RANK)

- > Bursa Malaysia Bhd
- > Telekom Malaysia Bhd
- > Axiata Group Bhd
- > Malayan Banking Bhd
- > Sime Darby Bhd
- > RHB Capital Bhd
- > Allianz Malaysia Bhd
- > Petronas Dagangan Bhd
- > Tenaga Nasional Bhd
- > LPI Capital Bhd

9 December 2016

YBhg Dato' Khairussaleh Bin Ramli  
Managing Director  
RHB Bank Berhad  
Level 9, Tower One,  
RHB Centre, Jalan Tun Razak  
50400 KUALA LUMPUR

YBhg Dato'

#### INCLUSION IN THE FTSE4GOOD BURSA MALAYSIA INDEX

Bursa Malaysia is delighted to inform you that RHB BANK BERHAD has met the globally recognised standards for inclusion in the FTSE4Good Bursa Malaysia Index. The FTSE4Good Bursa Malaysia Index is designed to measure the performance of companies demonstrating good Environmental, Social and Governance (ESG) practices.

#### MALAYSIA-ASEAN CORPORATE GOVERNANCE TRANSPARENCY INDEX, FINDINGS AND RECOGNITION 2016

# MSWG



"FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that RHB Bank has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products."

## COMMITMENT TO PERFORMANCE



RHB Bank embarks its aspirations of becoming a **Leading Multinational Financial Services Group** towards the year 2020. This vision commits the Company to deliver complete solutions to its clients through differentiated segment offerings and an ecosystem that supports simple, fast and seamless customer experience, embossed in its latest strategy statement. In achieving RHB Banking Group's short, medium and long-term strategic objectives, this mission intent is translated into the Group's Core **Shared Values** namely P.R.I.D.E. (**P**rofessional, **R**espect, **I**ntegrity, **D**ynamic & **E**xcellence), the Company's Annual Balanced Scorecard, Individual Sustainable Key Performance Indicators and also the Group's I.G.N.I.T.E. 2017 principles it currently adopts; namely **Innovative** in approach, **Growth** oriented, **Nimble** in action, **Impactful** in outcomes, **Teamwork** to succeed and **Excellence** in delivery.

The interconnectivity of the Group's strategic objectives, the Company's corporate strategies, its business operations and creation of the shareholder's value is being shown and reviewed in the Management Discussion and Analysis Statement on pages 50 to 151 of this Annual Report.



Apart from the governance element already considered, the Board of RHB Bank is now venturing into the adoption and integration of the Economic, Environment and Social ("EES") elements into the Group's business strategies to further create sustainable business operations and shares value. **Together we progress**; the Group's primary tagline, basically promoting the idea of the Company, walking hand-in-hand with its stakeholders, whether internal or external parties, towards achieving sustainable operations as the Company runs and manages its business in an orderly fashion. The other commercial tagline, namely **driving performance** include utilisation of the Group's current capitals (financial, manufactured, intellectual, human, social relationship and natural) at optimal level to improve its integrated value chain while safeguarding its own assets and the environment for future generation. An overview of the Group's and Company's primary EES matters is laid out in the Sustainability Statement on pages 176 to 211 of this Annual Report.

GROUP'S CORE SHARED VALUES  
**P.R.I.D.E. (PROFESSIONAL,  
RESPECT, INTEGRITY,  
DYNAMIC & EXCELLENCE)**

In leading the organisation and ensuring that all the Group's strategic objectives and business scorecards are met within the approved risk appetite, the Board is bound by its Charter, Terms of Reference ("ToR") for its various Board Committees, Group Code of Ethics & Business Conduct for Directors, and other internal guidelines. In complementary, Group Manual of Authority, Power of Attorney, Delegated Lending & Financing Authority (Discretionary Powers), Group Code of Ethics & Conduct for Employees, Group Whistleblowing Policy and Group Gifts & Hospitality Guidelines were approved or endorsed by the Board to ensure good governance practice and fiduciary duties are implemented by the Senior Management and other key personnel.

An overview of the Company's primary governance documents can be referred on the corporate website ([www.rhbgroup.com](http://www.rhbgroup.com)) while the Group's Key Internal Control Policies and Procedures are summarised on pages 295 to 297 of this Annual Report.



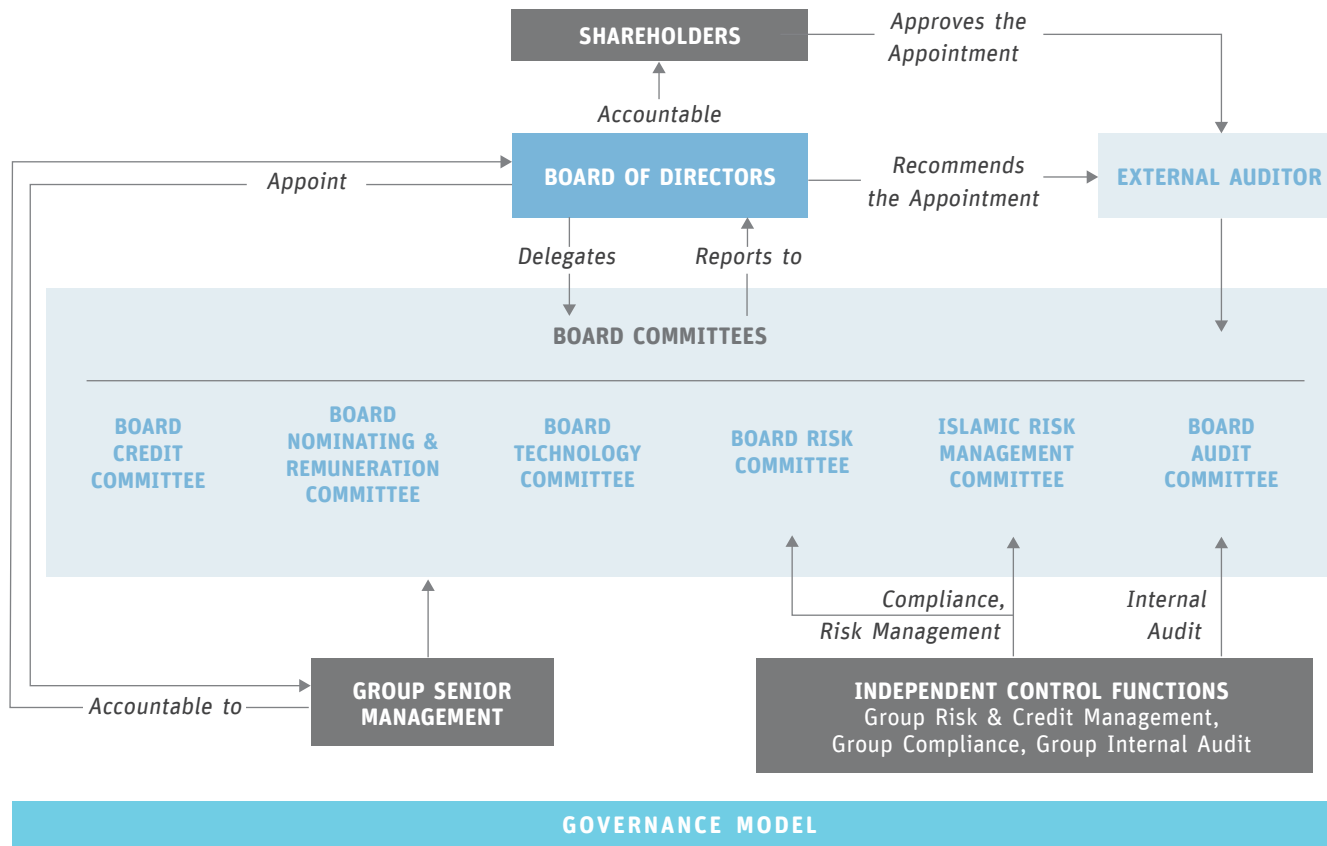
Excellence in the Company's corporate and business governance are keys to reflect the overall good governance in practice and portray the overall picture of the Company's sustainability in the long run. In this respect, the Group is ranked **Top 10** among 920 Malaysian PLCs and **Top 3** among the Malaysian banks, in terms of overall good corporate governance and excellent financial performance, based on the latest MSWG-ASEAN Corporate Governance Scorecard 2016 assessment.



LEADING MULTINATIONAL  
**FINANCIAL SERVICES GROUP**

# STATEMENT ON CORPORATE GOVERNANCE

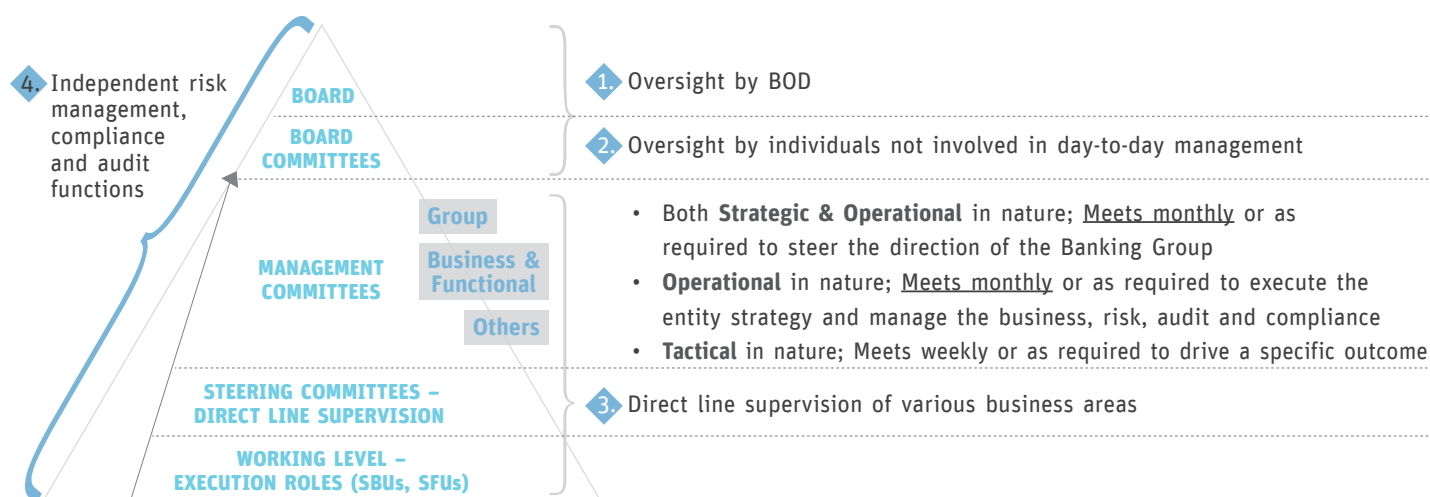
## GOVERNANCE MODEL & FRAMEWORK



The Board continuously explores enhancements to the Group's governance processes to ensure it remains robust even as it continues to expand. The governance model and framework is currently being used as guidance and reference to build a strong governance structure and conformance culture within the Company and other RHB entities in the banking group. The **governance model** outlines a clear organisational structure with robust internal control and risk management mechanisms which promote high standards of governance and of integrity, transparency and well-defined accountabilities and responsibilities of Shareholders, Board & Board Committees, Senior Management, External & Internal Auditors and other Independent Control Functions.

As the Board further commits working under a solid governance structure with greater transparency, a framework on governance was established. It is within this reach that the Board approved the **Group Governance Framework** as a basis of an effective governance and oversight to support the overall RHB Banking Group's strategies.

## Governance Framework



Under this framework, there are various levels of oversight functioning across the Group’s business and functional activities. These include amongst others; direct supervision, Senior Management, independent parties comprising of risk management, compliance and internal audit, Group Managing Director (“Group MD”), Managing Directors (“MDs”), Board Committees and the Board. A clear and transparent governance structure for various central and sub-committees set by the Board members and the Senior Management institutionalised the Company as a risk-focused organisation with proper control functions and good corporate governance practice.

## THE BOARD OF DIRECTORS



### Board Charter

The RHB Banking Group (“Group”) has developed Board Charters, which set out the key corporate governance principles adopted by the respective Boards in each of the major operating entities within the Group. It clearly defines the roles and responsibilities of Boards, Chairperson, Senior Independent Non-Executive Director and the Group Managing Director/Managing Director (“MD”)/Chief Executive Officer in the areas of strategy setting, management of company, succession planning, risk management, integrity of internal control and communication plan.

Functions and matters of **strategic importance reserved** for the Board for deliberation and decision-making are mainly on the following:

- business and operating strategies
- new or changes to existing business plans
- new investments or divestments
- mergers and acquisitions

- expansion or entry into new markets, geographies or regions
- corporate restructuring or reorganisation
- set-up of new subsidiaries
- joint ventures, partnership or strategic alliance
- acquisition or disposal of significant assets
- progress and updates on I.G.N.I.T.E. 2017 initiatives

Within these boundaries, the respective Boards discusses, sets and agrees with the Management on the annual balanced scorecard, key performance indicators and the risk appetite that are to be duly executed and achieved by the Management. The performance and progress of the Management are then reviewed by the respective Boards at specified intervals. A copy of the Company’s Board Charter is available on the corporate website ([www.rhbgroup.com](http://www.rhbgroup.com)) for reference.



# STATEMENT ON CORPORATE GOVERNANCE

## Roles and Responsibilities of the Board

The Board is charged with leading and governing the Company in an effective, efficient and responsible manner. The Directors, collectively and individually, are aware of their responsibilities to shareholders/stakeholders and the manner in which the affairs of the Company are managed. They discharge their roles and duties with integrity, honesty and professionalism within the ambit of the law to serve the interest of the Company's shareholders and other stakeholders, and ensure the Company adheres to the highest standards of corporate governance.

The Board assumes active roles and responsibilities for key strategy setting, business plans, financial objectives and major capital and operating budgets. While the Board scrutinises the policies proposed by the Management, the Board also monitors the Management's performance in implementing the adopted strategies as well as provides direction and advices to ensure the achievement of the objectives.

### (a) Governing the Company's and the Group's business conduct and operations

The Board governs the business conduct, performance and operations of the Company and the Group. To ensure high performance, the Board reviews the Group's business strategies and approves the Group Balanced Scorecard. The Management's performance is monitored against the Balanced Scorecard on a regular basis. Interventions and regular reviews may be held to ensure that the execution of plans is aligned with the set objectives and goals.

The Board also governs the Company's and the Group's risk management, internal controls and human resource ("HR") management through the delegation of certain decision making and/or oversight responsibilities to various Board Committees, namely the Board Audit Committee, Board Risk Committee and Board Nominating & Remuneration Committee. At the highest executive level, the Group MD assumes the overall responsibilities of executing the Group's strategies and plans in line with the Board's direction, oversees the listed entity's operations and drives the Group's businesses and performance towards achieving the Group's vision and goals.

In carrying out his tasks, the Group MD is supported by Group Management Committee ("GMC") which comprises the Group MD as the Chairman, the Chief Executive Officers/Managing Directors of the relevant key operating subsidiaries and key Senior Management of the Group.

The Board is updated on the Company's and the Group's performance during monthly Board meetings. The reports include a comprehensive summary of the Company's and the Group's business drivers and financial performance of each reporting period vis a vis the Company's approved Balanced Scorecard and the industry benchmark, risk management report, compliance report and transformation updates. The Board is also kept abreast of the key strategic initiatives, significant operational issues and latest developments in the financial services industry.

In addition, the Group's Chief Compliance Officer, on a monthly basis, provides the Board with a report on the Company's and the Group's compliance with its statutory obligations as well as rules and regulations governing the Company's and the Group's businesses and operations, actions taken to address shortcomings as well as self-regulating initiatives taken by the Group, especially initiatives that are critical to the Group's businesses and operations under local and foreign jurisdictions. Areas for improvement, non-compliance incidents and action plans are highlighted and recommended to the Board for information and approval where required.

The Board also reviews management reports. Special meetings are held where any direction or decision is required expeditiously from the Board between the scheduled meetings.

As part of the Group's initiatives to continuously improve employee engagement and employee value propositions, a combined employee engagement study via "Employee Engagement Survey" and "Internal Customer Effectiveness Survey" was conducted in October 2016 to assess the level of employee engagement and quality of service rendered by the respective Strategic Business Groups and Strategic Functional Groups within the Group. From this engagement, the Group targets to acquire valuable information from the employees to craft sustainable improvements in primary aspects of strategies and operations.

Other initiatives undertaken by the Group include a survey entitled "RHB Compliance Culture and Behavioural Assessment" initiated to improve the current state of the Group's compliance culture and behavioural maturity. The survey was conducted in November 2016 as part of the group-wide Compliance Risk Assessment to benchmark against industry-leading practices to improve RHB Banking Group's overall compliance effectiveness and the efficacy in meeting compliance requirements.


## (b) Risk Management

The Board is responsible for identifying the principal risks and implementation of appropriate systems to manage and control these risks. In ensuring effective risk assessment and control, the Board Risk Committee (“BRC”) has been entrusted with providing oversight and governance of risks for the Group. The BRC comprises two Independent Non-Executive Directors (“INEDs”) and two Non-Independent Non-Executive Directors (“NINEDs”), representing the Group’s respective entities. Matters deliberated at BRC meetings are presented to the Board on a monthly basis.

The Board is satisfied that the BRC has effectively and efficiently discharged its functions to support the Board in ensuring, among others, that the Company and the Group are adequately capitalised to support risks undertaken and meet regulatory requirements.

A Group Risk Management Report (including the entities’ and the Group’s risk metrics and tolerance dashboard) is also presented to the Board on a monthly basis.

The Company and the Group maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and liabilities as well as its shareholders’ investments. The Board considers that the Group’s risk management framework and system of internal control, which are in place throughout the financial year, up to and as of the date of this report, are operating adequately and effectively.

 An overview of the Company and the Group’s systems of risk management is contained in the Risk Management Report set out on pages 271 to 280 of this Annual Report.

## (c) Talent Development and Succession Planning

Talent development and succession planning are key priorities to the Board in ensuring a high-performing workforce which contributes to the Company’s and the Group’s sustainability and competitiveness. The Board has entrusted the Board Nominating & Remuneration Committee (“BNRC”) with the responsibility of providing high-level oversight and direction on human resource matters, and to recommend remuneration and human resource (“HR”) strategies such as employee value propositions, retention strategies, performance management and succession planning.

The BNRC also approves changes to Group HR policies in line with the HR strategy and direction set by the Board. Additionally, the BNRC supports the Board and that of the subsidiaries in reviewing and assessing the appointment of Directors, Board Committee members, Shariah Committee and key Senior Management officers. It also advises on the optimal size and mix of skills for the Group’s Boards.

In line with IGNITE 2017, the Group has made a concerted effort to enhance and realign its HR and talent management to attract and retain regional talent and build a high-performing regional workforce. During the year, the BNRC has considered the renewal of various service contracts and new appointments for key management positions, based on their profiles, professional achievements and personal assessments. These nominations included successfully identifying and attracting suitable candidates for all senior positions. The BNRC also considered their remuneration package(s) in finalising the terms and conditions of their service contracts. In addition, the BNRC also reviewed the current organisation structure in enhancing greater alignment and accountability to deliver business value and outcomes.

The BNRC also continuously monitors succession planning updates presented by Group HR to ensure smooth transitions of key personnel into critical positions, and ensured that the development plans for identified successors are put in place based on their readiness to assume the positions. Other major issues deliberated on by the BNRC were the salary and grading structure, retention plans and incentive schemes for key Senior Management as well as numerous employee value propositions.

## (d) Effective Communication

The Board recognises the importance of developing a healthy relationship with the investment community. To create shareholder value and improve communication with investors, the Investor Relations team implemented a comprehensive engagement programme in 2016 consisting of proactive and regular sessions with research analysts and institutional investors for timely and fair dissemination of information on the Group’s vision and strategies, overall operations, and business and financial performance.

The key spokespersons and representatives for Investor Relations of the Group are the Group MD and the Group Chief Financial Officer.

# STATEMENT ON CORPORATE GOVERNANCE

## (e) Internal Control

The Board is responsible for ensuring the adequacy and integrity of the Company's and Group's internal control system. With the support of the Board Audit Committee and Group Internal Audit, the Board ensures that there is a process for reviewing the adequacy and effectiveness of the Company's and the Group's internal control system.



Details pertaining to the Company's and the Group's internal control system and review of its adequacy and effectiveness are set out in the Statement on Risk Management and Internal Control on pages 250 to 256 of this Annual Report.

## Board Composition and Balance

The Board of RHB Bank is currently represented by **nine** Members, comprising a Non-Independent Non-Executive Chairman, five INEDs, two NINEDs and the Group MD (GMD), as follows:

### BOARD COMPOSITION:

- 1 Non-Independent Non-Executive Chairman
  - YBhg Tan Sri Azlan Zainol
- 1 Senior INED
  - YBhg Tan Sri Saw Choo Boon
- 4 INEDs
  - YBhg Tan Sri Dr Rebecca Fatima Sta Maria
  - YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir
  - Mr Ong Seng Pheow
  - Mr Abdul Aziz Peru Mohamed
- 2 NINEDs
  - YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa
  - Mr Mohamed Ali Ismaeil Ali Alfahim
- 1 GMD/CEO
  - YBhg Dato' Khairussaleh Ramli

The above structure and composition of the Board comply with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and BNM's Policy on Corporate Governance. YBhg Tan Sri Saw Choo Boon has been appointed as the Senior INED ("SINED"), to whom concerns pertaining to the Group may be conveyed by shareholders and the public.

Current Independent Directors of the Company account for 55.5% of the Board, **exceeding** Bursa Securities' requirement of a one-third (33.3%) and BNM's requirements of majority (>50%) of Board Members must be independent, and fulfil the criteria of independence as defined in the MMLR and BNM's Policy on Corporate Governance.

Their presence ensures an effective check and balance in the functioning of the Board. They are not involved in the day-to-day management of the Company, nor do they participate in any of its business dealings. This ensures they remain free of any conflict of interest and can undertake their roles and responsibilities as INEDs effectively.

Recognising the increasing importance of boardroom diversity in pursuing business and governance performance, the Group established a **boardroom diversity policy** in 2013. The policy is also in line with the Securities Commission's goal for women Directors to make up 30% of Boards. Diversity, which includes but is not limited to gender, age, ethnicity and cultural background, is therefore a key consideration in assessing and reviewing the Board's composition as it strives to achieve the targeted level of women participation.

During calendar year 2016, the Company welcomes one **female director** on the Board, namely YBhg Tan Sri Dr Rebecca Fatima Sta Maria who serves as INED from 1 August 2016. At the Group level, YBhg Datin Sri Khamarzan Ahmed Meah served RHB Bank (L) Ltd.'s Board as a **female** INED from 15 March 2005 to 27 October 2016, Puan Norazzah Sulaiman and YBhg Datin Yap Siew Bee serve RHB Foundation's Board as **female** trustees from 23 December 2015 and 1 July 2016 respectively, while YBhg Tan Sri Dr Rebecca Fatima Sta Maria serves RHB Investment Bank Berhad's Board as a **female** INED from 6 December 2016. On 2 January 2017, YBhg Datuk Nozirah Bahari joined the Board of RHB Investment Bank Berhad as another **female** INED.

In view of the enforcement of the new Companies Act 2016 on 31 January 2017 and the on-going requirements of the Malaysian Code on Corporate Governance (MCCG) 2012, RHB Bank recognises that organisation is best served by a constantly evolving board of directors, with staggered terms and a healthy combination of fresh perspective and experienced board members. Upon reaching the tenure of nine years, the INED shall discontinue to serve on the Board and therefore retire at the next Company's AGM or when a new incumbent is available to replace him, as the case may be. Mr Ong Seng Pheow has served the Group more than 10 years and shall retire at the next AGM of the company. However the Board after due consideration and upon the Board Nominating & Remuneration Committee's recommendation, has recommended for his re-appointment as Director and retention as

INED of the Company pursuant to the Internal Guidelines, for shareholders' approval. While RHB Bank plans to adhere strictly to the nine years cap for the tenure of Independent Director in future, the **age limits** at 70 and 73 set for the Group's Non-Executive Directors ("NED") is abolished in consistent with the new Companies Act 2016. The Internal Guidelines will be revisited to strictly enforce the requirement of the nine years' tenure and align the removal of the age restriction pursuant to the Companies Act 2016.

### Assessment of Independence

The independence of the Directors is reviewed annually and benchmarked against best practices and regulatory provisions. Independent Directors are required to attest to their compliance with the criteria and definition of "Independent Director" as stipulated under BNM's Policy on Corporate Governance and MMLR.

All Independent Directors are either independent from the Company's substantial shareholders, are not substantial shareholders themselves or directly associated with any substantial shareholders. Based on individual Director's self-disclosure, the Board is generally satisfied with the level of independence demonstrated by all the INEDs and their ability to act in the best interest of the Company.

At every Board Meeting, all Directors are required to disclose their interest or any possible conflicts on any matter put forth in the meeting. When required, the interested Director shall excuse himself/herself and abstain from deliberation and voting to allow unbiased and free discussion and decision making. In the event a corporate proposal requires shareholder approval, interested Directors will abstain from voting in respect of their shareholdings in the Company and will further ensure that persons connected to them similarly abstain from voting on the resolution.

In an effort to preserve the independence of INEDs, the Group has put in place its internal Guidelines on Tenure of Appointment/Re-ApPOINTment of Non-Executive Directors for RHB Banking Group ("Internal Guidelines"). The Board believes the tenure of INEDs should balance experience and learning with the need for renewal and fresh perspectives.

### Roles of the Chairman and Group Managing Director

The distinct and separate roles and responsibilities of the Chairman and Group MD ensure balance of power and authority such that no one individual has unfettered powers of decision-making.

The Non-Independent Non-Executive Chairman, YBhg Tan Sri Azlan Zainol, manages the affairs of the Board with a view of ensuring that it functions effectively and meets its obligations and responsibilities. He also leads the Board in executing its responsibilities to shareholders and ensures that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary in the Board's decision-making.

Additionally, the Chairman must ensure that general meetings are conducted efficiently and in accordance with the requirement of the Companies Act 1965, and that shareholders have adequate opportunity to air their views and obtain answers to their queries.

The Group MD, YBhg Dato' Khairussaleh Ramli ("YBhg Dato' Khairussaleh"), who has extensive financial experience and knowledge, was appointed effective 5 May 2015 to execute the overall responsibilities of executing the Group's strategies in line with the Board's direction, overseeing the listed entity's operations and driving the Group's businesses and performance towards achieving the Group's vision and goals. YBhg Dato' Khairussaleh leads the Group's Senior Management in the execution of the Group's strategic initiatives, and is the Company's Managing Director, a post he assumed since 13 December 2013.

### Nomination Framework

New Director nominees are assessed by the BNRC in accordance with RHB Banking Group's Policy and Guidelines on Fit and Proper for Key Responsible Persons ("Fit and Proper Policy").

The assessment takes into account the nominees' background, skills, knowledge and experience, and is part of a transparent nomination process before a recommendation is made for the Board's approval. The assessments are carried out against a benchmark of documented competencies which have been prepared for each role, the completion of declarations by each individual, the obtaining of evidence of material qualification and the carrying out of checks on matters such as criminal record, bankruptcy and regulatory disqualification.

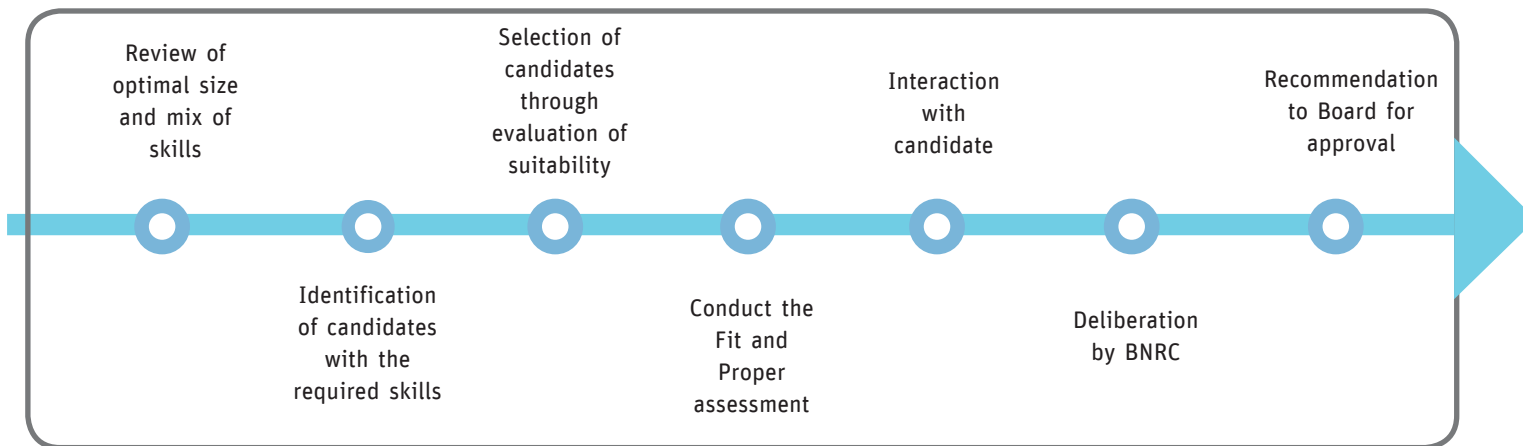


# STATEMENT ON CORPORATE GOVERNANCE

A set of questionnaire is given to new Board candidates to complete. One of the important areas assessed from the questionnaire is on time commitment, where the Company expects its Directors to devote appropriate time for Board/Board Committees meetings, relevant training and others. New directors need to make written declaration on their

time commitment as indicated by the Company. One of the pre-requisite for a new candidate is the number of directorships held in public listed companies to ensure that the director is able to participate and perform his duties adequately, while existing directors are assessed on their meetings attendance records to reflect their time commitment.

## Nomination Framework



These assessments are reviewed on an annual basis. The Fit and Proper Policy outlines the following criteria in assessing the suitability of new and existing candidates:

- Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind, fairness and ethical behaviour.
- Competency and capability, where the candidate must have the skills, experience, ability and commitment to carry out the role.
- Financial integrity, where the candidate must have financial soundness and able to manage his/her debts or financial affairs prudently.

## Directors' Appointment and Assessment

### (a) Appointment of Directors

The Group leverages on the industry talent pool, FIDE Forum's Directors' Register and the Group's Independent Directors' network to source for new candidates for Board appointments, as overseen by the BNRC. This is the approach taken during calendar year 2016 for nomination of the Company's new directors, namely YBhg Tan Sri Dr Rebecca Fatima Sta Maria and YBhg Dato' Abdul Rahman Ahmad. Another new Director of the Company during the same calendar year, namely YBhg Tan Sri Saw Choo Boon is no new face for RHB Banking Group and is a Director of the previous ultimate holding company of the Group, namely RHB Capital Berhad, which is currently under members' voluntary winding up.

The Chairman and/or members of the BNRC conducts an interaction session with the proposed candidates and assesses the candidates based on their relevant skills and experience, independence (where relevant) and objectivity, track record of success, sound judgement and broad perspective. The Board's expectation on the time commitment and contribution from the Directors will also be clearly communicated to the proposed candidates.

The BNRC is guided by a nomination framework approved by the Board. The framework ensures that individuals appointed to relevant senior positions and the Boards within the Group have the appropriate fitness and propriety to discharge their prudential responsibilities on and during the course of their appointment.

During its review of the suitability of candidates and criteria for the appointment process, the BNRC also takes into consideration the appropriate skill sets required, size, structure and composition of the Board. This ensures it is not only well-balanced and supportive of good governance and efficient management, but also complies with regulatory requirements and is responsive to changing business environments as well as the entity's business needs.

For the re-appointment of existing Directors, the BNRC refers to results of the individual assessments conducted via the Board Effectiveness Evaluation, in addition to their formal/informal interactions with the Directors. The BNRC also assesses the Directors based on their roles played and contributions to the Board and Board Committees, independence of view in respect of decision making (as the case may be), adequacy of training and time commitment by the Directors. The application for the appointment/re-appointment of Directors is submitted to BNM for consideration once it is approved by the Board.

#### **(b) Board Effectiveness Evaluation ("BEE")**

Since 2006, the Group has undertaken the BEE exercise on the Boards and Board Committees to assess their effectiveness and that of individual Directors. The BEE is designed to detect strengths and weaknesses to improve the Board's overall effectiveness and forms part of the BNRC's evaluation for the re-appointment of Directors.

The BEE is based on a combination of self and peer assessment performed via a customised questionnaire. To ensure integrity and independence of the appraisal process, Messrs PricewaterhouseCoopers Consulting Services Sdn Bhd ("PwCCS") was engaged to collate and

tabulate the results of the evaluation. The BEE also includes in-depth interviews with Directors and Senior Management by PwCCS to encompass areas which fall outside the realm of the written assessment. The detailed BEE results are discussed with the Chairmen of the BNRC and Boards.

The performance indicators on which the Board's effectiveness is evaluated are as follows:

#### **Part A: Board Evaluation**

1. Board responsibilities
2. Board composition
3. Board remuneration
4. Board Committees: evaluation and self-evaluation
5. Board conduct
6. Board interaction and communication with management and stakeholders
7. Chairman
8. Group Managing Director/Managing Director/Chief Executive Officer
9. Board administration and process

#### **Part B: Directors' Self and Peer Evaluation**

1. Self-evaluation
2. Independent Directors assessment

Each Director and Board Committee member is required to perform an online self and peer assessment for the year in review. Upon completion, individual results together with a peer average rating on each area of assessment will be provided to each Director and Board Committee member for their information and further improvement. The latest BEE results will be presented to BNRC and the Board in March 2017 to identify and address areas for improvement.

Details pertaining to the Company's and the Group's selection of new director(s) and assessment criteria undertaken for board appointments are set out in the Board Nominating & Remuneration Committee Report on pages 257 to 263 of this Annual Report.



# STATEMENT ON CORPORATE GOVERNANCE

## MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD



Board meetings are convened monthly as well as additionally when required to deliberate on any arising issues. At each Board meeting, the Board is, among others, informed of decisions and salient issues by the respective Board Committees' Chairmen/representative. Minutes of the respective Board Committees meetings are also tabled for the Board's information.

Key matters discussed by the Board are mainly strategic of nature, but from time-to-time, some material operational issues are also being discussed which need special attention and urgent direction. The following key matters were tabled at the Board meetings during 2016:

<b>January</b>	Retail Deposit Growth Strategy For Malaysia, Financial Performance, Audited Statutory Financial Statements, Single Tier Interim Dividend, Re-Appointment Of External Auditors, Statutory Audit Fees, Risk Appetite Setting, Basel II Pillar 3 Disclosures, Bank Negara Malaysia's Composite Risk Rating, New Transaction Banking System and Appointment Of Vendors
<b>February</b>	Talent Management Strategy, IGNITE 2017, Management Representation Letter, Impaired Loans, Performance Rewards and Salary Increment
<b>March</b>	IGNITE 2017, Corporate & Investment Banking Strategy, Appointment Of External Auditors To Perform Statutory Requirement Of Perbadanan Insurans Deposit Malaysia's Validation Program, Capital Management Plan & Internal Capital Target, Risk Appetite Setting, Bank Negara Malaysia's Internal Capital Adequacy Assessment Process, System Upgrade & Basel III Liquidity Coverage Ratio Implementation, Management & Targeted Strategies For Mortgage Segment, Annual General Meeting matters and Re-Appointment Of Directors
<b>April</b>	Treasury & Global Markets Strategy, International Strategy, Small & Medium-Sized Enterprise Strategy, Engagement Of External Auditors To Perform Malaysian Financial Reporting Standard 9 – Financial Instruments, Appointment Of External Auditors As Reporting Accountant for Euro Medium Term Note Programme, Basel III Pillar 3 Disclosures and Statutory Corporate Governance Disclosures In Annual Report

<b>May</b>	Group Corporate Restructuring Plan, Annual Attestation By Senior Management And Board Per Bank Negara Malaysia's Guidelines On Introduction Of New Products, Connected Party Facilities, Revised Board & Board Committee Compositions Of RHB Banking Group and Revision Of Terms Of Reference Of Board Audit Committee
<b>June</b>	Engagement Of External Auditors To Perform Limited Review, Retail Banking 2020 Growth Strategy, Capital Optimisation Of Subsidiary and Revised Terms Of Reference Of Board Risk Committee
<b>July</b>	Unaudited Interim Financial Statements, Management Representation Letter To External Auditors For Limited Review, Guidance On Dividend Payout, Resourcing Requirements For MFRS9 – Financial Instruments Implementation, Corporate Exercise, Delegation Of Approving Authority For Connected Party Loans/ Financing, Connected Party Facility, Approval Framework On Directors' Expenses and Group Chairman's Compensation Scheme
<b>August</b>	Annual Compliance Review On Data Management & MIS Framework, Asset Management Strategy, Regional Strategy, Mid-Year Review, Bank Negara Malaysia's Requirements On Implementation Of Chip & PIN At Point Of Sales, Outsource Collection Activities, Long Term Incentive Plan and Re-Appointment Of Group Managing Director
<b>September</b>	Audit Engagement Letter, Capital Injection, Strategic Blueprint 2017-2019, IT Strategy & Roadmap, Quarter Performance Review Of Overseas Branch, Examination Report On Thailand Operations, Empowerment To Risk Committee & Senior Management and Revision Of Debt Service Ratio Policy
<b>October</b>	Exposures In High Risk Industries, Business Strategy for Specific Domestic Business Segments and Overseas Operations, Revision Of Risk Appetite, Internal Audit Charter and Terms Of Engagement Of External Auditors
<b>November</b>	Retail & SME Deposits Strategies and Secrecy Provision Control
<b>December</b>	Capital Management Plan, Statutory Audit Fees and Dividend Payment

For the financial year ended 31 December 2016, the Board is satisfied with the time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of RHB Bank. The Board convened 13 meetings for the financial year ended 31 December 2016 and all the Directors have complied with the required minimum Board meetings attendance of 75% under BNM's latest Policy on Corporate Governance and as adopted by the Company.

Details on the independent status of the Board of Directors, their roles in Board Committees and their attendance at the aforesaid meetings in 2016 are set out below:

Company's Director	Position/ Independent Status	Date of Board appointment	Attendance of Meetings					
			Board Meeting	BNRC <sup>1</sup> Meeting	BRC <sup>2</sup> Meeting	BAC <sup>3</sup> Meeting	BCC <sup>4</sup> Meeting	BTC <sup>5</sup> Meeting
YBhg Tan Sri Azlan Zainol	Chairman/Non-Independent Non-Executive Director (NINED)	27 July 2005	12/13 (92%)	8/8 (100%)	-	-	-	-
YBhg Tan Sri Saw Choo Boon <sup>^</sup>	Senior Independent Non-Executive Director (SINED)	15 June 2016	8/8 (100%) <sup>^</sup>	8/8 (100%) [Chair]	12/12 (100%) [Chair]	13/13 (100%)	-	-
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa	Non-Independent Non-Executive Director (NINED)	20 November 2012	12/13 (92%)	5/5 (100%)*	-	-	-	-
Mr Mohamed Ali Ismaeil Ali Alfahim	Non-Independent Non-Executive Director (NINED)	9 May 2014	11/13 (84%)	-	-	-	-	-
Mr Ong Seng Pheow	Independent Non-Executive Director (INED)	20 November 2006	12/13 (92%)	5/5 (100%)*	-	13/13 (100%)	-	6/6 (100%)
Mr Abdul Aziz Peru Mohamed	Independent Non-Executive Director (INED)	7 February 2011	13/13 (100%)	-	-	-	37/38 (97%)	-
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	Independent Non-Executive Director (INED)	6 October 2015	13/13 (100%)	4/5 (80%)*	5/6 (83%)**	8/8 (100%) <sup>^</sup>	28/38 (74%)	3/4 (75%) <sup>^^</sup>
YBhg Tan Sri Dr Rebecca Fatima Sta Maria <sup>#</sup>	Independent Non-Executive Director (INED)	1 August 2016	6/6 (100%) <sup>#</sup>	-	-	2/2 (100%) <sup>@</sup> [Chair]	-	-
YBhg Dato' Khairussaleh Ramli	Executive Director (ED)/Group Managing Director (GMD)	13 December 2013	13/13 (100%)	-	-	-	-	-
Tn Hj Khairuddin Ahmad	Senior Independent Non-Executive Director (SINED)	6 September 2001 <i>(Retired on 11 May 2016)</i>	4/4 (100%)	-	4/4 (100%)	-	11/13 (85%)	-
YBhg Dato' Mohamed Khadar Merican	Independent Non-Executive Director (INED)	1 November 2011 <i>(Retired on 11 May 2016)</i>	3/4 (75%)	-	-	-	10/13 (77%)	-
Mr Chin Yoong Kheong	Independent Non-Executive Director (INED)	1 August 2014 <i>(Retired on 31 July 2016)</i>	7/7 (100%)	-	11/12 (92%)	-	-	6/6 (100%)



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Company's Director	Position/ Independent Status	Date of Board appointment	Attendance of Meetings					
			Board Meeting	BNRC <sup>1</sup> Meeting	BRC <sup>2</sup> Meeting	BAC <sup>3</sup> Meeting	BCC <sup>4</sup> Meeting	BTC <sup>5</sup> Meeting
YBhg Dato' Abdul Rahman Ahmad <sup>^</sup>	Independent Non-Executive Director (INED)	15 June 2016 <i>(Resigned with effect from 30 September 2016)</i>	4/4 (100%)	-	-	5/5 (100%)	-	-

**Note:**

- <sup>^</sup> Appointed with effect from 15 June 2016.
- <sup>^^</sup> Appointed with effect from 11 May 2016.
- <sup>#</sup> Appointed with effect from 1 August 2016.
- <sup>\*</sup> Appointed with effect from 27 June 2016.
- <sup>\*\*</sup> Resigned with effect from 27 June 2016.
- <sup>@</sup> Appointed with effect from 1 November 2016.
- 1-5 Abbreviations used denote various main Board Committees.

For the Directors' convenience, an annual meeting schedule for Board and Board Committee meetings and the AGM is circulated to the Directors before the beginning of every year. Since 2014, the Group embarked on the use of a meeting management solution system (in place of eBooks used previously), allowing Directors/Board Committee Members to access the online portal directly in a secure and organised manner on their iPads.

This initiative has significantly enhanced mobility, movement of documents, cost and time savings, as well as created greater convenience, better security and a positive impact on the environment. Directors who are unable to attend the Board/Board Committee meetings physically are also encouraged to participate via telephone and video-conferencing using LYNC application system.

This latest flexibility accommodates any Board meeting's paper to be circulated to the Board members instantly. Currently the circulations of the Board papers are between 5 and 7 days before each meeting.

The Directors are required to notify the Board on changes of their other directorships and shareholdings in RHB Bank as and when such changes arise. This information is used to monitor the number of directorships held by the Directors of RHB Bank, including those on other public listed companies, and to notify the Companies Commission of Malaysia accordingly.

▶ The information on the Company's Directors' directorships in public listed companies and other public companies is available on pages O31 to O35 of this Annual Report.



In addition, notices on the closed period for trading in RHB Bank's listed securities based on the targeted date of announcement of the Group's quarterly results are circulated in advance to Directors and principal officers who are deemed privy to any price sensitive information and knowledge, whenever the closed period is applicable.

## Information and Advice

The Board, whether as a group or individually, regularly obtains the advice and dedicated support services of the Company Secretaries. The Board members may also interact directly with the Management, seek their clarification and advice as well as request for information on matters pertaining to the Company's and the Group's operations or business concerns. Pursuant to the Group's Standard Procedures for Directors to have access to Independent Advice, the Directors may also seek independent professional advice, at the Company's expense, should the need arise in discharging their duties.

## Dedicated Company Secretaries

The Board acknowledges and is satisfied with the performance and support rendered by the Company Secretaries. In addition to acting as the custodian of the Company's and the Group's statutory records, the Company Secretaries serve and advise the Board on matters relating to the affairs of the Board and good corporate governance practices, ensure that Board meetings are properly convened and maintain an accurate and proper record of the proceedings and minutes of the meetings.

In promoting good corporate governance practices, the Company Secretaries assist the Board and Senior Management on meeting with regulatory requirements and best practices specifically pertaining to Board governance. This include proposing on transparency and mandatory/voluntary disclosure on governance issues which are relevant and materially important to the stakeholders.

The Company Secretaries also assist the Chairman and Directors in conducting meetings and discharging their governance obligations and responsibilities as Directors of the Company. Additionally, the Company Secretaries facilitate the communication of key decisions and policies between the Board, Board Committees and the Senior Management, updating the Board on the follow-up or implementation of decisions/ recommendations.

In order to play an effective advisory role to the Board, the Company Secretaries remain informed of the latest regulatory changes, evolving industry developments and best practices in corporate governance through continuous training and regular interactions with regulators and industry peers.

### **Remuneration Strategies**

The Board is mindful that fair remuneration is critical to attract, retain and motivate Directors with the relevant experience and expertise required to lead the Company and the Group. The BNRC has been entrusted with discharging the remuneration strategies (as outlined in its terms of reference).

The Group has also established a common reference incorporating the Non-Executive Directors' ("NED") Remuneration Framework. It is aimed at applying the general principles for the remuneration of NEDs to ensure that remuneration levels are commensurate with the responsibilities, risks and time commitment of Boards/Board Committees. The level of remuneration reflects the level of responsibility undertaken by the particular NED concerned within the Company and the Group. It also takes into consideration practices within the industry and is reviewed at least once every two years.

The remuneration structure of the NEDs of the Group is laid out as follows:

No.	Non-Executive Directors' Remuneration Scheme	Unrestricted/Non-Deferred	Restricted/Deferred
<i>A. Fixed-Type Remuneration</i>			
i.	Cash-based	<ul style="list-style-type: none"> <li>• Fixed Fees               <ul style="list-style-type: none"> <li>– Directors' Fees<sup>1</sup></li> <li>– Committee Allowances<sup>2</sup></li> <li>– Chairmen's premium<sup>3</sup> for various entities &amp; committees</li> </ul> </li> <li>• Emoluments<sup>4</sup></li> </ul>	<i>Nil</i>
ii.	Shares & share-linked instruments	<i>Nil</i>	<i>Nil</i>
iii.	Others	Benefits-in-kind <sup>5</sup>	Farewell Pot <sup>4</sup>
<i>B. Variable-Type Remuneration</i>			
i.	Cash-based	Meeting Attendance Allowance <sup>6</sup>	<i>Nil</i>
ii.	Shares & share-linked instruments	<i>Nil</i>	<i>Nil</i>
iii.	Others	Directors' & Officers' Liability Insurance <sup>7</sup>	<i>Nil</i>

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## Notes:

The overall remuneration package of the NEDs of the Group comprises the following components:

### 1) Directors' Fees

NEDs are entitled to annual Directors' fees, which are subject to shareholders' approval at the Annual General Meeting ("AGM") of the Company. The existing fees structure for the Company's Non-Executive Directors on the basis of RM180,000 per annum for Non-Executive Chairman and of RM150,000.00 per annum for every NED, is based on the Group's Directors' Fees structure, which was approved by the shareholders of the former holding company of RHB Banking Group, namely RHB Capital Berhad via its 19th AGM held on 8 May 2014.

### 2) Board Committee Allowances

NEDs who sit on Board Committees are entitled to receive Board Committee allowances which shall be paid on an annual basis at the end of each financial year.

### 3) Chairmen's Premium

NEDs who sit on various Boards and Board Committees as the chairman are entitled to receive a premium above the normal respective Board and Board Committee allowances, which shall be paid on an annual basis at the end of each financial year.

### 4) Emoluments

NEDs are awarded with 'On-Going Recognition & Appreciation Service Award' scheme ("Service Award") and the Group Chairman is accorded with a special allowance, in recognition of their services and commitments to the Group. Effective 1 January 2017, the Service Award was discontinued and being replaced by 'Farewell Pot' scheme for all the NEDs.

### 5) Benefits-in-kind

Benefits are accorded to the Chairmen of the Group, consisting amongst others the provision of a company car, driver and petrol allowance.

### 6) Meeting attendance allowance

NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committee meetings. Total allowances are subject to number of Board/Board Committee sittings and number of meetings attended by each Company's Non-Executive Director.

### 7) Directors' & Officers' ("D&O") Liability Insurance

The insurance covers the Group's Directors in respect of any liabilities arising from acts committed in their capacity as D&O of RHB Banking Group. However, the insurance policy does not indemnify a Director or principal officer if he or she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his or her duty of trust. The Directors are required to contribute jointly towards a portion of the premiums of the said policy.



**CHAIRMEN**  
ARE ENTITLED TO A PREMIUM  
ABOVE NORMAL BOARD/  
COMMITTEES' ALLOWANCES

The details on the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries during the financial year ended "FYE" 2016) are, as follows:

Name of Company's Executive Director	Salary and Bonus (RM'000)	Other Emoluments (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
<b>Group MD</b>				
YBhg Dato' Khairussaleh Ramli	5,874.0	798.4	40.1	6,712.5
Name of Company's Executive Director	Directors' Fees* (RM'000)	Other Emoluments* (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
<b>NEDs</b>				
YBhg Tan Sri Azlan Zainol	349.2	343.4	21.5	714.1
YBhg Tan Sri Saw Choo Boon <sup>V</sup>	203.5	154.3	–	357.8
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa	400.1	62.0	21.6	483.7
Mr Mohamed Ali Ismaeil Ali Alfahim	219.8	24.0	–	243.8
Mr Ong Seng Pheow	386.1	174.6	–	560.7
Mr Abdul Aziz Peru Mohamed	472.1	193.3	–	665.4
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	295.6	217.9	–	513.5
YBhg Tan Sri Dr Rebecca Fatima Sta Maria <sup>#</sup>	71.2	20.2	–	91.4
Tn Hj Khairuddin Ahmad ( <i>Retired on 11 May 2016</i> )	262.5	219.0	–	481.5
Dato' Mohamed Khadar Merican ( <i>Retired on 11 May 2016</i> )	114.8	55.7	–	170.5
Mr Chin Yoong Kheong ( <i>Retired on 31 July 2016</i> )	315.0	184.3	–	499.3
Dato' Abdul Rahman Ahmad ( <i>Resigned with effect from 30 September 2016</i> )	137.0	41.4	–	178.4
<b>Sub Total (NEDs)</b>	<b>3,226.9</b>	<b>1,690.1</b>	<b>43.1</b>	<b>4,960.1</b>
<b>Grand Total (Group MD + NEDs)</b>	<b>9,100.9</b>	<b>2,488.5</b>	<b>83.2</b>	<b>11,672.6</b>

**Note:**

+ Subject to shareholders' approval.

<sup>V</sup> Appointed with effect from 15 June 2016.

<sup>#</sup> Appointed with effect from 1 August 2016.

\* Other emoluments include Board Committee allowances which are subject to shareholders' approval.



# STATEMENT ON CORPORATE GOVERNANCE



The information on the total remuneration of the Directors from the Company and from the subsidiaries is available under Note 38 to the Financial Statements on pages 123 to 124 in the accompanying Financial Statements 2016 Report.

The Group MD is not paid a Director's fee nor is he entitled to receive any meeting attendance allowance for any of the Board and Board Committee meetings that he attends. His remuneration, which includes salary and bonus, either as short term or long term incentives, in cash or benefits-in-kind, is derived from the Company. The Group MD's sustainable remuneration package also involves performance bonus and retention bonus, which are being deferred and released gradually up to three years, in line with the Group's retention policy and risk-based approach.

The Group has also established a remuneration framework for key Senior Management, consisting of a competitive integrated pay and benefit structure, which rewards corporate and individual performance in line with contributions to the organisation. Key Senior Management Officers are defined per term of references of the BNRC as Group Managing Director ("Group MD"), Chief Executive Officer/Managing Director who is the Direct Report to the Group MD and any persons as decided by the Committee.

Their aggregated total remuneration package amounting RM15.7 million for FYE 2016, includes basic salary, allowances, benefits in-kind and bonuses. The Board however believes that disclosure of the remuneration package of each key Senior Officer personnel in details would be disadvantageous for the Group's business interests, as poaching of executives is rather norm due to limited pool of executive talents and expertise within the local financial services industry.

## DIRECTORS' ORIENTATION, CONTINUING EDUCATION AND TRAINING



The Board emphasises the importance of continuing education and training for its Directors to ensure they keep up with the latest developments in the areas related to their duties. A budget for Directors' training is provided each year by RHB Bank. The Board, as part of the BEE exercise, assesses the training needs of each Director annually. The training and development of Directors are detailed in the Group's Standard Procedures on Directors' In-house Orientation and Continuing Education Programme for the RHB Banking Group.

The NEDs of the Company and the Group are encouraged to attend local and/or overseas training programmes organised by credible training organisations under the Board High Performance Programme. This programme is intended to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills that engender organisational excellence. The Company Secretaries facilitate the organisation of internal training programmes and Directors' attendance of external programmes, and keep a complete record of the training received and attended by the Directors.

## Learning Process for New Director

Three new NEDs are on board of the Company for the FYE 2016. The newly appointed Company's NEDs attended an induction programme organised by the Management of the Group to provide them with in-depth information of the industry as well as an overview of the Group's business operations. During the induction programme, they were briefed by relevant Management on the functions and areas of responsibility of their respective divisions. This enables the new NEDs to familiarise themselves with the Group's operations and organisational structure and also helps them to establish effective channels of communication and interaction with Management.

In addition, the new NEDs received a comprehensive Director's induction kit to assist them in building a detailed understanding of the Group's operations, its longer-term direction and statutory obligations. Pursuant to the requirement of Bursa Securities, they will need to complete the Mandatory Accreditation Programme within 4 months from the date of their respective appointment and to receive a certificate from the Bursa Securities-approved programme organiser.

Apart therefrom, the new NEDs are required to complete the Financial Institutions Directors' Education ("FIDE") programme within one year of their respective appointments. The FIDE programme aims to enhance boardroom governance within the financial sector and develop world class directors who are advocates of best practices and excellence in corporate governance.

2016 DIRECTORS' TRAINING BUDGET  
AMOUNTING RM1.05 MILLION



During the year, the Directors of RHB Bank attended the following training programmes, conferences and seminars:

Name of Director(s)	Training Programme Attended	Training Scope & Description
YBhg Tan Sri Azlan Zainol	Bank Negara Malaysia Annual Report 2015 and Payment Systems Report 2015 Briefing Session	<ul style="list-style-type: none"> <li>• Financial Stability</li> <li>• Payment Systems</li> </ul>
	Trans-Pacific Partnership Agreement (TPPA) Briefing by PwC	<ul style="list-style-type: none"> <li>• Economic impact of TPPA</li> <li>• Overall economy &amp; sectoral analysis</li> <li>• Potential impact of TPPA on RHB Banking Group</li> <li>• Thematic issues</li> </ul>
	Presentation on MFRS9 by Ernst & Young	<ul style="list-style-type: none"> <li>• Implication and challenges of implementing IFRS9</li> <li>• IAS 39</li> </ul>
	Shariah Awareness Programme by Amanie	<ul style="list-style-type: none"> <li>• Islamic Banking: Compliance, Innovation and Profitability</li> <li>• Social Entrepreneur &amp; Social Responsibility Investment</li> </ul>
	Capital Market Director Programme: <ul style="list-style-type: none"> <li>• Module 1</li> <li>• Module 2A</li> <li>• Module 2B</li> <li>• Module 3</li> <li>• Module 4</li> </ul>	<ul style="list-style-type: none"> <li>• Directors as Gatekeepers of Market Participants</li> <li>• Business Challenges and Regulatory Expectations</li> <li>• Risk Oversight and Compliance – Action Plan for Board of Directors</li> <li>• Current and Emerging Regulatory Issues in the Capital Market</li> </ul>
	Anti-Money Laundering (AML) & Counter Financing of Terrorism (CFT) by NRRET	<ul style="list-style-type: none"> <li>• Scope of Money Laundering</li> <li>• Role &amp; responsibilities of financial institutions</li> <li>• New AML System</li> <li>• Proceeds of Unlawful Activities</li> </ul>
	New Companies Bill 2016 by ZICO	<ul style="list-style-type: none"> <li>• Key &amp; structural changes</li> <li>• New requirements &amp; impacts</li> <li>• Corporate Governance</li> </ul>
YBhg Tan Sri Saw Choo Boon	FIDE Forum's Directors' Register: "Identify the Right Board Talent"	<ul style="list-style-type: none"> <li>• Key components of the Nomination Framework</li> <li>• Suitability of board candidates</li> </ul>
	Presentation on MFRS9 by Ernst & Young	<ul style="list-style-type: none"> <li>• Implication and challenges of implementing IFRS9</li> <li>• IAS 39</li> </ul>
	The World Bank Group's Knowledge and Research Hub in Malaysia	<ul style="list-style-type: none"> <li>• Knowledge Hub</li> <li>• World Economic Researches</li> </ul>
	Sustainability Engagement Series for Directors	<ul style="list-style-type: none"> <li>• Materiality and Economic, Environment &amp; Social</li> <li>• Sustainability Tools &amp; Assessments</li> </ul>

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Name of Director(s)	Training Programme Attended	Training Scope & Description
YBhg Tan Sri Saw Choo Boon (continue)	Shariah Awareness Programme by Amanie	<ul style="list-style-type: none"> <li>Islamic Banking: Compliance, Innovation and Profitability</li> <li>Social Entrepreneur &amp; Social Responsibility Investment</li> </ul>
	Anti-Money Laundering (AML) & Counter Financing of Terrorism (CFT) by NRRET	<ul style="list-style-type: none"> <li>Scope of Money Laundering</li> <li>Role &amp; responsibilities of financial institutions</li> <li>New AML System</li> <li>Proceeds of Unlawful Activities</li> </ul>
	New Companies Bill 2016 by ZICO	<ul style="list-style-type: none"> <li>Key &amp; structural changes</li> <li>New requirements &amp; impacts</li> <li>Corporate Governance</li> </ul>
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa	Bank Negara Malaysia Annual Report 2015 and Payment Systems Report 2015 Briefing Session	<ul style="list-style-type: none"> <li>Financial Stability</li> <li>Payment Systems</li> </ul>
	Trans-Pacific Partnership Agreement (TPPA) Briefing by PwC	<ul style="list-style-type: none"> <li>Economic impact of TPPA</li> <li>Overall economy &amp; sectoral analysis</li> <li>Potential impact of TPPA on RHB Banking Group</li> <li>Thematic issues</li> </ul>
	Presentation on MFRS9 by Ernst & Young	<ul style="list-style-type: none"> <li>Implication and challenges of implementing IFRS9</li> <li>IAS 39</li> </ul>
	Capital Market Director Programme: <ul style="list-style-type: none"> <li>Module 2A</li> <li>Module 2</li> <li>Module 3</li> <li>Module 4</li> </ul>	<ul style="list-style-type: none"> <li>Business Challenges and Regulatory Expectations</li> <li>Risk Oversight and Compliance – Action Plan for Board of Directors</li> <li>Current and Emerging Regulatory Issues in the Capital Market</li> </ul>
	Anti-Money Laundering (AML) & Counter Financing of Terrorism (CFT) by NRRET	<ul style="list-style-type: none"> <li>Scope of Money Laundering</li> <li>Role &amp; responsibilities of financial institutions</li> <li>New AML System</li> <li>Proceeds of Unlawful Activities</li> </ul>
	New Companies Bill 2016 by ZICO	<ul style="list-style-type: none"> <li>Key &amp; structural changes</li> <li>New requirements &amp; impacts</li> <li>Corporate Governance</li> </ul>
Mr Mohamed Ali Ismaeil Ali Alfahim	FIDE Core Programme Module B - (Bank)	<ul style="list-style-type: none"> <li>Principles of sound governance</li> <li>Adoption of structured and robust processes for the selection of board members</li> <li>Understanding of key issues in financial reporting</li> <li>Common pitfalls in strategy execution</li> </ul>

Name of Director(s)	Training Programme Attended	Training Scope & Description
Mr Ong Seng Pheow	Trans-Pacific Partnership Agreement (TPPA) Briefing by PwC	<ul style="list-style-type: none"> <li>• Economic impact of TPPA</li> <li>• Overall economy &amp; sectoral analysis</li> <li>• Potential impact of TPPA on RHB Banking Group</li> <li>• Thematic issues</li> </ul>
	Presentation on MFRS9 by Ernst & Young	<ul style="list-style-type: none"> <li>• Implication and challenges of implementing IFRS9</li> <li>• IAS 39</li> </ul>
	Digital Signature Training To RHB Board of Directors	<ul style="list-style-type: none"> <li>• Performing the Digital Signing</li> </ul>
	New Companies Bill 2016 by ZICO	<ul style="list-style-type: none"> <li>• Key &amp; structural changes</li> <li>• New requirements &amp; impacts</li> <li>• Corporate Governance</li> </ul>
Mr Abdul Aziz Peru Mohamed	FIDE FORUM Dialogue on Directors' and Officer ("D&O") Liability Insurance with the Experts	<ul style="list-style-type: none"> <li>• D&amp;O liability insurance cover</li> <li>• Major D&amp;O claims related to directors of financial institutions</li> <li>• Territory, choice of law and jurisdiction clause</li> <li>• Practices of D&amp;O cover purchased by financial institutions in Malaysia</li> </ul>
	Trans-Pacific Partnership Agreement (TPPA) Briefing by PwC	<ul style="list-style-type: none"> <li>• Economic impact of TPPA</li> <li>• Overall economy &amp; sectoral analysis</li> <li>• Potential impact of TPPA on RHB Banking Group</li> <li>• Thematic issues</li> </ul>
	Presentation on MFRS9 by Ernst & Young	<ul style="list-style-type: none"> <li>• Implication and challenges of implementing IFRS9</li> <li>• IAS 39</li> </ul>
	Digital Signature Training To RHB Board of Directors	<ul style="list-style-type: none"> <li>• Performing the Digital Signing</li> </ul>
	Invitation To World Bank Conference	<ul style="list-style-type: none"> <li>• The Trans-Pacific Partnership (TPP) as an Opportunity for Integration</li> <li>• The Gains from Networks and Integration</li> <li>• Market Rigidities as Obstacles to Integration</li> </ul>
	Anti-Money Laundering (AML) & Counter Financing of Terrorism (CFT) by NRRET	<ul style="list-style-type: none"> <li>• Scope of Money Laundering</li> <li>• Role &amp; responsibilities of financial institutions</li> <li>• New AML System</li> <li>• Proceeds of Unlawful Activities</li> </ul>
New Companies Bill 2016 by ZICO	<ul style="list-style-type: none"> <li>• Key &amp; structural changes</li> <li>• New requirements &amp; impacts</li> <li>• Corporate Governance</li> </ul>	



## STATEMENT ON CORPORATE GOVERNANCE

Name of Director(s)	Training Programme Attended	Training Scope & Description
Mr Abdul Aziz Peru Mohamed (continue)	Mandatory Accreditation Programme for Directors of Public Listed Companies	<ul style="list-style-type: none"> <li>Understanding the directors' obligation: Board effectiveness &amp; managing risk</li> <li>Discharging directors' financial reporting responsibility</li> <li>Demystifying Directors' Key Obligations Under The Listing Requirements of Bursa Malaysia Securities Berhad</li> <li>Audit Committee Expanded Governance Oversight Role</li> </ul>
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	FIDE Core Programme: <ul style="list-style-type: none"> <li>Module A (Bank)</li> <li>Module B (Bank)</li> </ul>	<ul style="list-style-type: none"> <li>Principles of sound governance</li> <li>Adoption of structured and robust processes for the selection of board members</li> <li>Understanding of key issues in financial reporting</li> <li>Common pitfalls in strategy execution</li> <li>Understanding of the role of the board</li> <li>Strategic tools for directors</li> <li>Responsibility of the board for promoting a strong risk control culture</li> <li>Exploring plausible and extreme stress scenarios</li> </ul>
	Trans-Pacific Partnership Agreement (TPPA) Briefing by PwC	<ul style="list-style-type: none"> <li>Economic impact of TPPA</li> <li>Overall economy &amp; sectoral analysis</li> <li>Potential impact of TPPA on RHB Banking Group</li> <li>Thematic issues</li> </ul>
	Presentation on MFRS9 by Ernst & Young	<ul style="list-style-type: none"> <li>Implication and challenges of implementing IFRS9</li> <li>IAS 39</li> </ul>
	Digital Signature Training To RHB Board of Directors	<ul style="list-style-type: none"> <li>Performing the Digital Signing</li> </ul>
	Shariah Awareness Programme by Amanie	<ul style="list-style-type: none"> <li>Islamic Banking: Compliance, Innovation and Profitability</li> <li>Social Entrepreneur &amp; Social Responsibility Investment</li> </ul>
	New Companies Bill 2016 by ZICO	<ul style="list-style-type: none"> <li>Key &amp; structural changes</li> <li>New requirements &amp; impacts</li> <li>Corporate Governance</li> </ul>

Name of Director(s)	Training Programme Attended	Training Scope & Description
YBhg Tan Sri Dr Rebecca Fatima Sta Maria	Mandatory Accreditation Programme For Directors Of Public Listed Companies	<ul style="list-style-type: none"> <li>• Understanding the directors' obligation: Board effectiveness &amp; managing risk</li> <li>• Discharging directors' financial reporting responsibility</li> <li>• Demystifying Directors' Key Obligations Under The Listing Requirements of Bursa Malaysia Securities Berhad</li> <li>• Audit Committee Expanded Governance Oversight Role</li> </ul>
	Shariah Awareness Programme by Amanie	<ul style="list-style-type: none"> <li>• Islamic Banking: Compliance, Innovation and Profitability</li> <li>• Social Entrepreneur &amp; Social Responsibility Investment</li> </ul>
	Anti-Money Laundering (AML) & Counter Financing of Terrorism (CFT) by NRRET	<ul style="list-style-type: none"> <li>• Scope of Money Laundering</li> <li>• Role &amp; responsibilities of financial institutions</li> <li>• New AML System</li> <li>• Proceeds of Unlawful Activities</li> </ul>
	New Companies Bill 2016 by ZICO	<ul style="list-style-type: none"> <li>• Key &amp; structural changes</li> <li>• New requirements &amp; impacts</li> <li>• Corporate Governance</li> </ul>
YBhg Dato' Khairussaleh Ramli	Bank Negara Malaysia Annual Report 2015 and Payment Systems Report 2015 Briefing Session	<ul style="list-style-type: none"> <li>• Financial Stability</li> <li>• Payment Systems</li> </ul>
	Trans-Pacific Partnership Agreement (TPPA) Briefing by PwC	<ul style="list-style-type: none"> <li>• Economic impact of TPPA</li> <li>• Overall economy &amp; sectoral analysis</li> <li>• Potential impact of TPPA on RHB Banking Group</li> <li>• Thematic issues</li> </ul>
	Anti-Money Laundering (AML) & Counter Financing of Terrorism (CFT) by NRRET	<ul style="list-style-type: none"> <li>• Scope of Money Laundering</li> <li>• Role &amp; responsibilities of financial institutions</li> <li>• New AML System</li> <li>• Proceeds of Unlawful Activities</li> </ul>
	New Companies Bill 2016 by ZICO	<ul style="list-style-type: none"> <li>• Key &amp; structural changes</li> <li>• New requirements &amp; impacts</li> <li>• Corporate Governance</li> </ul>

# STATEMENT ON CORPORATE GOVERNANCE

## BOARD COMMITTEES



To ensure effectiveness in discharging its roles and responsibilities, the Board delegates specific authorities to the relevant Board Committees. This delegation of authority is expressly stipulated in the Terms of References (“TOR”) of the respective Board Committees. The TORs are reviewed periodically to ensure effective and efficient decision making in the Group. The Board Committees also act as oversight committees, evaluating and recommending matters under their purview for the Board to consider and approve.

The Board receives updates from the respective chairmen/representatives of the Board Audit Committee, Board Risk Committee and Board Nominating & Remuneration Committee on matters that require specific mention that have been deliberated and considered at the meetings of Board Committees. This practice also applies for other entities within the Group.

### Board Nominating & Remuneration Committee

The key objectives of the Board Nominating & Remuneration Committee (“BNRC”) are, as follows:-

- Review and assess the appointment/re-appointments of Directors, Board Committee members, Shariah Committee and key Senior Management officers for recommendation to the Boards.
- Advise the Boards on optimal size and mix of skills of Boards/ Board Committees/Shariah Committees.
- Provide oversight and direction on HR matters and operations, and recommend to the Boards for approval of remuneration and human resource strategies.

The BNRC comprises five NEDs, of whom three are INEDs and two are NINEDs, representing the respective entities within the Group. The BNRC is chaired by YBhg Tan Sri Saw Choo Boon, the SINED of RHB Bank.

Detailed disclosures on BNRC’s governance structure, terms of reference, roles and responsibilities, optimal board composition, director’s appointment, Boardroom Diversity Policy and other activities are available in the BNRC Report on pages 257 to 263 of this Annual Report.



### Board Risk Committee

The Board recognises the importance of a sound system of risk management and internal control to ensure good corporate governance and safeguard shareholders’ investments as well as the Company’s and the Group’s assets. The Board Risk Committee (“BRC”) provides oversight and governance of risks for the Group to ensure that the Group’s risk management process is functional and effective.

The BRC also oversees Senior Management’s activities in managing risk, ensuring that the risk management process in each of the Group’s entities functions in accordance with a risk-return performance management framework. Furthermore, the BRC supports and leads the Senior Management in driving the Risk Culture and Risk Ownership in the Group.

The BRC’s other duties and functions among others include the following:

- To provide oversight to ensure that the Group’s risk management framework, processes, organisation and systems are functioning commensurate with its nature, scale, complexity of activities and risk appetite.
- To deliberate and assess the nature and materiality of risk exposures, potential risks and impact on capital and the Group’s sustainability.
- To review and approve proposed changes to Delegated Lending (Financing) Authorities/Discretionary Powers/Powers of Attorney, limits for business and operations.
- To review and approve changes to policies and frameworks (excluding HR related policies and framework), risk methodologies/ models and other significant risk management matters, in line with the approved risk strategy.
- To review and approve new/existing products with material variations in product features.

THE BOARD RISK COMMITTEE (“BRC”) PROVIDES  
**OVERSIGHT AND GOVERNANCE OF  
RISKS FOR THE GROUP**



The BRC comprises four NEDs, of whom two are INEDs and two NINEDs, representing the respective entities within the Group. The BRC met 12 times during the financial year 2016. The composition of the BRC and the attendance of the members at meetings held in 2016 are as follows:

Name of Directors	Attendance at Meetings
YBhg Tan Sri Saw Choo Boon (INED/Chairman)#	12/12 (100%)
Mr Patrick Chin Yoke Chung (NINED)	11/12 (92%)
Tuan Haji Md Ja'far Abdul Carrim (NINED)	12/12 (100%)
Mr Chin Yoong Kheong (INED)	11/12 (92%)
Tuan Haji Khairuddin Ahmad (INED/Chairman)^	4/4 (100%)
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (INED)*	5/6 (83%)

**Note:**

# Redesignated as BRC Chairman on 11 May 2016.

^ Retired from BRC on 11 May 2016.

\* Resigned with effect from 27 June 2016.

Pursuant to the Group's current governance framework, RHB Islamic Bank Berhad ("RHB Islamic Bank") has adopted the BRC while maintaining a dedicated Risk Management Committee to manage Shariah risk and its associated intricacies.

### Board Audit Committee

The Board Audit Committee ("BAC") comprises four INEDs representing RHB Bank and its major operating subsidiaries. The BAC provides independent oversight of RHB Banking Group's financial reporting and internal control system, ensuring checks and balances for entities within the Group. The BAC continuously reinforces the independence of the external auditors and provides a line of communication between the Board and the external auditors.

The BAC reviews the integrity and reliability of the Company's and the Group's financial statements on a quarterly basis, prior to recommending the same for the Board's approval and issuance to stakeholders. During the reviews, the Group Chief Financial Officer provides assurance to the BAC that:

- Adequate processes and controls are in place for an effective and efficient financial statement close process;

- Appropriate accounting policies have been adopted and applied consistently; and
- The relevant financial statements give a true and fair view of the state of affairs of the Company and the Group in compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and Companies Act 1965.

The BAC also meets twice a year with the external auditors, without the presence of the Management and the executive Board members, to discuss any key issues/areas that require attention of the BAC and the Board.

The BAC also emphasises the internal audit function by increasing the objectivity and independence of the internal auditors and provides a forum for discussion that is, among others, independent of the Management. Additionally, the BAC reviews the quality of the audits conducted by internal and external auditors as well as the Group's financial condition and performance.

This enhances the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports. Detailed disclosures on BAC's governance structure and primary activities are available on pages 264 to 268 of this Annual Report.



### Board Credit Committee

The Board Credit Committee ("BCC") comprises five NEDs, of whom three are INEDs and two are NINEDs representing the respective banking entities within the Group. The BCC supports the relevant Boards in affirming, vetoing or including additional conditions on all types of credit applications (including under stock/futures broking) and underwriting applications for amounts above the defined thresholds of the Group Credit Committee and/or Group the Investment & Underwriting Committee. It also endorses and recommends write-offs as well as approves all policy loans/financing and loans/financing which are required by BNM to be approved by the respective Boards.

### Board Technology Committee

The Board Technology Committee ("BTC") comprises two INEDs and one NINED, and guides the Boards of the major operating subsidiaries on the Group's strategic IT programmes and major IT investments. The BTC reviews and recommends to the Boards the Group's overall technology strategies and policies, strategic and major technology investments and projects above Management's limits set by the Boards or as referred to by the Group Management Committee. It also receives updates from Management on emerging technology trends affecting the Group.



# STATEMENT ON CORPORATE GOVERNANCE

## Subsidiary Level Board Committees

In addition to the above, the following subsidiary level Board Committees reside at RHB Islamic Bank to assist the Board and the Management in governing Islamic business activities and Shariah-based operations within RHB Banking Group.

### (a) Shariah Committee

The Shariah Committee is housed at RHB Islamic Bank and comprises six (6) qualified local Shariah scholars.

The main duties and responsibilities of the Shariah Committee are as follows:

- To advise on all Shariah matters to ensure its business operations comply with Shariah Principles, where applicable.
- Where relevant, to consult BNM's Shariah Advisory Council ("SAC") on any Shariah matters which have not been resolved or endorsed by the SAC.

### (b) Islamic Risk Management Committee

The Islamic Risk Management Committee ("IRMC") resides at RHB Islamic Bank and comprises three (3) NEDs of RHB Islamic Bank, of whom two are NINEDs and one is INED. The IRMC provides risk oversight and guidance to ensure that the management of risk exposures in RHB Islamic Bank are aligned to the principles of Islamic Banking as guided by the relevant regulatory authority, as well as to ensure that core risk policies are consistent with the Group's. The IRMC also oversees the execution of risk policies and related decisions by RHB Islamic Bank's Board, and provides oversight for major risk categories which are unique to Islamic finance. These include displaced commercial risk, withdrawal risk, rate of return risk, fiduciary risk and Shariah non-compliance risk.

## INVESTOR RELATIONS AND STAKEHOLDER COMMUNICATIONS



### Corporate Disclosure

RHB Bank and the Group, guided by the Bursa Securities' Corporate Disclosure Guide, MMLR and Financial Services Act 2013, place strong emphasis on clear, comprehensive, timely and equitable dissemination of information to the public on its business activities, milestones achieved, latest developments and financial performance. Since 2013, the Group has adopted a media communication plan which defined the roles and responsibilities of the Chairman and Senior Management together with levels of authority in handling the disclosure of material corporate, business and financial information to the public via media channels.

In addition, the Directors and employees are required to execute confidentiality undertakings in compliance with the secrecy requirement of the Financial Services Act 2013 or other regulatory requirements in respect of information which they may acquire through the business of the Company and its subsidiaries.

### Quarterly Results

The announcement of quarterly financial results is made via Bursa LINK on the scheduled date, following which a press release is issued. It is also the Group's practice to organise live analyst briefings for half-year and full-year results, while conference calls are organised for the first and third quarters. These analyst briefings and conference calls are led by the Group MD, together with the Group Chief Financial Officer. Members of the Senior Management team are also in attendance, reflecting the commitment to providing a high degree of clarity to the investment community. The presentation materials for the briefings and conference calls are simultaneously made available publicly on RHB's website upon the uploading of results to Bursa Securities.

The briefings and conference calls serve as an avenue for dialogue between research analysts and fund managers with the Group's Senior Management. The sessions also provide a balanced and complete view of the Group's performance as well as updates on the Group's business initiatives and strategies.

## Corporate Website

In view of the importance of the corporate website to promote the Group's branding and image, our intranet has been restructured to enhance our internal communication channel and landing platform for knowledge repository within the Group. The corporate section on the Group's website, on the other hand, makes all relevant information (including information on dividend, capital & debt instruments, credit rating, all announcements released to media and Bursa Malaysia website, annual reports, corporate structure, corporate governance statement, notice of general meetings and minutes of general meetings) on RHB Bank and its main operating subsidiaries publicly accessible.

## General Meetings

The AGM and Extraordinary General Meetings ("EGM") are the primary platforms for direct two-way interaction between the shareholders, Board and Management of the Group. The meetings also ensure transparency is adhered to, as shareholders' approval is required on all material issues including, but not limited to:

- Re-election and re-appointment of Directors;
- Appointment of auditors;
- Dividend payments; and
- Material mergers, acquisitions and divestments exercises (only EGMs).

The Company's external auditors will also be present at the AGM to respond to the shareholders' enquiries on the conduct of the audit and the preparation and content of the auditors' reports. Additionally, the Group MD will share RHB Bank's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group. Minutes of general meetings and related circular and notice to the AGM and EGM will be made available on its corporate website ([www.rhbgroup.com](http://www.rhbgroup.com)).

## Shareholders' participation at general meeting

The processes of the current general meetings have been designed to encourage shareholders' participation. Shareholders are duly notified at least 28 days in advance and in cases where circulars are involved, clarity is assured through the presence of professional advisors at the meetings.

In accordance to the RHB Bank's Articles of Association, a member of the Company entitled to attend and vote at the general meeting, is entitled to appoint up to two proxies to attend and vote in his place. A proxy may not be a member of the Company. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account which is credited with ordinary shares of the Company.

The attendance of shareholders at the RHB Bank's general meetings has always been encouraging. To facilitate greater shareholder participation at general meetings as well as ensure accurate and efficient outcomes of the voting system, the Board will consider adopting electronic voting.

## Dividend

RHB Bank's dividends are usually declared twice in a year i.e. interim dividend in the second quarter of the year and the final dividend in the fourth quarter.

The Group pays a sustainable dividend to its shareholders over time while maintaining prudent capital levels in view of forthcoming regulatory changes as well as meeting the expectations of investors and other stakeholders. The Group's dividend payout also takes into consideration the long-term growth prospect of the businesses.

In line with the above, the Board is proposing a final cash dividend of 7 sen per share for the financial year ended 31 December 2016. Together with the interim cash dividend of 5 sen per share paid in September 2016, the total dividend payout for financial year ended 2016 is 12 sen per share, translating into a payout ratio of 29%.

FINANCIAL YEAR ENDED	RHB BANK	RHB CAPITAL			
	2016	2015	2014	2013	2012
Dividend Per Share (sen)	12.00	12.00	6.00	16.3	22.09
Dividend Payout Ratio (%)	28.6	24.4	7.6	22.6	30.0
Total Net Dividend Declared (RM'million)	481.2	369.0	154.3	414.2	535.5

# STATEMENT ON CORPORATE GOVERNANCE

## Poll voting

Pursuant to MMLR, RHB Bank, being a public listed issuer, must ensure that all resolutions set out in the notice of general meeting(s) are voted by poll and at least one scrutineer must be appointed to validate the votes cast at the general meetings. In line therewith, RHB Bank will continue to adopt electronic voting, as per the previous practice by RHB Capital Berhad.

## UPHOLDING INTEGRITY



### Compliance with Financial Reporting Standards

The Board ensures that shareholders are provided with a clear, balanced and meaningful assessment of the Company's and the Group's financial performance, position and future prospects through the Annual Audited Financial Statements, quarterly reports and corporate announcements on significant events affecting the Company in accordance with the MMLR.

### Relationship with Internal and External Auditors

#### Internal audit

The Group Internal Audit ("GIA"), led by the Group Chief Internal Auditor, reports the results of its audits directly to the BAC. Guided by the Internal Audit Charter, the GIA regularly reviews and reports on the adequacy and effectiveness of the Group's risk management, internal control and governance processes. Based on the annual audit plan approved by the BAC, GIA undertakes an independent assessment of the internal control systems throughout the Company and the Group to assure that deficiencies or issues are promptly resolved by the Management.

Follow-up actions and a review of the status of actions taken as per the auditors' recommendations are carried out by the Management via the various Management Audit Committees established within the Group.

The Group internal auditors also work closely with the external auditors to resolve any control issues as raised by them to ensure that all issues are duly acted on by the Management. Further details of the activities of the GIA function are set out in the Statement on Internal Audit on pages 269 to 270 of this Annual Report.

The Group's current Internal Audit Charter is up-to-date in line with the latest regulatory requirements as well as the International Standards for the Professional Practice of Internal Auditing.

#### Assessment of external auditors

The BAC undertakes an assessment of the suitability and independence of the external auditors, Messrs PricewaterhouseCoopers, based on qualifying criteria for the appointment of auditors and terms of audit engagements in accordance with BNM's Guidelines – "External Auditor" dated 29 August 2014. Among the criteria set are that the auditors are registered auditors with professional competence, their objectivity/independence are not impaired, their background are free from criminal dishonesty acts and disciplinary actions taken by the Malaysian Institute of Accountant, and also their tenure of appointment as engagement partner not exceeding 5 continuous years with the Company. For the current financial year, the engagement partner and the concurring partner of the external auditors have been changed and replaced by new partners in consistent with the regulatory requirement.

In addition, the performance of the external auditors is assessed through a survey amongst the management requesting feedback and comments on their dealings with Messrs PricewaterhouseCoopers throughout the financial reporting year. The survey covers areas such as quality of audit work, coordination during planning and execution of audit work, technical accounting and business knowledge, timeliness, relationship management and staff continuity.

Having satisfied itself with their performance and fulfilment of criteria as set out in BNM's Guidelines, the BAC will recommend the re-appointment of the external auditors to the Board, upon which the shareholders' approval will be sought at the AGM.

Further details on the assessments made on the external auditor's suitability and independence are set out per BAC activities disclosed under the BAC Report on pages 264 to 268 of this Annual Report 2016.

RHB Banking Group has established the Group Policy on Non-Audit Fees Paid/Payable to External Auditors ("Policy"). The BAC reviews the non-audit services rendered by the external auditors and the related fees prior to the approval of the services. A report on non-audit fees is also presented to the BAC quarterly. This is to ensure the independence of the external auditors and its compliance with the Policy and terms of all relevant professional and regulatory requirements when rendering its audit and non-audit services. During the financial year, the external auditors made written assurance that they have maintained their independence for the audit of the Group's financial statements and for all the non-audit engagements undertaken, in accordance with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.

A detailed pay out to the external auditors for their audit and non-audit works is illustrated as follows:

Type of External Auditors' Fees	RM ('000)		Out of Total Fees (%)	
	Company	Group	Company	Group
1 Audit fees	3,147	6,059	74.5%	84.8%
2 Non-Audit fees	1,079	1,087	25.5%	15.2%
<b>TOTAL FEES</b>	<b>4,226</b>	<b>7,146</b>	<b>100%</b>	<b>100%</b>



Details of the above information on audit and non-audit fees are set out under Note 37 to the Financial Statements on page 123 in the accompanying Financial Statements 2016 Report, and also per BAC Report on pages 264 to 268 of this Annual Report 2016.

### Group Whistle Blower Policy

The Group has, since 2004 (revised and updated in 2014), established a Group Whistle Blower Policy to strengthen its controls and governance. The policy provides employees with an avenue to report suspected fraud, corruption, dishonest practices or other similar circumstances. This policy encourages reporting of such matters in good faith, with the confidentiality of the person making such reports protected from reprisal in the best possible manner.

For the current year under review, three complaints pursuant to the Group Whistle Blower Policy were received, investigated and pursued. All reports or complaints are filed with the Designated Recipient as specified in the Group Whistle Blower Policy. The Group Whistle Blower Policy is available on the Group's internal portal for the reference of the Group's staff.

### Code of Ethics

The Board is committed to inculcating a corporate culture which engenders ethical conduct throughout the Company and the Group. The Board has thus adopted a Code of Ethics and Business Conduct for Directors ("Code of Ethics") to enhance the standard of corporate governance, establish uniform ethical standards and promote ethical conduct for Directors in line with governing laws, regulations and guidelines. The Code of Ethics includes principles relating to general standard of conduct, conflict of interest, insider trading, maintaining confidentiality, use of corporate assets, etc.

The Group has also implemented a Group Code of Ethics and Conduct ("Code") for its employees to ensure a high standard of ethical and professional conduct in performing their duties and responsibilities. The said Code establishes the standards that govern the way employees deal with each other, our shareholders, customers, suppliers, competitors and communities. Within this framework, employees are expected to exercise good judgement and be accountable for their actions. Compliance with the Code is part of the terms and conditions of employment for every employee. The Code is currently under revision to incorporate current best practices and in line with the industry standard.

### Group Gifts & Hospitality Guidelines

The Group had, in November 2014, established Group Gifts & Hospitality Guidelines to promote integrity and transparency. The Guidelines complement the existing Group Code of Ethics and Conduct for Employees and are benchmarked against best practices for giving and receiving gifts as well as transparency and openness about gifting. It is also part of the overall anti-bribery and corruption initiative currently pursued by the Group.

### Corporate Responsibility

The foundation of our Corporate Responsibility ("CR") initiatives is premised on the four quadrants of Community, Environment, Workplace and Marketplace. The Group's established CR strategic framework has supported and created value for the Group's business, operations and brand, as well as contributed positively to the Group's shareholders, customers, employees and society at large. The framework was introduced with the intention of translating its defined values into a governing policy that addresses the Group's CR and sustainability reporting which incorporates the economic, environmental and social ("EES") elements.



# STATEMENT ON CORPORATE GOVERNANCE

The framework will ensure that EES issues are integrated into the Group's daily business practices to promote its sustainability. Sustainability is defined as conducting business responsibly and ethically by factoring in economic, environmental and social considerations in the decision making process for long-term business success that, in turn, will contribute to the socioeconomic development of the communities in which the Group operates. As such, the Group embarks on activities that conserve the environment, enrich the lives of communities, promote a culture of respect and care for its workforce and the public, all of which, appropriately implements good governance.

The Board also acknowledges that a sustainable approach to investing is vital to the interests of long-term investors and positively impacts the value of investments. The Board further recognises that the Group's ability to prosper hinges substantially on its ability to make business decisions that uphold economic, environmental and social responsibilities by which the stakeholders and society can hold the Group accountable. In this way, the Company can combine its economic success with environmental protection and social responsibility. Therefore, EES issues are of the utmost importance in the Board's decision making to maintain responsible corporate citizenship.



▶ The Group's Sustainability Report for 2016, which further highlights the Group's CR and EES elements, is found on pages 176 to 211 of the Annual Report and also available on the Company's corporate website.

## ADDITIONAL COMPLIANCE INFORMATION



### Related Party Transactions

The Group has put in place a Policy on Related Party Transaction Review Process since 2004 (revised and updated in 2011 and 2012, respectively), which guides the review and reporting of all related party transactions. Under this policy, all related party transactions are reviewed by Group Legal prior to independent review by Group Internal Audit before any submission is made to the BAC for deliberation.



▶ Details of these transactions are set out under Notes 48 to the Financial Statements on pages 132 to 137 in the accompanying Financial Statements 2016 Report.

### Sanctions and penalties

For the financial year 2016, no public reprimands, sanctions and/or material penalties were imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

### Material contracts involving Directors' and major shareholders' interest

RHB Bank and its subsidiaries did not have any material contracts involving Directors' and major shareholders' interests in the 12-month financial period from 1 January 2016 to 31 December 2016. The material contracts in this case do not include financing to parties connected to Directors which are conducted in accordance with the relevant BNM's guidelines.

## COMPLIANCE STATEMENT



In carrying out fiduciary duties, the Board of Directors ("Board") of RHB Bank is pleased to disclose that the Company for the Financial Year Ended (FYE) 31 December 2016 has satisfied the following:

- The Company's financial statements were prepared in compliance with the approved accounting standards and disclosure requirements set out in the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").
- All material aspects of the principles stipulated by Bank Negara Malaysia (Central Bank of Malaysia)'s Policy on Corporate Governance are complied.

This Corporate Governance Statement and the disclosures in this report have been approved by the Board on 28 February 2017.

# COMPLIANCE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (MCCG) 2012

The Board of Directors of RHB Bank Berhad (“RHB Bank” or “Company”) is pleased to disclose the Company’s state of compliance with the MCCG 2012:

## PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

MCCG Recommendations	Status of Compliance	Remarks
<b>Recommendation 1.1</b> – The Board should establish clear functions reserved for the Board and those delegated to management.	Complied	<ul style="list-style-type: none"> <li>The Terms of Reference of the Board and Board Committees have been established.</li> <li>The Corporate Scorecard for the CEO and the management team has been developed early of the year to measure their on-going performance against corporate objectives and goals set.</li> <li>Matters reserved for the Board are set out in the Corporate Governance Statement of the Annual Report 2016.</li> </ul>
<b>Recommendation 1.2</b> – The Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions.	Complied	<ul style="list-style-type: none"> <li>Roles and Responsibilities of the Board are incorporated in the Board Charter.</li> <li>The Board are primarily responsible for strategy setting, oversight function, succession planning, risk management, integrity of internal control and communication plan.</li> <li>The Board and the respective Board Committee(s) also constantly review the adequacy and integrity of management information and internal control. In this respect, the Board is also assisted by various oversight functions as specified under the Group Governance Framework, namely direct supervision, Senior Management, independent parties comprising of risk management, compliance and internal audit and the Group Managing Director (GMD) who reported periodically to the Board and selected Board Committee(s).</li> <li>All communication with the Company’s shareholders are guided by internal policy and guidelines. The Company is improving its communication to the shareholders for all resolutions from the current minimum 21-day notice to 28-day notice.</li> </ul>
<b>Recommendation 1.3</b> – The Board should formalise ethical standards through a Code of Conduct and ensure its compliance.	Complied	<ul style="list-style-type: none"> <li>Professional ethical standards and corporate integrity have been incorporated in the Board Charter and Code of Ethics &amp; Business Conduct for Directors – both of which are available in the Company’s website.</li> <li>Group Code of Ethics and Conduct for Employees has also been established as the primary reference for all the Company’s employees.</li> <li>Clear internal policy and guidelines have been established for escalation of breaches to the Code. Formal approved grievance channel and designated whistleblowing channel(s) could be resorted by any employees to channel any dissatisfaction on employment-related matters and any violations of internal and regulatory requirements, respectively.</li> </ul>

MCCG Recommendations	Status of Compliance	Remarks
<p><b>Recommendation 1.4</b> – The Board should ensure that the company’s strategies promote sustainability.</p>	Complied	<ul style="list-style-type: none"> <li>• The Company’s sustainability strategies are captured in the Sustainability Report which provides a more insightful view into RHB Bank’s Corporate Responsibility (CR) initiatives to deliver balanced growth in a responsible and sustainable manner.</li> <li>• RHB Bank’s Strategic CR Framework has been established and reinforced to fine tune the key CR pillars with the environmental, social and governance (ESG) aspects of business which underpin sustainability. The framework also guides the employees on the Company’s CR direction and investments.</li> <li>• The Company is pursuing sustainability-related strategies and disclosures per the Listing Requirements and in compliance with the timeline prescribed in Bursa Malaysia’s Sustainability Reporting Guide 2015.</li> </ul>
<p><b>Recommendation 1.5</b> – The Board should have procedures to allow its members access to information and advice.</p>	Complied	<ul style="list-style-type: none"> <li>• Standard Procedures for Directors to Have Access to Independent Professional Advice has been established to ensure consistency and proper &amp; clear procedures to enable the Directors to have an enhanced perception of issues by allowing them to seek timely independent opinion/advice/consultation from professionals in the relevant areas.</li> <li>• Apart from the above, the Board also have access to the Company Secretaries and the Management for advice, support services and further clarification on the Company’s operations and business concerns.</li> </ul>
<p><b>Recommendation 1.6</b> – The Board should ensure it is supported by a suitably qualified and competent Company Secretary.</p>	Complied	<ul style="list-style-type: none"> <li>• The Board is supported by qualified and competent Company Secretaries, namely:               <ol style="list-style-type: none"> <li>i. Mr. Azman Shah Md Yaman, a licensed company secretary (LS0006901) registered with the Companies Commission of Malaysia; and</li> <li>ii. Ms. Ivy Chin So Ching, a chartered secretary (MAICSA No. 7028292) registered with the Malaysian Institute of Chartered Secretaries and Administrators.</li> </ol> </li> <li>• As spelled out in the internal policy and guidelines, the Company Secretaries are responsible for providing company secretarial functions and efficient and reliable corporate advisory services, in accordance with the provisions of the Companies Act 1965.</li> <li>• In meeting with the above advisory role to the Board, the dedicated Company Secretaries also keep abreast with latest regulatory changes, evolving industry developments and best practices in corporate governance to discharge their roles and responsibilities effectively and efficiently.</li> </ul>
<p><b>Recommendation 1.7</b> – The Board should formalise, periodically review and make public its Board charter.</p>	Complied	<ul style="list-style-type: none"> <li>• The Company’s Board Charter has been formalised and is subject to review every 2 years.</li> <li>• The Board Charter is publicly available on the Company’s website.</li> </ul>

## PRINCIPLE 2 – STRENGTHEN COMPOSITION

MCCG Recommendations	Status of Compliance	Remarks
<b>Recommendation 2.1</b> – The Board should establish a Nominating Committee which should comprise exclusively of Non-Executive Directors, a majority of whom must be independent.	Complied	<ul style="list-style-type: none"> <li>Members of the Board Nominating and Remuneration Committee (BNRC) comprise only Non-Executive Directors and the majority are Independent Directors (ID).</li> <li>Three (3) of the total five (5) members of the BNRC are Independent Directors.</li> <li>The terms of reference (TOR) for the BNRC have been established, including selection process and assessment for the appointment and reappointment of directors and board committee members.</li> </ul>
<b>Recommendation 2.2</b> – The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors.	Complied	<ul style="list-style-type: none"> <li>The Terms of Reference of the Board Nominating and Remuneration Committee is in line with this recommendation.</li> <li>The recruitment process and annual assessment of Directors are guided by criteria specified in the internal Policy and Guidelines on Fit and Proper for Key Responsible Persons, Board Charter, Boardroom Diversity Policy and Code of Ethics &amp; Business Conduct for Directors.</li> </ul>
<b>Recommendation 2.3</b> – The Board should establish formal and transparent remuneration policies and procedures to attract and retain Directors.	Complied	<ul style="list-style-type: none"> <li>The Terms of Reference of the Board Nominating and Remuneration Committee is in line with this recommendation.</li> <li>As talent is scarce in the financial services industry, directors’ remuneration are reviewed periodically in line with the Group Non-Executive Directors Remuneration Framework to ensure each individual director is being compensated with increasing complexity of their duties, responsibilities, expectation and commitment.</li> <li>The existing directors’ fees structure for Non-Executive Chairman and Non-Executive Directors (NEDs) have been approved during the Group’s holding company’s Annual General Meeting in 2014. The actual directors’ remuneration package for each Board member is being disclosed in the Company’s annual report and financial statements.</li> </ul>



# COMPLIANCE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (MCCG) 2012

## PRINCIPLE 3 – REINFORCE INDEPENDENCE

MCCG Recommendations	Status of Compliance	Remarks
<b>Recommendation 3.1</b> – The Board should undertake an assessment of its Independent Directors annually.	Complied	<ul style="list-style-type: none"> <li>The Board Nominating and Remuneration Committee undertakes assessment of all Directors’ annually via the Board Effectiveness Assessment exercise.</li> <li>The independence of the Directors is reviewed annually and benchmarked against best practices and regulatory provisions.</li> </ul>
<b>Recommendation 3.2</b> – The tenure of an Independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the director’s re-designation as a Non-Independent Director.	Not Complied	<ul style="list-style-type: none"> <li>RHB Bank recognises that organisation is best served by a constantly evolving board of directors, with staggered terms and a healthy combination of fresh perspective and experienced board members.</li> <li>Upon reaching the tenure of nine years, the INED shall discontinue to serve on the Board and therefore retire at the next Company’s AGM or when a new incumbent is available to replace him, as the case may be.</li> <li>One independent director has served the Company more than 9 years in similar capacity and he shall retire at the next AGM of the company.</li> <li>In future, RHB Bank plans to adhere strictly to the nine years cap for the tenure of Independent Director.</li> </ul>
<b>Recommendation 3.3</b> – The Board must justify and seek shareholders’ approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine years.	Complied	<ul style="list-style-type: none"> <li>Only one independent director has served the Company more than 9 years in similar capacity and he shall retire at the next AGM of the company.</li> <li>However the Board after due consideration and upon the Board Nominating &amp; Remuneration Committee’s recommendation, has recommended for his re-appointment as Director and retention as INED of the Company pursuant to the Internal Guidelines, for shareholders’ approval.</li> </ul>
<b>Recommendation 3.4</b> – The positions of Chairman and CEO should be held by different individuals, and the Chairman must be a Non-Executive member of the Board.	Complied	<ul style="list-style-type: none"> <li>The positions of Chairman and Group Managing Director (CEO) are held by different individuals who are not related to each other.</li> <li>The Chairman is a Non-Independent Non-Executive member of the Board.</li> </ul>
<b>Recommendation 3.5</b> – The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.	Complied	<ul style="list-style-type: none"> <li>The Chairman is a Non-Independent Non-Executive member of the Board.</li> <li>The Independent Directors make up a majority of 55.5% of the total Board composition, exceeding Bursa Securities’ requirement of one third (33.3%) and Bank Negara Malaysia’s requirement of more than half (&gt;50%).</li> </ul>

## PRINCIPLE 4 – FOSTER COMMITMENT

MCCG Recommendations	Status of Compliance	Remarks
<b>Recommendation 4.1</b> – The Board should set out expectations on time commitment for its members and protocols for accepting new directorships.	Complied	<ul style="list-style-type: none"> <li>The Board members complied with the minimum regulatory requirements of 75% Board meetings attendance as required by Bank Negara Malaysia (BNM).</li> <li>In line with BNM’s regulatory requirements, the Group Managing Director (CEO) does not hold more than 5 directorships at one time.</li> <li>The number and directors’ attendance of Board and Board Committees’ meetings are being disclosed in the Company’s Annual Report.</li> </ul>
<b>Recommendation 4.2</b> – The Board should ensure its members have access to appropriate continuing education programs.	Complied	<ul style="list-style-type: none"> <li>The Company Secretary facilitates the Directors’ participation in various training programs and ensures the Directors undergo mandatory and ongoing training.</li> <li>Individual directors’ training record is disclosed in the annual report. The scope of training includes on corporate governance, financial accounting/ reporting, taxation, strategy, leadership, risk management, legal and mandatory accredited courses.</li> </ul>

## PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

MCCG Recommendations	Status of Compliance	Remarks
<b>Recommendation 5.1</b> – The Audit Committee should ensure financial statements comply with applicable financial reporting standards.	Complied	<ul style="list-style-type: none"> <li>Directors’ Responsibility Statement in relation to established financial reporting standards is tabled to the Board Audit Committee during presentation of the Company’s Annual Audited Financial Statements.</li> <li>All the four members of the Board Audit Committee (BAC), including the Chairman are Independent and Non-Executive Directors. The terms of reference, functions, composition, qualification and meetings attendance for BAC are disclosed in the Company’s Annual Report.</li> </ul>
<b>Recommendation 5.2</b> – The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors.	Complied	<ul style="list-style-type: none"> <li>Procedures to assess the suitability, independence and performance of external auditors have been established, mainly in accordance with Bank Negara Malaysia Guidelines on External Auditor and based on feedback and comments gathered from survey amongst the management.</li> <li>In addition to written assurance on independence of External Auditor obtained during the year, internal Policy on Non-Audit Fees Paid/Payable to External Auditors has also been established to ensure suitability and independence of the external auditors.</li> <li>The tenure for External Auditor is 1 year, subject to reappointment by the shareholders at the general meeting for another year if the retiree offer to continue its service.</li> <li>For the current financial year, the engagement partner and the concurring partner of the external auditors have been changed and replaced by new partners in consistent with the regulatory requirement.</li> </ul>

# COMPLIANCE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (MCCG) 2012

## PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

MCCG Recommendations	Status of Compliance	Remarks
<b>Recommendation 6.1</b> – The Board should establish a sound framework to manage risks.	Complied	<ul style="list-style-type: none"> <li>The Board has established Group Governance Framework, Group Risk Management Framework and Group Fraud Risk Management Policy which govern the management of risks in the Group.</li> </ul>
<b>Recommendation 6.2</b> – The Board should establish an internal audit function which reports directly to the Audit Committee.	Complied	<ul style="list-style-type: none"> <li>The Group Internal Audit reports directly to the Board Audit Committee.</li> </ul>

## PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

MCCG Recommendations	Status of Compliance	Remarks
<b>Recommendation 7.1</b> – The Board should ensure the Company has appropriate corporate disclosure policies and procedures.	Complied	<ul style="list-style-type: none"> <li>Group Governance Framework, Group Permitted Disclosure Guidelines and Group Corporate Communications Operations Manual have been established to address the Company’s disclosure policies and procedures.</li> </ul>
<b>Recommendation 7.2</b> – The Board should encourage the Company to leverage on information technology for effective dissemination of information.	Complied	<ul style="list-style-type: none"> <li>Corporate information is disseminated via the Company’s website, announcements made via Bursa LINK and social media such as Group’s Official Facebook, Corporate Instagram, My1Portal (intranet) and Group Managing Director’s Official Blog.</li> <li>Dissemination of Meeting Papers to the Board and Board Committees are made via Ipad for greater flexibility and efficiency.</li> </ul>

## PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

MCCG Recommendations	Status of Compliance	Remarks
<b>Recommendation 8.1</b> – The Board should take reasonable steps to encourage shareholder participation at general meetings.	Complied	<ul style="list-style-type: none"> <li>Resolutions are served longer than the required minimum notice period for shareholders’ meetings.</li> <li>The Chairman provides ample time and opportunities for the shareholders to participate in general meetings.</li> </ul>
<b>Recommendation 8.2</b> – The Board should encourage poll voting.	Complied	<ul style="list-style-type: none"> <li>RHB Bank will continue to adopt electronic voting, as per the previous practice by RHB Capital Berhad.</li> <li>All resolutions set out in the notice of general meeting(s) are to be voted by poll and at least one scrutineer must be appointed to validate the votes cast at the general meetings.</li> </ul>
<b>Recommendation 8.3</b> – The Board should promote effective communication and proactive engagements with shareholders.	Complied	<ul style="list-style-type: none"> <li>Communication and engagement with shareholders are made through various platforms and media, including investors’ conferences, special briefing (e.g. merger &amp; acquisition), direct one-on-one meetings and tele-conferences.</li> </ul>

In accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors (“Board”) of a listed company is required to include in its annual report a statement about the state of internal control of the listed company as a group. In addition, the revised Malaysian Code on Corporate Governance states that the Board should establish a sound risk management framework and internal control system to manage risk and safeguard shareholders’ investments and the company’s assets.

The Board is pleased to provide the following statement which has been prepared in accordance with the guidelines as set out in the “Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers” endorsed by Bursa Securities.

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## RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing a sound risk management and internal control system and for assessing its effectiveness. Such a system is designed to manage risks within the established risk appetite and risk tolerance rather than total elimination of risks to achieve RHB Banking Group (“Group”)’s business objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board is assisted by the Board Risk Committee (“BRC”) and Board Audit Committee (“BAC”) which have been delegated with primary oversight responsibilities on the Group’s risk management and internal control system.

The Board is further assisted by the Management who is responsible for implementing the Group’s policies and processes to identify, evaluate, monitor and report on risks as well as the effectiveness of the internal control systems, taking appropriate and timely corrective actions as required, and to provide assurance to the Board that the processes have been carried out.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

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## RISK MANAGEMENT FRAMEWORK

The Group has put in place a risk management framework approved by the Board for identifying, evaluating, monitoring and reporting of significant risks faced by the Group that may affect the achievement of the Group's business objectives.

### Risk Governance and Oversight

The Group's risk management framework seeks to ensure that there is an effective on-going process in place to manage risk across the Group. This process is regularly reviewed by the Board through the BRC which provides oversight over the risk management activities for the Group to ensure that the Group's risk management process is functioning effectively.

The BRC also assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models. In discharging its overall duties and responsibilities, the BRC is supported by the Group Capital and Risk Committee ("GCRC") and Group Risk & Credit Management function which monitors and evaluates the effectiveness of the Group's risk management system on an on-going basis. The GCRC, comprising Senior Management of the Group and chaired by the Group Managing Director, is responsible for the supervision of the management of enterprise risk and capital matters.

Group Risk & Credit Management function provides independent oversight on business activities and implements the Group's risk management framework in order to protect and safeguard the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Its responsibilities include implementation of the Group's risk policy and framework, daily risk measurement and monitoring, provision of timely risk analysis to Management, ensuring compliance to regulatory risk reporting requirements, overseeing group-wide credit evaluation and assessment as well as implementing a comprehensive enterprise-wide risk governance framework and a robust risk management infrastructure. On a monthly basis, a Group Risk Management Report prepared by Group Risk & Credit Management function which includes the entities and the Group's risk metrics and tolerance dashboard is presented to the Board for information, deliberation or decision making.

In addition to the risk management framework, the Group has implemented the Internal Capital Adequacy Assessment Process ("ICAAP") framework to ensure that the Group maintains adequate capital levels consistent with the risk profiles including capital buffers to support the Group's current and projected demand for capital under existing and stressed conditions.

Amongst the other committees set up in the Group to manage specific areas of risk are the Group Asset and Liability Committee, Group Credit Committee, Islamic Risk Management Committee, Board Credit Committee and Board Technology Committee with their scope of responsibility as defined in their respective terms of reference.

### Risk Appetite

The Board, through the BRC, Islamic Risk Management Committee, GCRC and Group Risk & Credit Management function, establishes the risk appetite and risk tolerance for the Group and relevant entities.

The defined risk appetite and risk tolerance are periodically reviewed by the Management and the Board in line with the Group's business strategies and operating environment. Such review includes identifying and setting new risk appetite metrics for business entity or removal of risk appetite metrics that are no longer applicable as well as updates on the risk appetite thresholds to be in line with the Group's business strategy and risk posture.

The main business and operations inherent risks that were considered in the risk appetite review include regulatory compliance risk, credit risk, market and liquidity risk, operational and technology risk, and Shariah non-compliance risk.

### Risk Culture

Risk management is integral to all aspects of the Group's activities and is the responsibility of all staff. In line with regulatory requirements and industry best practices, the Group subscribes to the principle that "*Risk and Compliance is Everyone's Responsibility*" and hence, risk management is a core responsibility of the respective businesses and operating units. This has been articulated and documented in the risk management framework of the Group.

Guided by the said principle, the Group has launched a Risk Culture Awareness programme which comprises training, awareness campaigns and roadshows across the country to promote a healthy risk culture. A strong risk culture minimises the Group's exposure to financial and non-financial risks including reputational impact, over time.

In addition, the Group has implemented the Business Risk & Compliance Officer ("BRCO") programme that aims to cultivate proactive risk and compliance management and to establish a robust risk culture. The BRCO programme entails the appointment of BRCO at the respective business and functional units to provide real time advisory on risk and compliance matters.

The implementation of the BRCO programme is in line with the ‘Three Lines of Defence’ model practised globally and is depicted in the diagram below:

<b>FIRST LINE</b>	Business/Functional Level	<ul style="list-style-type: none"> <li>Responsible for managing day-to-day operational risks and compliance issues</li> <li>BRCO is to assist business/functional unit in day-to-day operational risks and compliance matters</li> </ul>
<b>SECOND LINE</b>	Group Risk Management & Group Compliance	<ul style="list-style-type: none"> <li>Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters</li> </ul>
<b>THIRD LINE</b>	Group Internal Audit	<ul style="list-style-type: none"> <li>Provide independent assurance to the Board that risk and compliance management functions effectively as designed</li> </ul>

### Risk and Control Self-Assessment

To further support and promote accountability and ownership of risk management, a Risk and Control Self-Assessment (“RCSA”) framework has been implemented in the business and functional units within the Group as part of the risk management process. These business and functional units are required to identify and document the controls and processes for managing the risks arising from their business activities and operations, as well as to assess the effectiveness thereof to ensure that the risks identified are adequately managed and mitigated. On completion of the RCSA exercise, all business and functional units within the Group are required to submit their respective results to Group Operational Risk Management for review prior to tabling the RCSA results to the GCRC for deliberation and further action where necessary.

### INTERNAL CONTROL SYSTEM

The Group’s internal control system which encompasses the policies, procedures, processes, organisational structures, tasks and other control aspects is implemented for assuring the achievement of the Group’s objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

#### Control Environment and Control Activities

##### Organisation Structure

The Group has a clear organisational structure with well-defined accountabilities and responsibilities, and lines of reporting. The organisational structure provides the basic framework to help the Group’s operations proceed smoothly and functionally as well as depicting the span of control in ensuring effective supervision of day-to-day business conduct and accountability.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

## Policies and Procedures

Policies, procedures and processes governing the Group's businesses and operations are documented and communicated group-wide as well as made available to employees through the Group's intranet portal for ease of reference and compliance. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured review and approval process to cater to changes in laws and regulations as well as changes to the business and operational environment.

## Authority Limits

The Board has approved the Group Manual of Authority ("MOA") which defines the approving authority with its approving limits delegated to the various levels of Management in the Group to ensure accountability and responsibility. The Group MOA is reviewed periodically and updated in line with changes in the organisation structure, business environment or operational needs.

## Information Technology (IT) Security

The objectives of the Group's IT security encompass the protection of programs, data, information stored and facilities of the computerised data processing system from unauthorised access and use, loss or destruction as well as ensuring reliability and continuous availability of the computerised data processing systems.

IT security in the Group is achieved through the implementation of control processes which include documented policies, standards, procedures and guidelines as well as organisational structures and software control functions. IT security controls protect the Group's information and data from a wide range of threats and safeguard its confidentiality, integrity and availability.

Computer equipment and information assets of various forms are provided to enable employees of the Group and relevant third parties to satisfactorily complete their duties. These assets, depending on its value and risk exposure, are subjected to controls that are designed to protect them from accidental or intentional loss, or unauthorised access, modification, manipulation or disclosure.

## Budgeting Process

A robust budgeting process is established requiring all key operating companies in the Group to prepare budgets and business plans annually for approval by the respective Boards. The Group's budget and business plans as well as strategic initiatives, taking into account the established risk appetite, are deliberated at the Board where the group budget is presented.

## Human Capital Management

One of the key constituents of any internal control system is its people and that our system of risk management and internal control is dependent on the responsibility, integrity and sound judgement that employees apply to their work. Hence, the Group has in place policies and procedures that govern recruitment, appointment, performance management, compensation and reward as well as policies and procedures that govern discipline, termination and dismissal.

For sustainable growth, the Group places emphasis on human capital development, talent management and succession planning. To enhance staff competencies, structured and technical trainings as well as management and leadership workshops are provided to staff based on their identified needs during the annual performance assessment. For talent management, initiatives such as Leadership Development Programme, Individual Development Plan and mentoring are implemented to develop identified talents in the Group to facilitate the continuous supply of high potentials and suitable successors for future leadership roles.

## Group Code of Ethics and Conduct

The Group Code of Ethics and Conduct ("the Code") sets out the standards of good and ethical banking practices, as well as aims to maintain confidence in the security and integrity of the Group's business practices. It is a requirement that all employees of the Group understand and observe the Code. New recruits are briefed on the Code and are required to sign the Employee Declaration of Compliance Form upon joining the Group.

The Group has also established the Gifts and Hospitality Guidelines to promote integrity and transparency for giving and receiving gifts. The Guidelines complement the Code and are designed to help the Group and its employees understand the respective parties' obligations in upholding corporate integrity about gifting.

## **Group Anti-Money Laundering/Counter Financing of Terrorism Policy**

The Group Anti-Money Laundering and Counter Financing of Terrorism (“AML/CFT”) Policy is drawn up in accordance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and Bank Negara Malaysia (“BNM”)’s standard on AML/CFT. It sets out the high level policies towards building a stronger and robust AML/CFT compliance regime within the Group, facilitates consistency in managing the AML/CFT compliance risk across the local and regional entities within the Group, and sets out the Group’s policy statements in respect of the general principles and key measures to which the Group adheres to.

Pursuant to the Group AML/CFT Policy, the entities within the Group are required to adopt and implement the AML/CFT Compliance Programme framework which includes customer due diligence (“CDD”) requirements, tracking, monitoring and reporting of suspicious transactions, record keeping, AML/CFT training, duty of care on customer information, and enforcement actions for non-compliance to the requirements.

The Group AML/CFT Policy also outlines the roles and responsibilities as well as establish clear accountability of the Board of Directors, Senior Management and all employees within the Group.

The Board has an oversight responsibility for establishing the AML/CFT policies and minimum standards while the Senior Management is accountable for the implementation and management of AML/CFT compliance programmes in accordance with the policies approved by the Board.

## **Group Fraud Risk Management Policy**

The Group Fraud Risk Management Policy is designed to promote consistent organisational behaviour through the development, implementation, and regular review of fraud prevention, detection and response strategies. The Policy defines the core governing principles for fraud management within the Group which include leadership and ethical culture, fraud awareness and prevention, fraud control and detection, fraud reporting and escalation as well as fraud response with appropriate corrective actions.

## **Business Continuity Management**

The Group recognises and is fully committed to the need to provide uninterrupted critical services to its customers, ensure the safety of its employees, protect its assets/data and safeguard the interest of its key stakeholders that collectively ensure the viability of the organisation. The Group’s Business Continuity Management (“BCM”) Programme is based on good business continuity practices and guidelines which are in line with the Bank Negara Malaysia and internationally recognised standards.

The Board has an oversight function on the Group’s BCM readiness through the BRC and GCRC. The Group Business Continuity Steering Committee is the management committee established to oversee the Group’s business continuity framework, policies, budget and plans, and reports to GCRC.

The Group has on-going and actively managed BCM programmes, which include effective crisis management to deal with real life crisis. The BCP Programmes are subject to regular testing/exercising to ensure their efficacy, reliability and functionality. Simulation exercises and drills are conducted to familiarise and equip staff with the skills and techniques required to identify, assess, respond and cope with any untoward situations.

## **Information and Communication**

### **Performance Review**

Regular and comprehensive information is provided by Management to monitor its performance against the strategic business plan and the annual budget approved by the Board. This information covers all key financial and operational indicators as well as key strategic initiatives undertaken by the Group during the year.

The Board and the Group Management Committee receive and review financial reports on the Group’s monthly and quarterly financial performance against approved targets and the reasons for any significant variances as well as measures that are being put in place to meet such targets.



# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

## Group Whistle Blower Policy

There is an established process for reporting anyone found to be abusing or circumventing processes and controls of the Group. All staff are accorded the opportunity to report via the whistle-blowing mechanism with the assurance that the report will be dealt with confidentially and that the reporter's identity will be protected.

## Incident Management Reporting

To complement the Group's system of internal control, a comprehensive incident management reporting system has been implemented to ensure proper escalation and management of incidents. The incident management reporting system also ensures that all incidences with material risk and losses are escalated promptly to Senior Management and the Board with necessary steps taken to mitigate any potential risks that may arise. This enables the decision makers to undertake informed decision making and be kept up to date on situations as well as manage risks effectively.

## Monitoring

### Board Committees

Board Committees have been set up to assist the Board to perform its oversight functions, namely the BRC, BAC, Board Nominating & Remuneration Committee, Board Credit Committee, Board Technology Committee and Islamic Risk Management Committee. These Board Committees have been delegated with specific duties to review and consider all matters within their scope of responsibility as defined in their respective terms of reference.

### Group Management Committee

The Group Management Committee ("GMC") comprises the Group Managing Director as the Chairman, the Chief Executive Officers/Managing Directors of the relevant key operating subsidiaries and the key Senior Management of the Group. The GMC provides the leadership and direction in the implementation of strategies and policies approved by the Board and meets on a monthly basis to discuss and deliberate strategic matters that impact the Group's operations.

## Management Audit Committee

Management Audit Committees ("MACs") are established at the key operating entities in the Group to ensure timely rectification of any audit findings and control lapses highlighted by the internal and external auditors, and regulators.

The MACs comprising senior level representatives from different business/functional groups are chaired by the Group Chief Financial Officer/Managing Director of the entity concerned. The MACs meet monthly/bi-monthly and the minutes of meetings together with the relevant audit reports are subsequently tabled to the BAC for information, deliberation and direction for further action where required.

## Group Compliance

Compliance is the collective responsibility of the Board, Senior Management and every employee of the Group. Therefore, everyone concerned is expected to promote self-regulation and be accountable for his or her own activities while maintaining ethical principles and behaviour in everything that he or she does.

In addition to the day-to-day monitoring, the Group Compliance's commitment towards achieving a strong compliance culture across the Group is demonstrated through the establishment of a robust compliance monitoring framework which includes, amongst others, implementation of comprehensive compliance policies, offsite and onsite review programmes, regular engagement sessions with business and functional units and conduct of continuous training/awareness programmes across the Group to ensure that all employees are well informed of the latest regulatory requirements.

In addition, the Boards and Senior Management are also further apprised of the Group's state of compliance through the submission of the Group Compliance report on a periodic basis.

## Shariah Compliance

In line with the Guidelines on Shariah Governance Framework for Islamic Financial Institutions issued by BNM, the Management is responsible for observing and implementing the respective Shariah rulings and decisions.

The Shariah Governance Framework has also been put in place which encompasses the concept of Shariah, Shariah governance and its reporting structures, roles and responsibilities, and the key principles underpinning the components of the Shariah governance structure.

Various activities involving Shariah reviews, control self-assessment, trainings and briefings aimed at creating awareness as well as continuous learning programmes were conducted throughout the year in mitigating Shariah non-compliance risks.

## INTERNAL AUDIT

Group Internal Audit (“GIA”) function assists the Board and BAC by providing independent and objective assurance in respect of the adequacy of the design and operating effectiveness of the Group’s risk management framework, control and governance processes implemented across the Group.

The internal audit plan is developed based on a risk-based approach and is approved by the BAC annually. Audit reports which include significant findings and recommendations for improvement, and Management’s response to the recommendations are tabled to MACs and BAC on a monthly basis.

The established MACs are tasked to ensure that issues raised by GIA, external auditor and regulators are addressed within an appropriate and agreed timeline. Confirmation to this effect must be provided by Management to GIA for verification before the issues concerned can be closed at the MACs.

The Group Chief Internal Auditor reports functionally to the BAC and administratively to the Group Managing Director to ensure GIA’s independence from Management.

Further information on the GIA function is provided in the Statement on Internal Audit of this Annual Report.

## CONCLUSION

The Board has received assurance from the Group Managing Director and Group Chief Financial Officer as well as the Group Chief Risk Officer that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group. The Board also receives monthly updates on key risk management and internal control matters through its BRC and BAC as well as compliance assurance from the Group Compliance function.

Based on the assurance received from Management and updates from its Board Committees, the Board is of the view that the Group’s risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this statement.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management & Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide (“RPG”) 5 (Revised 2015) issued by the Malaysian Institute of Accountants.

RPG 5 (Revised 2015) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

# BOARD NOMINATING & REMUNERATION COMMITTEE REPORT

## MEMBERSHIP

The Board Nominating & Remuneration Committee (“BNRC”) was established to assist the Board in discharging its roles and responsibilities in human capital management. The BNRC provides high-level oversight and direction on nomination/appointments of candidates, human resource matters and remuneration strategies, particularly at the Board and Group Management Leadership levels. The BNRC also serves the respective Boards of major operating subsidiaries of RHB Bank.

The former Group Nominating Committee and Group Remuneration & Human Resource Committee were consolidated to become the BNRC in 2012 for purposes of expediency and resource optimisation, as the same members were entrusted with the functions of both committees. The BNRC members are fully aware of their dual duties and responsibilities, which are comprehensively defined in the BNRC’s terms of reference.

Pursuant to the Group Corporate Restructuring Plan, RHB Bank Berhad (“RHB Bank” or “the Company”) is now the ultimate holding company of the RHB Banking Group effective 13 June 2016. It has been listed (in place of RHB Capital Berhad, the former ultimate holding company of RHB Banking Group) on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 28 June 2016. In line therewith, compositions of the Boards and Board Committees, including the BNRC, was revised to ensure the optimal mix of skills and effective functioning of the Boards and Board Committees in pursuing RHB Banking Group’s aspirations. The BNRC comprises five Non-Executive Directors (“NEDs”), of whom three are Independent Non-Executive Directors (“INEDs”) and two are Non-Independent Non-Executive Directors (“NINEDs”). Each member also represents the respective major operating subsidiaries within the Group. The BNRC is chaired by YBhg Tan Sri Saw Choo Boon, the Senior INED of RHB Bank. The BNRC composition complies with the relevant requirements of the Main Market Listing Requirements of Bursa Securities, Malaysian Code on Corporate Governance 2012 and Bank Negara Malaysia’s Policy Document on Corporate Governance 2016.

Based on the Board Effectiveness Evaluation (“BEE”) results, the Board is satisfied with the performance of the BNRC, which continues to contribute valuable advice and make sound recommendations to the Board.

## MEETINGS AND ATTENDANCE

During the financial year 2016, the BNRC convened eight meetings. The BNRC also issued five circular resolutions in respect of matters that required the BNRC’s immediate decisions.

Details of the members’ attendance are as follows:

	Attendance at meetings	
<b>Current BNRC Composition</b>		
Tan Sri Saw Choo Boon (Chairman/Senior INED)*	8/8	(100%)
Tan Sri Azlan Zainol (Member/NINED)	8/8	(100%)
Tan Sri Ong Leong Huat @ Wong Joo Hwa (Member/NINED)^	5/5	(100%)
Ong Seng Pheow (Member/INED)^	5/5	(100%)
Dato’ Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (Member/INED)^	4/5	(80%)
<b>Former BNRC Chairman/Members</b>		
Datuk Haji Faisal Siraj (Chairman/Senior INED)#	3/3	(100%)
Tuan Haji Md Ja’far Abdul Carrim (Member/NINED)#	3/3	(100%)
Tan Sri Dato’ Teo Chiang Liang (Member/INED)@	2/3	(67%)

### Notes:

- \* Re-designated as the Chairman on 27 June 2016
- ^ Appointed on 27 June 2016
- # Ceased to be Chairman/Member on 27 June 2016
- @ Ceased to be member on 12 May 2016

The Group Managing Director and Group Chief Human Resource Officer are invited to attend the meetings to brief and furnish the BNRC members with the necessary information and clarification to relevant items on the agenda.

All the proceedings of BNRC are duly recorded in the minutes of each meeting. Signed minutes are properly kept by the Company Secretaries. The Chairman/representative of the BNRC will update the Boards on matters that require specific mention that have been deliberated and considered at the BNRC meetings. In addition, the minutes of the BNRC are distributed to members of the Boards for notation. The respective Boards are welcome to raise issues, queries or seek clarifications from the BNRC through their appointed representatives.

## TERMS OF REFERENCE (“TOR”)

The BNRC is governed by its TOR which is posted on the Group’s corporate website. The BNRC is vested with such power and authority, specific or general, as may from time to time be delegated upon by the respective Boards. The BNRC is authorised to act within its TOR, to obtain resources which it requires, including but not limited to, obtaining expert advice, both internal and external, and to have full and unrestricted access to information to enable the BNRC to fulfil its objectives.

The duties and responsibilities of the BNRC with regard to its nomination roles are summarised as follows:

- a. Establish a documented procedure for the appointment of Directors, Board Committee members, the Group Shariah Committee (“GSC”) and key Senior Management officers.
- b. Establish and recommend for the Boards’ approvals, minimum requirements for Directors, GSC and key Senior Management officers.
- c. Establish and recommend for the Boards’ approvals, the optimal size and mix of skills required to ensure efficient operation of the Boards/Board Committees/GSC.
- d. Review on a periodic basis, the policy on boardroom and gender diversity.
- e. Assess and recommend for the Boards’ approvals, new and re-appointed nominees for directorship, Board Committee membership, GSC and key Senior Management officers.
- f. Establish and recommend for the Boards’ approvals, a mechanism for the formal assessment of the performance of the Boards as a whole, Board Committees, GSC, each Director and key Senior Management officer.
- g. Review performance assessment results and recommend to the Boards, the removal of any Director, GSC member or key Senior Management officer found to be ineffective, errant and negligent in the discharge of their responsibilities.
- h. Ensure Directors, Board Committee members and GSC receive appropriate induction and continuous training programmes to close skill gaps and to keep abreast with latest developments.
- i. Assess annually the independence of Independent Directors as well as determine that the Directors and officers of the Group meet the identified independence criteria and are not disqualified under relevant regulations.
- j. Review and recommend for the Boards’ approvals, any significant change in the organisation structure of the Group or/and the major operating subsidiaries.

The duties and responsibilities of the BNRC with regard to its human resource and remuneration roles are summarised as follows:

- a. Ensure the establishment of formal and transparent procedures for developing remuneration and Human Resource (“HR”) policies, strategies and frameworks for Directors, GSC, key Senior Management officers and staff.
  - b. Recommend remuneration strategies, policies and frameworks and specific remuneration packages for Directors, Board Committee members, GSC and key Senior Management officers, which should be (where relevant):
    - i. Market-competitive and in support of the Group’s culture, vision, objectives and strategy.
    - ii. Reflective of the responsibilities and commitment required.
    - iii. Sufficient to attract and retain quality people but yet not excessive.
    - iv. Performance driven with sufficient emphasis on long-term development of the Group to avoid excessive short-term risk-taking.
- The frameworks should cover all aspects of remuneration including Directors’ fees, salaries, allowances, bonuses, option and benefits-in-kind.
- c. Ensure HR strategies, policies and frameworks are in place for all the building blocks of a quality HR management system (e.g. succession planning, talent and leadership development, training, etc.) to support the Group in achieving its objectives.
  - d. Review and assess the effectiveness of the HR Division in supporting the Group, including oversight of the scope and quality of Group HR projects/programmes.
  - e. Approve changes to Group HR policies, in line with the HR strategy and direction set by the Board.



# BOARD NOMINATING & REMUNERATION COMMITTEE REPORT

## BOARDROOM DIVERSITY

The Group fully recognises the importance of boardroom diversity (including but not limited to, gender, age, ethnicity and cultural background) in driving the Group's aspirations. The Group established a boardroom diversity policy in 2013. The Board values and makes good use of the unique contributions that a member can make due to his diverse background, skills and experience. The Board has not set specific targets on gender diversity for RHB Bank but endeavours to maintain and increase the number of women directors subject to their suitability and competency.

The BNRC and Boards believe that the existing appointment process for a new Board member is adequate as it takes into consideration the required skill sets, experience, competency, ethnicity, gender and age of the individual candidates as well as the appropriate size, structure and composition of the Boards as a whole. This ensures that the Board composition is not only in compliance with regulatory requirements, but also well balanced and supportive of good governance, as well as responsive to changing business environments and needs.

The table below depicts the age, ethnicity, qualification/experience as well as tenure of the existing Directors of RHB Bank as at the date of this report:

No.	Name of Director	Age	Nationality/Ethnicity	Qualification/Experience	Date of Appointment	Tenure in the Company (Years)
1.	Tan Sri Azlan Zainol ( <i>Chairman</i> )	66	Malaysian/Malay	General Management & Business, Finance/Banking, Accounting/Audit	27.07.2005	11
2.	Tan Sri Saw Choo Boon ( <i>Senior INED</i> )	70	Malaysian/Chinese	Oil & Gas	15.06.2016	8 months <sup>^</sup>
3.	Ong Seng Pheow	68	Malaysian/Chinese	Accounting/Audit	20.11.2006	10
4.	Abdul Aziz Peru Mohamed	68	Malaysian/Malay	Finance/Banking, Islamic Estate Planning, Asset Management	07.02.2011	6
5.	Tan Sri Ong Leong Huat @ Wong Joo Hwa	72	Malaysian/Chinese	Capital Market, Finance/Banking, Private Equity Business	20.11.2012	4
6.	Mohamed Ali Ismaeil Ali Alfahim	40	United Arab Emirates	Corporate Finance	09.05.2014	2
7.	Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	54	Malaysian/Malay	Engineering/Automotive	06.10.2015	1
8.	Tan Sri Dr Rebecca Fatima Sta Maria	59	Malaysian/Eurasian	Public Administration/ International Trades	01.08.2016	6 months
9.	Dato' Khairussaleh Ramli ( <i>Group Managing Director</i> )	49	Malaysian/Malay	Finance/Banking, Capital Market	13.12.2013	3

**Note:**

<sup>^</sup> Served as INED of RHB Capital Berhad, the former holding company, for more than 6 years

## DIRECTORS' APPOINTMENT

The Group ensures that a formal and transparent nomination process for the appointment of Directors, GSC Members and Key Senior Management Officers be continuously maintained and improved pursuant to its nomination framework. Individuals appointed onto relevant senior positions and the Boards within the Group have the appropriate fitness and propriety to discharge their prudential responsibilities on and during the course of their appointment. The BNRC is guided by the said framework as adopted by the Boards.

New nominees for directors are assessed by the BNRC in accordance with RHB Banking Group's Policy and Guidelines on Fit and Proper for Key Responsible Persons ("Fit and Proper Policy"). These assessments are carried out against a benchmark of documented competencies which have been prepared for each role, the declarations by each individual, the record of material academic/professional qualification and the carrying out of checks on matters such as criminal record, bankruptcy and regulatory disqualification. The Fit and Proper Policy outlines the following criteria in assessing the suitability of the candidate:

- a. Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind, fairness and ethical behaviour.
- b. Competence and capability, where the candidate must have the skills, experience, ability and commitment to carry out the role.
- c. Financial integrity, where the candidate must have financial soundness and be able to manage his/her debts or financial affairs prudently.

The Chairman of the BNRC (or any two members of the BNRC in the absence of the Chairman, as the case may be) conducts an interaction session with the proposed candidates and assesses them based on their skills and experience, independence (as the case may be) and objectivity, track record of success, sound judgement and other relevant perspectives. The Boards' expectations on the time commitment and contribution from the Directors will also be clearly communicated to the proposed candidates. The BNRC will evaluate the candidates' ability to discharge their duties and responsibilities as well as appropriate time commitment prior to recommending their appointment as Directors to the relevant Board(s) for approval.

During the year, the BNRC recommended the nomination of three new Directors of RHB Bank after considering their respective competency, experience and knowledge in various industries, such as financial services, private equity, oil & gas, public administration and international trades. The Board of RHB Bank accepted the BNRC's recommendation and approved the following appointments:

- a. YBhg Tan Sri Saw Choo Boon, who was also a Director of RHB Capital Berhad (the former holding company of RHB Bank), as Senior INED on 15 June 2016. Based on his depth of understanding of RHB Banking Group's businesses and governance structure as well as his vast experience at the highest levels in the oil and gas industry, particularly in the international business arena, YBhg Tan Sri Saw Choo Boon provided important and relevant input in pushing the Group forward, especially in the very competitive business environment, not only locally but also internationally.
- b. YBhg Dato' Abdul Rahman Ahmad as an INED on 15 June 2016. YBhg Dato' Abdul Rahman Ahmad brings with him the wealth of Mergers and Acquisitions ("M&A") expertise and knowledge with his vast exposure through numerous M&A and restructuring in his previous engagements. Nevertheless, YBhg Dato' Abdul Rahman Ahmad resigned from the Board effective 30 September 2016 pursuant to his executive appointment as President and Group Chief Executive Officer of Permodalan Nasional Berhad.
- c. YBhg Tan Sri Dr Rebecca Fatima Sta Maria as an INED on 1 August 2016. She possesses the relevant skill sets and experiences from her exposure in the public sector particularly her previous appointment as the Secretary General of the Ministry of International Trade and Industry, to complement the Board in contributing to the Group and uphold the highest standards of governance.

In addition, the BNRC also recommended the appointment of three new INEDs and a Managing Director on the Boards of major operating subsidiaries of the Group as their qualifications and extensive range of experience in varied disciplines are expected to bring fresh perspectives to the Boards. The respective Boards accepted the BNRC's recommendations and approved such appointments.

# BOARD NOMINATING & REMUNERATION COMMITTEE REPORT

## DIRECTORS' RETIREMENT, RE-APPOINTMENT AND RE-ELECTION

Pursuant to Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance, RHB Bank is required to apply to BNM for the re-appointment of its Directors at least three months prior to the expiry of their terms of appointment, should the Company wish to further extend their appointments. Prior to such application, the relevant Directors will be subject to assessment by the BNRC and they are required to give consent on their re-appointment prior to the recommendation being made. In assessing the candidates, the BNRC takes into consideration their attributes, competencies, contributions in terms of discussions on business/financial performance, strategy matters, business planning, etc., independence of views in respect of decision making, roles played and contributions to the Board and Board Committees and adequacy of training, as well as the BEE result.

In addition, the NEDs (save for the NINED who is a Board representative of the major shareholders) are also subject to the internal review for re-appointment once every two years pursuant to the Guidelines on Tenure of Appointment/Re-appointment of NEDs for RHB Banking Group ("Internal Guidelines").

The INEDs' independence assessment is done annually and benchmarked against best practices and regulatory provisions. The relevant declaration is tabled to the BNRC for consideration.

The Group has also undertaken the BEE exercise for the Boards and Board Committees since 2006, to assess their effectiveness and that of the individual Directors. The BEE is designed to identify strengths and weaknesses to improve the Board's overall effectiveness and forms part of the BNRC's and Board's evaluation for the re-appointment of Directors. A summarised report on the BEE results of the Boards and Board Committees is presented to the BNRC and the Boards to identify and address areas for improvements.

## ASSESSMENT OF INDIVIDUAL DIRECTORS FOR RE-ELECTION

**YBhg Tan Sri Azlan Zainol**, the Non-Independent Non-Executive Chairman of the Company, has extensive experience in general management and business as well as served the financial and banking industry for more than 30 years. He actively participates in the deliberation of the Board, sharing his views and opinions from the shareholder's as well as stakeholders' perspectives. While representing the interests of the major shareholder i.e. Employees Provident Fund Board, YBhg Tan Sri Azlan Zainol also carries out his duties and responsibilities towards the

Company and as such, is able to mitigate risk arising from possible conflicts of interest. He always threads carefully on audit, risk management, governance, human resource and corporate branding issues. Nevertheless, his approach will always be balanced with business needs, with the interest of the Group and stakeholders being his main priority. YBhg Tan Sri Azlan Zainol also consistently keeps abreast with the Group's business and financial performance and actively provides advice on business proposals and management issues, particularly strategic business/investment opportunities. He analyses RHB Bank's plans from a strategic perspective and aspires to bringing RHB Bank to the highest level in this region. This was obvious from his drive to move RHB Bank at a greater pace to surpass the local competitors.

Pursuant to Article 92 of the Company's Articles of Association, YBhg Tan Sri Azlan Zainol retires by rotation at the forthcoming 51st Annual General Meeting ("AGM") of the Company and being eligible, offers himself for re-election. His re-election is further recommended by the BNRC and Board.

**Mr Ong Seng Pheow** was first appointed as an INED in the Group in November 2006 and has served the Group for more than 10 years. He actively contributes to discussions on various issues, including audit, IT, insurance, banking processes, financial performance, strategy, products and operations and provides suggestions and recommendations to the Management in improving operational and control efficiencies. He is able to exercise independent judgement and provide independent opinion on the Management's proposal as well as issues concerning RHB Bank and the Group as a whole. As the former Chairman of the Board Audit Committee, Mr Ong will raise his concerns over control issues and how the Management should exert to address operational risks. He expresses concern over breaches, non-compliances and fraud, which often stems from operational lapses and provides sound recommendations to mitigate the same.

Pursuant to the Internal Guidelines, an INED shall retire at the next AGM of the company concerned upon completion of his consecutive or cumulative service tenure of 9 years in the Group. Otherwise, the Board must justify and seek shareholders' approval in the event it retains as an INED, a person who has served in that capacity for more than 9 years, upon recommendation of the BNRC. During its assessment on the "independence" of Mr Ong Seng Pheow, the BNRC was satisfied that Mr Ong Seng Pheow met the criteria for independence as stipulated in the Main Market Listing Requirements of Bursa Securities and BNM Policy Document of Corporate Governance. He consistently demonstrates the values and principles associated with independence during Board and Board Committees' discussions (i.e. impartiality, objectivity and consideration of all stakeholders' interest). His independent judgement is not compromised by amongst others, familiarity or close relationship with Management or other Board Members.

Mr Ong Seng Pheow shall also retire by rotation at the forthcoming 51st AGM of the Company pursuant to Article 92 of the Company's Articles of Association, and being eligible, offers himself for re-election. After due consideration and assessment, the BNRC and Board recommended Mr Ong Seng Pheow's re-election as Director and his retention as INED of the Company pursuant to the Internal Guidelines, for shareholders' approval.

In accordance with Article 96 of the Company's Articles of Association, Directors appointed to fill casual vacancies shall hold office until the following AGM and shall be eligible for re-election. Pursuant thereto, the following newly appointed Directors of RHB Bank retire at the forthcoming AGM and being eligible, offers themselves for re-election upon the BNRC's and Board's recommendation:

a. **YBhg Tan Sri Saw Choo Boon**, the Senior INED of the Company, has been strongly committed to the Group as evidenced by his full attendance at RHB Bank Board and the relevant Board Committee meetings during the year. He has continuously deliberated on issues from the Group's perspective and shared his views and experiences on various issues in relation to current market trends and globalisation as well as on areas for improvement and growth of the Group's businesses and operations in enhancing the performance of RHB Banking Group. He has a good rapport with regulators, Government agencies and industry associations and has regularly raised with them matters that affect the Group's efforts in advancing its aspirations. Being the Chairman of the BNRC and Board Risk Committee ("BRC"), he has proven his leadership skills with his capability in administering the conduct and affairs of the BNRC and BRC. He has ensured the deliberations were conducted smoothly by guiding and managing the duration of the meetings as well as by giving sufficient time to each Board Committee member to voice their views on relevant issues and raise their concerns on the matters at hand in the quest of consensus and unity in decision making. He has been able to effectively delineate his role in providing oversight as an Independent Director while continuously enhancing his knowledge of the operations and issues of the Company. His independent judgement has not been compromised by, among others, familiarity or close relationships with Management or other Board Members over the years.

b. Being a newly appointed Director, **YBhg Tan Sri Dr Rebecca Fatima Sta Maria** actively participates in the Board's deliberation by sharing her views and opinions from different perspectives while enhancing her knowledge of the operations and issues of the Company. She will challenge the Management's recommendation, as the case may be, to ensure the interest of RHB Bank is protected and issues are resolved in a timely and effective manner.

After considering the continued commitment, contribution, support and capabilities of the above Directors, the BNRC and Board of RHB Bank recommended the re-election of YBhg Tan Sri Saw Choo Boon and YBhg Tan Sri Dr Rebecca Fatima Sta Maria as Directors of the Company.

## DIRECTORS' REMUNERATION

The BNRC and Boards are mindful that fair remuneration is critical to attract, retain and motivate Directors with the relevant experience and expertise required to lead the Company and the Group. The Group has adopted general principles for the remuneration of NEDs to ensure that remuneration levels are commensurate with the responsibilities, risks and time commitments of Boards/Board Committees. The level of remuneration reflects the level of responsibility undertaken by the particular NED concerned within the Company and the Group. It also takes into consideration practices within the industry and is reviewed at least once every two years.

The NEDs are entitled to annual Directors' fees i.e. RM180,000 per annum for Non-Executive Chairman and RM150,000.00 per annum for NED. In addition, NEDs are entitled to receive Board Committees' allowances which shall be paid annually based on their Board Committee memberships as well as meeting attendance allowances when they attend any Board/Board Committee meetings. Benefits are accorded to the Chairmen of the Group, consisting of, among others, the provision of a company car, driver and petrol allowance, annual special allowance and club membership.



## BOARD NOMINATING & REMUNERATION COMMITTEE REPORT

The aggregate remuneration of the Group Managing Director and NEDs of RHB Bank received and/or receivable from the Group for the financial year ended 31 December 2016 is as follows:-

	Fees RM'000	Salaries and bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Group Managing Director	–	5,874.0	798.4	40.1	6,712.5
NEDs	3,226.9	–	1,690.1	43.1	4,960.1
<b>Total</b>	<b>3,226.9</b>	<b>5,874.0</b>	<b>2,488.5</b>	<b>83.2</b>	<b>11,672.6</b>

Details of the number of NEDs of RHB Bank whose remuneration falls into each successive band of RM250,000 are as follows:

Remuneration Bands	No. of NEDs
Below RM250,000	4
RM250,001 – RM500,000	4
RM500,001 – RM750,000	4

### SUMMARY OF THE BNRC'S ACTIVITIES IN THE FINANCIAL YEAR 2016

During the financial year 2016, the BNRC considered and made recommendations to the Boards (wherever applicable) on the following matters:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>a. Appointment of Directors and Board Committee members of RHB Bank and its subsidiaries</li> <li>b. Appointment of Managing Director (“MD”)/Chief Executive Officer (“CEO”) of subsidiaries and key Senior Management officers</li> <li>c. Appointment of New Member and Chairman of Board of Trustees of RHB Foundation</li> <li>d. Appointment of nominee Director representing RHB Bank on the Board of Financial Park (Labuan) Sdn Bhd</li> <li>e. Review of Board and Board Committee compositions of RHB Banking Group</li> <li>f. Re-appointment and re-designation of INEDs and NINEDs of RHB Bank and its major operating subsidiaries</li> <li>g. Re-appointment of GSC members</li> <li>h. Implication arising from the resignation and re-designation of Directors and action plans pertaining thereto</li> <li>i. Annual assessment of independence status of the INEDs</li> </ul> | <ul style="list-style-type: none"> <li>j. BNM’s concept paper on corporate governance</li> <li>k. Composition of Licensed Representatives under the Securities Commission’s regulated activities</li> <li>l. Updates on Group Human Resource and talent management</li> <li>m. BNRC Report for inclusion into Annual Report 2015 of RHB Capital Berhad (the former listed ultimate holding company)</li> <li>n. Renewal of the Directors &amp; Officers’ Liability Insurance</li> <li>o. Review of existing approval framework on Directors’ expenses</li> <li>p. Review of existing NEDs’ remuneration scheme</li> <li>q. Remuneration proposal for Group MD/Group CEO and MDs</li> <li>r. Establishment of share grant scheme</li> <li>s. Performance rewards and salary increments for staff</li> <li>t. Incentive scheme for fee-based employees</li> </ul> |
|---|---|

# BOARD AUDIT COMMITTEE REPORT

## COMPOSITION AND ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2016 (“year”), a total of thirteen (13) Board Audit Committee (“BAC”) meetings were held. The BAC comprises the following members and the details of attendance of each member at the BAC meetings held during the year are as follows:

No	Composition of BAC	Attendance at Meetings
1.	Tan Sri Dr Rebecca Fatima Sta Maria (Chairperson/Independent Non-Executive Director) – Appointed as Chairperson on 1 November 2016	2/2 (100%)
2.	Mr Ong Seng Pheow (Member/Independent Non-Executive Director) – Re-designated from Chairman to Member on 1 November 2016	13/13 (100%)
3.	Tan Sri Saw Choo Boon (Member/Independent Non-Executive Director)	13/13 (100%)
4.	Dato’ Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (Member/Independent Non-Executive Director) – Appointed as Member on 15 June 2016	8/8 (100%)
5.	Dato’ Othman Jusoh (Member/Independent Non-Executive Director) – Retired as Member on 11 May 2016	4/4 (100%)
6.	Datuk Haji Faisal Siraj (Member/Independent Non-Executive Director) – Ceased to be Member on 15 June 2016	5/5 (100%)
7.	Dato’ Abdul Rahman Ahmad (Member/Independent Non-Executive Director) – Appointed as Member on 15 June 2016 and resigned w.e.f. 30 September 2016	5/5 (100%)

In compliance with Paragraphs 15.09(1) and 15.09(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the BAC membership comprises all Independent Non-Executive Directors with no alternate director appointed as a member and at least one member has membership with the Malaysian Institute of Accountants.

The BAC meetings were also attended by the Group Chief Financial Officer, being the Chairman of the Management Audit Committee (“MAC”) and the Group Chief Internal Auditor while the attendance of other Senior Management is by invitation depending on the matters deliberated by the BAC.

Matters deliberated at the BAC meetings together with the BAC’s recommendations and decisions are summarised and presented to the Board in the same month by the Chairperson of the BAC. This allows the Board to be timely apprised of significant matters deliberated by the BAC and for the Board to provide any direction, if necessary.

## SUMMARY OF BAC'S WORK

The work carried out by the BAC in the discharge of its functions and duties during the financial year are summarised as follows:

### 1. Financial Reporting

- a) Reviewed the quarterly unaudited financial results and the annual audited financial statements of RHB Bank Berhad (“RHB Bank” or “the Bank”) and the Group as well as the announcements to Bank Negara Malaysia (“BNM”) and Bursa Securities before recommending them for approval by the Board. The review process encompassed the following:

- Reviewed on any significant changes in accounting policy and adoption of new or updated accounting standards, and its impact to the financial statements.
- Reviewed the financial statements and made enquiries on any material changes between the current and preceding or corresponding quarter/year as well as any items that may appear uncorrelated to assess their reasonableness.
- Reviewed and deliberated on the key accounting estimates and assumptions used that are significant to the financial statements to assess their reasonableness based on available information and current/expected market condition. Details of the key estimates and assumptions applied are outlined below:

- (i) Allowance for impairment of financial assets

In determining the impairment of financial assets, Management has considered the objective evidence of impairment and exercised judgement in estimating its cash flow and collateral value. Management’s judgement was made in the estimation of the amount and timing of future cash flows in assessing the allowance for impairment of financial assets.

- (ii) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation which includes the identification of independent Cash Generating Units (“CGU”) and allocation of goodwill to these units. Estimating the value in use requires the Bank and the Group to make an estimate of the expected future cash flows from the CGU.

- Noted the highlights on the overall financial performance of RHB Bank and the Group, and the main factors contributing to the Bank and the Group’s revenue and operating expenses.

- b) Reviewed the proposed dividend payout for the financial year, the dividend payout trend and its financial impact on RHB Bank and RHB Bank Group before recommending for the Board’s approval.

### 2. Internal Audit

- a) Reviewed and approved the Group Internal Audit (“GIA”)’s annual audit plan for the financial year 2016 in November 2015 to ensure adequacy of scope, coverage and resources for the identified auditable areas.
- b) Reviewed the staffing requirements of GIA including the skillsets and core competencies of the internal auditors to ensure effective discharge of GIA’s duties and responsibilities.
- c) Reviewed the audit activities of GIA for the financial year 2015 covering the planned audit assignments, ad-hoc audit projects, review of policies, processes and procedures, and IT project participation to ensure that the audit assignments were completed for the year.
- d) Reviewed and appraised the performance of the Group Chief Internal Auditor and assessed the effectiveness of the internal audit function.

- e) Reviewed and deliberated on the minutes of the MAC meetings, internal audit reports, audit recommendations and Management’s responses to these recommendations as well as the timely mitigation actions taken by Management to improve the system of internal controls and its processes on the areas highlighted.
  - f) Reviewed and deliberated on the investigation reports tabled to the BAC and provided directions where necessary to address and improve the internal control weaknesses highlighted.
  - g) Reviewed the inspection and examination reports issued by the regulatory authorities and the Management’s response as well as the remedial actions taken by Management in respect of the reported findings to ensure that all matters highlighted in these reports had been adequately and promptly addressed by Management.
  - h) Reviewed the minutes of meetings of the Audit Committees of the overseas subsidiaries to the extent permitted by the relevant regulatory authorities to satisfy itself that all matters arising therefrom had been appropriately addressed by these Audit Committees.
- i) Reviewed the proposed changes to the Internal Audit Charter (“Audit Charter”) at the BAC meeting in September 2016 in order to align the Audit Charter with the BNM Guidelines, and The Institute of Internal Auditors’ mandatory guidance, which includes the “Definition of Internal Auditing”, the “Code of Ethics” and the “International Standards for the Professional Practice of Internal Auditing” prior to recommending the same for the Board’s approval.

Further information on the GIA function is provided in the Statement on Internal Audit of this Annual Report.

### 3. External Audit

- a) Reviewed the 2016 audit plan of the external auditors for RHB Banking Group at the BAC meeting held on 26 September 2016 covering the audit strategy, risk assessment, areas of audit emphasis for the year and the new auditors’ report as per the new and amended International Standards on Auditing which are effective for financial year ended on or after 15 December 2016. The new auditors’ report for RHB Bank, being a listed company, is required to disclose key audit matters relating to the audit of the Bank.
- b) Reviewed with the external auditors, the results of their audit together with their recommendations and Management’s response to their findings as detailed in the following reports and provided BAC’s views and directions on areas of concern where necessary:

Audit Report issued by External Auditors in 2016	Date tabled to BAC
Final Audit Committee Report for the financial year 2015	22 January 2016
Internal Control Report for the financial year 2015	22 April 2016
Limited review of the unaudited financial statements of RHB Bank and RHB Islamic Bank for the financial period ended 30 June 2016	22 July 2016
Interim Audit Committee Report for the financial year 2016	9 December 2016

The BAC further directed the MAC to track all the audit findings highlighted by the external auditors in their Internal Control Report to ensure timely resolution of all matters by Management.



## BOARD AUDIT COMMITTEE REPORT

- c) Met twice with the external auditors on 22 January 2016 and 9 December 2016 without the presence of Management to enable open discussion between the auditors and the BAC on any issues of concern to the auditors arising from their half year limited review and the annual statutory audit.
- d) Reviewed and recommended for the Board's approval, the appointment of the external auditors for the provision of non-audit services after considering among others, the expertise, adequacy of knowledge and experience required for the services rendered and the competitiveness of fees quoted.

Reviewed on a quarterly basis, the non-audit services rendered by the external auditors and the related fees taking into consideration the fees threshold established under the Group policy to ensure that the external auditors' independence and objectivity are not compromised. The total non-audit fees incurred as a percentage of the total statutory audit and other audit related services fees for the financial year 2016 for RHB Banking Group was 29.98% which is well within the policy threshold.

For the financial year 2016, the main non-audit services rendered by the external auditors are as follows:

- Conduct gap assessment, technical consultation and validation for the purpose of Malaysian Financial Reporting Standard ("MFRS") 9 implementation;
  - Act as the Reporting Accountant for the USD5.0 Billion Euro Medium Term Note Programme update; and
  - Perform statutory requirement of Perbadanan Insurans Deposit Malaysia ("PIDM") validation programme for assessment year 2016.
- e) Reviewed the external auditors' performance and independence before recommending them to the Board for reappointment as external auditors for the Group:
- The external auditors have declared in their 2016 audit plan which was tabled to the BAC in September 2016 that they have maintained their independence for the audit of the financial statements of the Group in accordance with the firm's requirements and with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants. They have further declared that the non-audit services provided to the Group during the year have not compromised their independence as external auditors of the Group.
  - Evaluated the performance of the external auditors based on the results of assessment of their work by the relevant Management staff of the Group following the completion of the annual statutory audit covering the categories of people, meeting objectives, responsiveness, knowledge of business, adding value and communications.
  - A comprehensive review was conducted on the external auditors to assess its independence and the potential risk of familiarity threat at all the banking entities within the Group to determine whether a change of external auditors is warranted. The comprehensive review covered three main categories, namely:

Categories	Main areas assessed
(i) Governance and independence	Rotation of audit partner and key engagement team staff; meeting with the BAC without Management to discuss their objectivity and independence; any relationship between the external auditors, its staff and the Group; any safeguards in place to protect the external auditors' independence when approving non-audit services; nature of non-audit services provided by the external auditors to the Group; etc.
(ii) Communication and interaction	Communication to the BAC on a timely basis in relation to audit planning, audit strategy, significant audit and accounting issues, and related risks and control weaknesses, areas of significant judgements made by Management and their impact on the financial statements; etc.
(iii) Quality of services and resources	Audit firm's presence internationally; external auditors demonstrate appropriate technical knowledge and expertise; external audit team made up of sufficient and suitably experienced staff; meeting deadlines in providing their services; responded timely to issues; etc.

The results of the comprehensive review were deliberated and concurred by the BAC at its meeting in July 2016. The BAC has further decided that the familiarity threat review on the external auditors shall be conducted annually prior to its reappointment.

- Reviewed and recommended to the Board a policy to address the issue of long association and familiarity threat of the external auditors. The policy was approved by the Board in July 2016 upon recommendation by the BAC.

#### 4. Related Party Transactions

- Reviewed the reports of related party transactions ("RPTs") on a quarterly basis covering the nature and amount of the transactions including any possible conflict of interest ("COI") situations in ensuring that the terms and conditions of the transactions are commercially based and at arm's length.
- The review covered the aggregate consideration of Recurrent RPTs ("RRPTs") which are individually tracked and monitored against the ceiling set to ensure proper reporting and disclosures in accordance with the regulatory requirements.
- The Group has put in place an approved policy on RPTs which governs the process of identifying, evaluating, approving, reporting and monitoring of RPTs, RRPTs and potential COI situations as well as outlining the duties and responsibilities of the relevant parties involved in the RPT process.

#### TRAINING

During the year, the BAC members have attended various training programmes, conferences and seminars to enhance their knowledge in order to efficiently discharge their duties as Independent Non-Executive Directors of the Bank.

Details of the trainings attended by BAC members are included in the Statement of Corporate Governance of the annual report.

# STATEMENT ON INTERNAL AUDIT

RHB Banking Group (the “Group”) has an in-house internal audit function which is guided by its Internal Audit Charter, Bank Negara Malaysia (“BNM”) Guidelines on Internal Audit Function of Licensed Institutions (BNM GL13-4) and the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. Group Internal Audit (“GIA”)’s main function is to provide the Board with independent assurance that the Group’s risk management, internal control and governance processes are operating adequately and effectively.

The Group Chief Internal Auditor (“Group CIA”) reports functionally to the Board Audit Committee (“BAC”) of RHB Banking Group (which undertakes the functions of the Audit Committee of the major operating entities within the Group, such as RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad). To further preserve the independence of the GIA function, the Group CIA’s performance is appraised by the BAC.

## INTERNAL AUDIT CHARTER

The Internal Audit Charter (“Audit Charter”) defines the purpose, authority and responsibility of the internal audit function and is approved by the Board. The approved Audit Charter is published in the Group’s intranet portal which can be viewed by all employees of the Group.

The Audit Charter is reviewed by the Group CIA every two years to assess whether the GIA’s purpose, authority and responsibility, as defined in the Audit Charter, continue to be adequate and relevant to enable the audit function to accomplish its objectives. Following the recent review, the updated Audit Charter was approved by the respective Boards in October 2016.

## AUDIT SCOPE AND COVERAGE

The internal audit universe covers all key activities of the Group, including that of its branches, business centres, overseas operations, representative offices, subsidiaries as well as outsourced activities. GIA adopts a risk-based approach in determining the auditable units and frequency of audits in ensuring that the audit resources are prioritised in line with the Group’s key risks and areas of focus which are identified based on GIA’s risk assessment methodology.

The 2016 audit plan for RHB Banking Group which includes the audit objectives and scope, and manpower requirements for each planned auditable unit as well as GIA’s risk assessment methodology was reviewed and approved by the BAC in November 2015.

The key areas covered by GIA during the financial year 2016 include amongst others, the Branches, Credit Underwriting, Business Centres, Treasury Operations, Information Technology Security and Enterprise Applications, Shariah Business Compliance and Shariah Advisory, Investment Banking Business, Asset Management, Overseas Operations, etc.

GIA had also conducted audits as per regulatory requirements such as compliance with BNM’s Guidelines on Anti-Money Laundering and Counter Financing of Terrorism, Disclosure of Customer Documents or Information, Single Counterparty Exposure Limit, Product Transparency & Disclosure, MyClear’s applicable rules, procedures and manual for payment and debt securities systems, etc.

In addition to the planned audits, the key tasks performed by GIA during the financial year are as follows:

- Investigations and special reviews as requested by the Senior Management, BAC, Board or regulators.
- Review of policies, procedures and processes as requested by Management to provide feedback on the adequacy of internal control systems.
- Participated in system or product development activities to provide recommendations upfront on the relevant control features to be considered by Management.

## REPORTING AND MONITORING

Upon completion of the audits, all audit reports on the results of work undertaken together with the recommended mitigation plans and their implementation status are presented to the respective Management Audit Committees (“MACs”). The MACs are established at the key operating entities in the Group to ensure timely rectification of any audit findings and control lapses highlighted by the internal and external auditors, and regulators. The status of rectification of all audit findings are closely monitored by the MACs at every meeting.

The MACs comprising senior level representatives from different business/functional groups are chaired by the Group Chief Financial Officer/Managing Director/Chief Executive Officer of the entity concerned. The MACs meet on a monthly/bi-monthly basis and the minutes of meetings together with the relevant audit reports are subsequently tabled to the BAC for information, deliberation and direction for further action where required.

## INTERNAL AUDIT RESOURCES

The Group CIA, in consultation with the BAC and the Group Managing Director, decides on the appropriate resources required for the GIA taking into consideration the size and complexity of operations of the Group. The primary organisation chart/structure of GIA is reviewed and approved by the BAC annually.

As at 31 December 2016, GIA has 160 internal auditors with relevant academic/professional qualifications and experience to carry out the activities of the internal audit function.

The total costs incurred by GIA in discharging its functions and responsibilities for the financial year 2016 amounted to RM21.2 million.

## PROFESSIONAL PROFICIENCY

The Group CIA ensures that the internal auditors are suitably qualified and provided with the necessary trainings and continuous professional development for the purpose of enhancing their audit and relevant technical skills to perform their duties and responsibilities.

Based on each staff’s Individual Development Plan for the year 2016, the internal auditors attended the relevant technical as well as leadership and management programmes offered by RHB Academy, the Group’s Learning and Development Centre and external programmes. For the year 2016, the internal auditors attended a total of 1,054 days of training which translates to 6.5 days per auditor.

The internal auditors are further guided by the GIA Learning Development Framework to pursue the relevant certification programmes such as those offered by the Institute of Internal Auditors and Asian Institute of Chartered Banker in order for them to be proficient and competent in the relevant disciplines.

## INTERNAL AUDIT QUALITY ASSURANCE REVIEW

To ensure effectiveness of the internal audit function, the Group CIA has developed and maintained a quality assurance and improvement programme that covers all aspects of the internal audit activities. The quality assurance programme assesses the effectiveness of processes within the internal audit function and identifies opportunities for improvement through both internal and external assessments.

The internal assessment is performed according to the approved annual Quality Assurance Review (“QAR”) plan by a QAR team within GIA. The Head of QAR function reports directly to the Group CIA to maintain its independence of the internal audit activities within GIA.

In addition to the internal assessment, external quality assessment is conducted by a qualified independent reviewer covering a broad scope that includes conformance with the Definition of Internal Auditing, the Standards, and the Code of Ethics, and the internal audit charter, audit plan, policies and procedures in line with the requirements of the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and BNM guidelines. The external quality assessment is conducted once every three years and the appointment of independent reviewer is subjected to the Group’s established procurement process and endorsed by the BAC.

The results as well as recommendations for improvement of both the internal and external assessments are tabled to the BAC for deliberation and guidance or direction, if necessary.



The financial industry was operating in a challenging economic environment, both globally and locally, with weaker currencies, sluggish global trade, equities market fall and commodity price slump as well as potential of a faster-than-expected US rate hike, a US-China trade war and unfavourable political development in the Eurozone. The subdued economic condition was further exacerbated by the US presidential election and Brexit, and is expected to persist into 2017.

## OVERVIEW OF 2016:

In terms of regulatory development, 2016 saw introduction of FinTech regulations, and the revision of Investment Account policy which may transform the banking business model. There was also stricter oversight via the Compliance and Operational Risk Management framework and the amendment to the Malaysian Foreign Exchange Administration Rules.

### OUR PRIORITIES IN 2017:

Group Risk and Credit Management will focus on:

- Strengthening risk controls and infrastructure, focusing on information secrecy, technology risk management and regulatory compliance.
- Inculcating a robust risk culture within the Group, where all staff uphold the correct risk values and principles when running daily operation or making a decision.
- Improving the Group's asset quality and enhancing portfolio diversification.

### KEY HIGHLIGHTS IN 2016:

- Various initiatives and pre-emptive measures were taken to enhance the existing credit risk controls including enhancement of credit risk limits, optimisation of early alert mechanism, portfolio reviews and review of policies and guidelines.
- Raised risk culture awareness through introduction of "CURE – Combating Unexpected Risk Events" programme for RHB Bank including nationwide roadshows, training and awareness campaigns to promote a healthy risk culture.
- Received approval from Bank Negara Malaysia on the migration of Commercial Property Financing, Personal Financing and ASB Financing portfolios to the Internal Ratings Based Approach for capital computation.

### GROUP RISK MANAGEMENT FRAMEWORK:

The Group Risk Management Framework governs the management of risks in the Group, as follows:

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

# RISK MANAGEMENT REPORT

## Overarching Risk Management Principles

The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group. They are:

- Risk governance from the Boards of Directors of the various operating entities within the Group;
- Clear understanding of risk management ownership;
- Institutionalisation of a risk-focused organisation;
- Alignment of risk management to business strategies; and
- Optimisation of risk-adjusted returns.

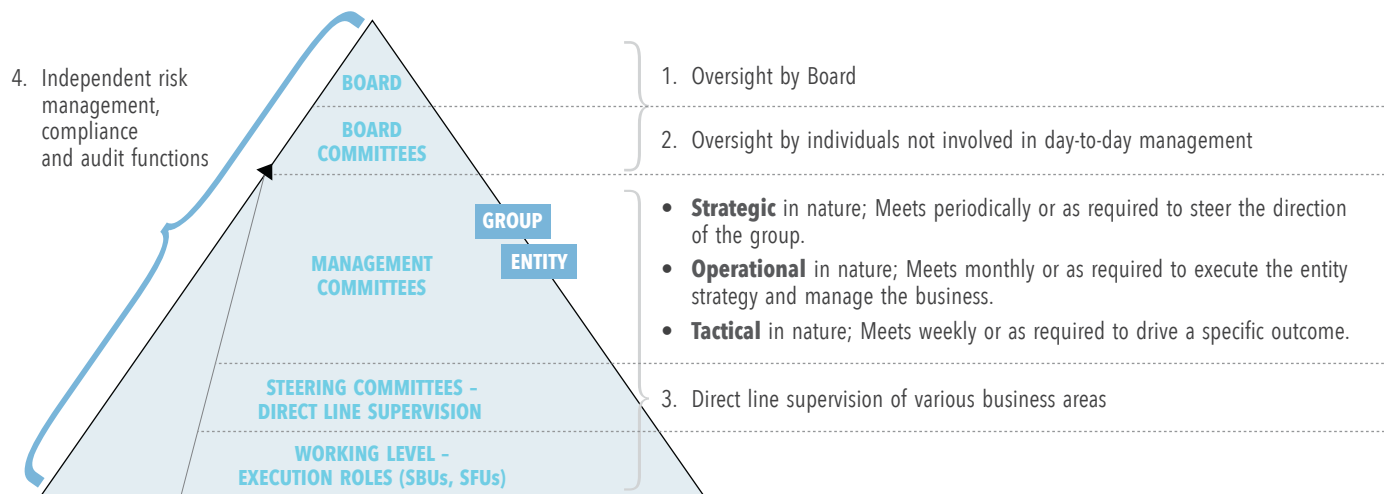
### Principle 1: Risk governance from the Boards of Directors of the various operating entities within the Group

The ultimate responsibility of the Boards of Directors in the Group is to ensure that an effective risk management process is in place which is uniformly understood across the Group. The Group has a structured framework to support the Board's oversight responsibilities.

## Risk Governance and Organisation

The Board of Directors (Board), through the Board Risk Committee (BRC), Group Capital and Risk Committee (GCRC) and the Group Risk and Credit Management function, establishes the risk appetite and risk principles for the Group and relevant entities. The BRC is the principal Board Committee that provides oversight over risk management activities for the Group to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models. An Islamic Risk Management Committee (IRMC) was established to assist the Board of RHB Islamic Bank Berhad (RHB Islamic Bank) on risk issues relevant and unique to RHB Islamic Bank.

The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the Group Capital and Risk Committee comprising Senior Management of the Group and which reports to the BRC/IRMC and the Group Management Committee. There are other committees set up to manage specific areas of risks in the Group. An overview of this governance framework at Group level is as below:



## Principle 2: Clear understanding of risk management ownership

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Group. The Group subscribes to the principle that “Risk and Compliance is Everyone’s Responsibility”.

The Strategic Business Units (SBUs) and Strategic Functional Units (SFUs) of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risk. The business units manage certain defined risks supported by the services provided by the functional units, including the risk management function. The approach is based on the ‘three lines of defence’ model as depicted below:

<b>FIRST LINE</b>	Business/Functional Level	<ul style="list-style-type: none"> <li>Responsible for managing day-to-day risks and compliance issues</li> <li>Business Risk and Compliance Officer is to assist business/functional unit in day-to-day risks and compliance matters</li> </ul>
<b>SECOND LINE</b>	Group Risk Management & Group Compliance	<ul style="list-style-type: none"> <li>Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters</li> </ul>
<b>THIRD LINE</b>	Group Internal Audit	<ul style="list-style-type: none"> <li>Provide independent assurance to the Board that risk and compliance management functions effectively as designed</li> </ul>

## Principle 3: Institutionalisation of a risk-focused organisation

In addition to risk ownership, a risk-focused culture is promoted throughout the Group through the strengthening of the central risk management function as well as the continuous reinforcement of a risk and control environment within the Group.

### Central Risk Management Function

Group Risk & Credit Management is independent of the business function to ensure that the necessary balance in risk/return decisions is not compromised by short term pressures to generate revenues. The said function is headed by the Group Chief Risk Officer.

The roles and responsibilities of the Group Chief Risk Officer include:

- Facilitating the setting of the strategic direction and overall policy on management and control of risks of the Group;
- Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models;
- Developing a proactive, balanced and risk attuned culture within the Group;

- Advising Senior Management, GCRC, BRC/IRMC and Boards on risk issues and their possible impact on the Group in the achievement of its objectives and strategies; and
- Administering the delegation of discretionary powers to management personnel within the Group.

Group Risk & Credit Management consisting of Group Risk Management, Group Credit Management and Group Risk Operations provides independent oversight on business activities and implements the Group Risk Management Framework in order to protect and safeguard the Group’s assets, and to prevent and mitigate financial and reputational losses to the Group. Key areas for which Group Risk Management is responsible for include the Group’s risk policy and framework, day-to-day risk measurement and monitoring, providing timely risk analysis to management, and ensuring compliance to regulatory risk reporting requirements.

Group Credit Management oversees the Group-wide credit evaluation and assessment, approval and credit monitoring functions by providing credit risk assessment assurance on credit proposals, highlighting key risks and potential problematic accounts, and improving credit process efficiency.

Group Risk Operations is responsible for strategising and implementing a comprehensive enterprise-wide risk governance framework, and managing the development of robust risk management infrastructure and tools, aligned with the Group's strategy for growth and keeping pace with the market requirements and competitive business environment. Group Risk Operations drives the operationalisation of the Group's risk transformation initiatives in establishing risk management as a valuable business partner.

## Risk and Control Environment

The business and functional heads are accountable for risk management in their businesses and functions, and for overseas operations where they have governance responsibilities. The business and functional units have clear segregation of duties to ensure that business processes are functioning effectively. There is accountability delegated to the appropriate authority to enable them to execute their respective authorities in meeting the business strategies without compromising the risk management process.

The primary responsibility for managing risks, therefore, rests with the business managers who are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits.

## Principle 4: Alignment of risk management to business strategies

The Group's Risk Management Framework serves to align the Group's business strategy to risk strategy, and vice versa. This is articulated through the risk appetite setting and the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Risk appetite is set by the Board and reported through various metrics that enable the Group to manage capital constraints and shareholders' expectations. The risk appetite is a key component of the management of risks and describes the types and level of risk that the Group are prepared to accept in delivering its strategy.

## Principle 5: Optimisation of risk-adjusted returns

One of the objectives of capital management is to reflect a risk-adjusted return assumed by the businesses throughout the Group. By linking risk to capital, the risk-adjusted return measure contributes to the creation of shareholders' value by facilitating the allocation of capital to the businesses.

The medium to long term strategy and principle of risk management of the Group is to intensify the integration of capital management within the Group. The Group is progressively implementing a risk-adjusted return-based framework for allocation of capital to business units and for performance measurement and management.

## SIGNIFICANT RISKS

### Credit Risk

#### Definition

The risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance with the agreed terms. It stems primarily from the Group's lending/financing/underwriting, trade finance and its funding, underwritings, investment and trading activities from both on- and off-balance sheet transactions.

#### Highlights

	2016	2015	Trend
Loans, Advances and Financing (RM'million)	152,350	149,579	↑
Gross Impaired Loans Ratio (%)	2.43%	1.88%	↑
Average Risk Weight (%)	43.6%	43.4%	↑

- The Corporate sector was adversely impacted by weaker economy originating from the oil glut ie rising losses, projects postponed or cancelled, consolidations, and/or company closures. The Group has identified adversely impacted borrowers and appropriate provisions were established. Meanwhile, assets growth had been highly selective to ensure asset quality level.
- Weakening economy, rising unemployment rate and increase in household debt over GDP have heightened the risk and cost of credit lending to the retail market. Assets growth was marginal despite the growth in the mortgage portfolio due to contraction from ASB and Auto Finance portfolios. Nevertheless, de-risking and selective financing to the better or lower risk portfolio have effectively improved the portfolio quality notwithstanding the challenging economic landscape.

- The average risk weight for Non-Retail portfolio increased due to growth in corporate exposures under Standardised Approach where the external ratings are not available, and partially offset by the migration of portfolios from Standardised Approach to IRB Approach for Commercial Property Financing and ASB Financing. In addition, RHB Islamic Bank's Credit Card and Commercial Property Financing portfolios are treated under the Advanced IRB Approach for consolidated reporting of regulatory capital at RHB Bank Group level. RHB Islamic Bank continues to report both portfolios under the Standardised Approach for its regulatory capital purposes.

## Moving Forward

### Non-Retail:

- Development and roll out of Group Corporate Banking and RHB Bank Singapore Risk Acceptance Criteria for Non-Target Sectors.
- Continuous enhancement of group wide Sectorial Risk Limit and assessments of emerging risks.

### Retail:

- Continued focus on the enhancement of MIS capability, risk measurement tools and reporting automation.
- Continued active engagement of Business and Collections to ensure the proposed risk measures are effectively operationalised and alignment of business strategy within the approved risk appetite.
- Review, monitor and strengthen the monitoring mechanism on the key risk metrics.

## Credit Risk Management Approach

Credit risk management is conducted in a holistic manner. Credit underwriting standards are articulated in an approved Group credit policy which is developed for the assurance of asset quality that is in line with the Group's risk appetite. Industry best practices are instilled in the continual updating of the Group credit policy including independent assessment of credit proposals, assignment of rating and adoption of multi-tiered delegated lending authorities spanning from individuals to credit approving committees.

The Board Credit Committee's (BCC) main functions are (i) affirming, vetoing or imposing more stringent conditions on credits of the Group which are duly approved by the Group Credit Committee (GCC) and/or Group Investment Underwriting Committee (GIUC), and (ii) overseeing the management of impaired and high risk accounts. BCC also endorses policy loans/financing and loans/financing required by Bank Negara Malaysia (BNM) to be referred to the respective Boards for approval.

In line with best practices, financing facilities applications are independently evaluated by credit underwriters in Group Credit Management or the Investment Bank Credit Control for share margin financing prior to submission to the relevant committees for approval. Financing applications within a specified limit may be jointly approved by the approving authority in business units and Group Credit Management.

Internal credit rating models are an integral part of the Group's credit risk management, decision-making process, and regulatory capital calculations. The credit grading models for corporate (or non-individual) obligors are used to risk rate the creditworthiness of the corporate obligors/guarantors/debt issuers based on their financial standing (such as gearing, expenses and profit) and qualitative aspects (such as management effectiveness and industry environment). The credit scoring models are for large volume of exposures that are managed on a portfolio basis, which includes programme lending/financing for small- and medium-sized enterprises. These models are developed through statistical modelling and applied onto the portfolio accordingly.

The analysis of any single large exposure and group of exposures is conducted regularly. The SBUs undertake regular account updates, monitoring and management of these exposures. Further, country and industry specific limits are also incorporated within the overall credit risk management framework for better assessment and management of credit concentration risk.

Credit reviews and rating are conducted on the credit exposures at least annually. Specific loans may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Group believes that heightened risk exists in a particular industry, or the borrower exhibits early warning signals such as default on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Regular risk reporting is made to the GCRC, IRMC, BRC and the Board. These reports include various credit risk aspects such as portfolio quality, credit migration, expected losses, and concentration risk exposures by business portfolio. Such reporting allows Senior Management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision-making. The Group also conducts regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

Group Internal Audit conducts independent post-approval reviews on a sampling basis to ensure that the quality of credit appraisals and approval standards is in accordance with the credit underwriting standards and financing policies established by the Group's management, and relevant laws and regulations.



## Market Risk

### Definition

The risk of loss arising from adverse movements in market indicators, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices.

### Highlights

Non-Retail	2016	2015	Trend
Market RWA (RM'Million)	4,847	3,614	↑

- The market risk is low in relation to the total Group's operations, with market risk capital charge at less than 5% of the total capital of the Group.

### Moving Forward

- Review and preparation for changes impacted by fundamental review of the trading book.
- System replacement and enhancement on trading and risk management platforms.

### Market Risk Management Approach

The Group Asset and Liability Committee (Group ALCO) performs a critical role in the oversight of the management of market risk and supports the IRMC and BRC in the overall market risk management. Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of market risk; this includes the development of the Group's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

The Group Market Risk Management Department within Group Risk Management is the working level that forms a centralised function to support Senior Management to operationalise the processes and methods, and ensure adequate risk control and oversight are in place.

The Group applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk, sensitivity analysis and stress testing. For effective control of operations, defined management action triggers and risk limits are established and actively monitored. Stress testing is rigorously applied in ascertaining the susceptibility of and the extent to which the Group's financials and earnings are affected by prospective changes in market interest rates/profit rates, key risk drivers or scenarios.

## Liquidity Risk

### Definition

The risk of the Group being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.

### Highlights

	2016	2015*	Trend
Gross HQLA (RM'Billion)	47.50	43.07	↑
Loan-to-Deposit Ratio (%)	93.2%	95.7%	↓
Liquidity Coverage Ratio (%)	107.5%	95.4%	↑

\* Numbers for 2015 referred to RHB Capital Group

- Gross HQLA: The increase of gross HQLA is in tandem with the improvement of Liquidity Coverage Ratio (LCR) to ensure adequate high quality liquefiable assets against the liquidity needs under stress scenario.
- Loan-to-deposit ratio (LDR) improved primarily due to increase in customer deposits. The LDR is maintained at acceptable level with adequate customer deposits to support loan growth.
- RHB Bank Group's LCR is at healthy level, well above BNM regulatory requirement of 70% and 60% for 2016 and 2015 respectively. LCR ratio in 2015 maintained at lower than 100% with intention to optimise funding sources. Overtime, the LCR position improved to above 100% in 2016 with more liquid assets holding by the Group as compared to 2015.

### Moving Forward

- Ensure adequate liquidity level is maintained well above BNM compliance requirements and Board-approved liquidity risk appetite.
- Further diversify and enlarge the source of the funding in order to support asset growth.

## Liquidity Risk Management Approach

The Group ALCO supports the IRMC and BRC by performing the critical role in the management of liquidity risks and among others is responsible for establishing strategies that assist in controlling and reducing any potential exposure to liquidity risk. Group ALCO is supported by Group Asset and Liability Management (Group ALM) at the working level. Group ALM monitors liquidity risk limits/MATs and reports to Group ALCO the liquidity risk profile on a monthly basis.

The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Triggers and limits are determined based on the Group's risk appetite and are measured by conventional risk quantification methodologies such as regulatory liquidity framework requirements. The Group maintains adequate liquidity surplus to meet its requirements, and is well above the regulatory requirement. Liquidity preservation is also augmented by the Group's practice of maintaining appropriate amounts of liquefiable assets as additional buffers against times of extreme market systemic risks and stress, as well as the Group's implementation of policies and practices in relation to contingency funding plans and operations.

## Operational Risk

### Definition

The risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputation risk.

### Highlights

	2016	2015	Trend
Operational RWA (RM'Million)	10,828	10,077	↑

- The increase in operational risk capital charge is driven by higher gross income for the year.

### Moving Forward

- Continue Risk Culture awareness to understand, manage and mitigate risks pro-actively and effectively.
- Strengthen the Business Risk and Compliance Officers Program to inculcate effective operational risk awareness and management.

## Technology Risk

### Definition

The business risk associated with the use, ownership, operation, involvement, influence and adoption of Information Technology within an enterprise.

New regulatory requirements surrounding cybersecurity was introduced by Bursa Malaysia and Securities Commission in end 2016. Gap analysis against Group's existing policies and standards was performed with no major discrepancies noted.

In order to mitigate cybersecurity threats, systems are in place to monitor emails for malicious content and suspicious network activity.

### Moving Forward

- Continue focus on cybersecurity threats in managing technology risk.
- Increase attention to infrastructure readiness, compatibility, capacity, security and resiliency to support the increased digitisation projects and engagement with FinTech companies by the Group.

## Operational Risk Management Approach

One of the Group's primary safeguards against operational risk is the existence of a sound internal control system, based on the principle of dual control checks and balances, segregation of duties, independent checks and verification processes, and a segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business and operation level. Each business and support unit of the respective operating entities in the Group is responsible for understanding the operational risks inherent in its products, activities, processes and systems. They are supported in this function by the central risk coordination units which include the operational risk management function, the compliance function and the internal audit function.

The Group Operational Risk Management Department within Group Risk Management has the functional responsibility for the development of operational risk framework, policies and methodologies, and for providing guidance and information to the business units on operational risk areas. Its function also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risk from new products, processes and systems is adequately managed and mitigated. The respective business units are primarily responsible for managing operational risk on a day-to-day basis. Some of the control tools used include Risk and Control Self-Assessment, Key Risk Indicators, and Incident and Loss Management.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified as follows:

- **Analysis and Enhancement**
  - The Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
- **Education and Awareness**
  - This is aligned with the principle and requirement that the front-line business and support units of the Group are, by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence.
- **Monitoring and Intervention**
  - This is where the principal head office risk control units actively manage operational non compliances and incidents, as well as undertake recovery actions, including business continuity measures in cases of incidences causing disruption to business activities.

Risk mitigation tools and techniques are used to minimise risk to an acceptable level and aim to decrease the likelihood of an undesirable event and the impact on the business, should it occur. The control tools and techniques include business continuity management, outsourcing and insurance/takaful management.

Regular operational risk reporting is made to the Senior Management, the GCRC, IRMC, BRC and the Board. These reports include various operational risk aspects such as reporting of information which includes risk analysis, risk mitigation action plans, risk tools outcomes, risk appetite breaches, significant operational risk events and control failures, and lessons learnt. In addition, key operational risk incidents are reported to senior management daily. Such reporting enables Senior Management to identify adverse operational lapses, take prompt corrective actions, and ensure appropriate risk mitigation decision-making and action plans.

## Regulatory Non-Compliance Risk

### Definition

Losses arising from regulatory sanctions, financial loss or reputational damage which a financial institution may suffer as a result of failure to comply with all laws, rules, standards, and regulatory requirements (including any ruling of the Shariah Advisory Council) relevant to a financial institution's activities in all jurisdictions in which the financial institution, or any of its branches or subsidiaries conducts activities.

### Moving Forward

Group Compliance will continue to play its role to further strengthen its oversight responsibilities and put in place controls and measures to raise the level of compliance and awareness of all employees of the Group and ensure that compliance is incorporated as an integral component of their day-to-day activities.

Please refer to the Compliance Statement on pages 285 to 289 of this Annual Report for more details.



## Shariah Non-Compliance Risk

### Definition

Shariah non-compliance risk is the risk of loss arising from failure to comply with the Shariah rules and principles as determined by the Shariah Committee of RHB Islamic Bank (SCR) or any other relevant body, such as Bank Negara Malaysia's Shariah Advisory Council.

### Moving Forward

- Continue to focus on activities involving Shariah reviews, control self-assessment, trainings and briefings aimed at creating awareness in mitigating Shariah non-compliance risk.

### Shariah Risk Management Approach

A Shariah Governance Framework has been developed with the objective of governing the entire Shariah compliance process within Islamic banking operations, and to:

- Ensure that the planning, development, and implementation of the Islamic Bank's products, services and conduct of business are in accordance with Shariah principles;
- Ensure that the Bank's operations do not contravene any of the Shariah principles and authorities' regulations related to the Shariah; and
- Act as a guide on the Bank's expectations to all personnel engaged in the Bank's activities; to ensure that all such functions are based on the Shariah principles, practices and prudence.

The SCR was established under BNM's Shariah Governance Framework. The main duties and responsibilities of SCR are to advise the Board of Directors on Shariah matters in relation to Islamic Banking business and operations, to endorse Shariah compliance manuals, to endorse and validate relevant documents as well as to provide written Shariah opinion on new products and RHB Islamic Bank's financial statements.

The Head of Shariah Advisory reports functionally to the SCR and administratively to the Managing Director of RHB Islamic Bank. The key functions of the Shariah Advisory are undertaken by two sub-units, Shariah Advisory and Research; and Shariah Governance and Management. On a functional basis, RHB Islamic Bank is supported by Shariah Advisory, Group Shariah Risk Management, Shariah Compliance and Shariah Audit.

Any incidences of Shariah non-compliance are reported to the SCR, the IRMC, the Board of Directors of RHB Islamic Bank and BNM. Remedial actions may include the immediate termination of the Shariah non-compliant products or services and de-recognition of Shariah non-compliant income.

## Other Risks

### Interest Rate Risk in the Banking Book/Rate of Return Risk in the Banking Book

Interest rate risk/rate of return risk in the banking book refers to the risk to the Group's earnings and economic value of equity due to the adverse movements in interest rate. The risk may arise from the mismatches in the timing of repricing of assets and liabilities from both on and off-balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk/rate of return risk in the banking book. They are computed based on the re-pricing gap profile of the banking book using BNM's standard template. Assets and liabilities are bucketed based on their remaining tenure to maturity or next re-price dates. The measurement of EaR and EVE is conducted on a monthly basis.

The Group ALCO supports IRMC and BRC in establishing policies, strategies and limits for the management of balance sheet risk exposure. The Group ALM within Group Risk Management supports the Group ALCO in the monthly monitoring and reporting of the interest

rate risk/rate of return risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest/profit income and economic value of equity, as well as to ensure that interest rate risk/rate of return risk exposures are maintained within defined risk tolerances.

In order to achieve a balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest rate/benchmark rate, interest rate risk/rate of return risk to earnings is controlled using Management Action Triggers (MATs) and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest/benchmark rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate risk/rate of return risk in the banking book in an environment of rapid financial market changes.

### Reputational Risk

Reputational risk is the risk that negative publicity regarding the conduct of the Group or any of the entities within the Group, and its business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures. It also undermines public confidence in the Group, affecting the share price.

Reputational risk in the Group is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. The Group has developed and implemented a reputational risk management framework. The key elements for management of reputational risk include:

- Prompt and effective communication with all stakeholders;
- Strong and consistent enforcement of controls relating to governance, business and legal compliance;
- Continuous monitoring of threats to reputation;
- Ensuring ethical practices throughout the Group; and
- Establishing crisis management plans and ensuring these are continuously updated.

## Capital Management and Basel

The Group's capital management objective is to manage capital prudently to maintain a strong capital position to drive sustainable business growth and seek strategic opportunities to enhance shareholders' value, and be in line with its risk appetite. It also calls for the Group to ensure that adequate capital resources are available to support business growth and investment opportunities, as well as to meet adverse situations, and to comply with regulatory capital requirements.

The Group's capital management objective is translated into capital targets that are consistent with the need to support business growth in line with strategic plans and risk appetite. Through the Internal Capital Adequacy Assessment Process (ICAAP), the Group assesses its forecast capital supply and demand which is determined by the following:

- Material risk types where capital is deemed to be an appropriate risk mitigation method;
- Capital targets; and
- The use of forward three-year planning.

In addition, capital stress tests are also conducted to evaluate the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios and to assess how the Group can continue to maintain adequate capital under such scenarios.

Each operating subsidiary in the Group manages its capital using a consistent capital management framework and process. The capital management framework guides the establishment of capital strategy for the Group and its entities, as well as highlights the internal analytics capabilities required and the functions that support the capital management framework within the Group.

Supported by monitoring and reporting capabilities, the Board and Senior Management are kept informed and updated of the Group's capital utilisation and capital position which is generated by the Group's information system and processes.

### **Basel II Implementation**

The Group places great importance on the International Convergence of Capital Measurement and Capital Standards: A Revised Framework (commonly referred to as Basel II) as adopted by BNM and views it as a group-wide initiative in meeting international best practices in this area. A dedicated Group Basel Steering Committee was set up to oversee all Basel related initiatives and activities throughout the Group and to ensure that it is on track in meeting the regulatory requirements outlined in the Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks issued by BNM.

For the purpose of complying with regulatory requirements under Basel II Pillar 1, the approaches adopted by the respective banking entities within the Group are as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	Internal Ratings-Based Approach	Standardised Approach	Basic Indicator Approach
RHB Islamic Bank Berhad	Standardised Approach		
RHB Investment Bank Berhad			

The Group's ICAAP framework ensures that all material risks are identified, measured and reported, and that adequate capital levels consistent with the risk profiles, including capital buffers, are maintained to support the current and projected demand for capital, under existing and stressed conditions. For non-measurable risks, relevant framework and control mechanisms are implemented to mitigate and manage the same.

The Group's relevant Pillar 3 disclosures are published in the Annual Report and available on the corporate website ([www.rhbgroup.com](http://www.rhbgroup.com)).



### **Basel III Implementation**

The implementation of Basel III for capital components by BNM in Malaysia has commenced with effect from 1 January 2013. Under the new Basel III rules, banking institutions are required to strengthen the quality of their capital by maintaining higher minimum capital requirements and holding capital buffers, namely the capital conservation buffer and the countercyclical capital buffer. However, the requirements are subject to a series of transitional arrangements with a gradual phase-in commencing 2013.

The Group has implemented BNM's liquidity standards on LCR effective from 1 June 2015 after reporting the LCR under observation since June 2012. BNM has adopted the phase-in arrangement for Malaysian banking institutions to comply with the minimum requirement of 60% in 2015 with incremental of 10% each year thereafter until 100% from 1 January 2019 onwards. Banking institutions continue to report on Net Stable Funding Ratio (NSFR) under observation. The result produced during the observation period facilitates the banking entities' strategy in managing the appropriate balance sheet structure for achieving optimal NSFR.



# SHARIAH COMMITTEE REPORT

## INTRODUCTION

The Shariah Committee is established under RHB Islamic Bank Berhad (“the Bank”) with the following main objectives:

1. To perform an oversight and independent advisory role to the Board of Directors and/or the Management of the Bank on Shariah matters pertaining to the Bank’s Islamic banking and finance business and operations.
2. To ensure effective working arrangements are established between the Shariah Committee, the Shariah Advisory Council (“SAC”) of Bank Negara Malaysia (“BNM”) as well as that of the Securities Commission (“SC”).
3. To ensure the establishment of appropriate procedures in leading to the prompt compliance with Shariah principles.

## SHARIAH GOVERNANCE

In ensuring the Bank’s Islamic businesses and operations comply with Shariah principles, the Shariah Committee has been guided by the guiding principles and best practices to establish sound and robust Shariah governance. The Shariah governance structure of RHB Islamic Bank comprises the following functions:

- i. The Board oversight on Shariah compliance aspects of the Bank’s overall operations. It is the ultimate responsibility of the Board to establish appropriate Shariah governance framework of the Bank;
- ii. Establishment of Shariah Committee with qualified members who are able to deliberate Islamic finance issue brought before them and provide sound Shariah decisions;
- iii. Supportive and effective management responsible in providing adequate resources and capable manpower support to every function involved in the implementation of Shariah governance, to ensure the execution of business operations are in accordance with Shariah;

- iv. Shariah Advisory over the processes and deliverables that is conducted on a continuous basis, to ensure all processes and outcomes satisfy the needs of Shariah;
- v. Shariah Review and Assurance to conduct regular assessment on Shariah compliance in the activities and operations of the Bank;
- vi. Shariah Audit to conduct annual review and verify the Bank’s key functions and business operations comply with Shariah;
- vii. Shariah Risk Management is responsible to facilitate identification of potential Shariah non-compliance risk, and where appropriate recommend risk mitigation mechanism through implementation of risk management tools;
- viii. Shariah Research to conduct a comprehensive and deep research on Shariah; and issuance and dissemination of Shariah decisions to the relevant stakeholders.

## SHARIAH COMMITTEE MEMBERS

The Shariah Committee comprises six (6) qualified Shariah scholars. The assortment of knowledge, experience and approach from these mixed Shariah scholars are needed to position the Bank’s operations and products to be globally accepted. Majority of the members have the prerequisite Shariah qualifications degree imposed by BNM. The remaining members are professionals from various backgrounds who possess expertise in the Islamic banking and finance industry.

The Shariah Committee members are:

No	Name of Shariah Committee Member	Nationality	Status
1.	Dr. Ghazali bin Jaapar	Malaysian	Chairman
2.	Prof. Dr. Joni Tamkin bin Borhan	Malaysian	Member
3.	Assoc. Prof. Dr. Amir bin Shahrudin	Malaysian	Member
4.	En. Mohd Fadhly bin Md. Yusoff	Malaysian	Member
5.	En. Wan Abdul Rahim Kamil bin Wan Mohamed Ali	Malaysian	Member
6.	Pn. Shabnam binti Mohamad Mokhtar	Malaysian	Member

## DUTIES & RESPONSIBILITIES

The main duties and responsibilities of the Shariah Committee are:

1. Advise the Bank on Shariah matters in order to ensure that the Islamic banking and financing business and operations are Shariah compliant at all times;
2. Endorse the all framework, policies, manuals and procedures prepared by the Bank which have Shariah concern and to ensure that the contents do not contain any elements which are not in line with Shariah;
3. Endorse and validate the following documentation to ensure that the products comply with Shariah principles:
  - i. the terms and conditions contained in proposal forms, contracts, agreements or other legal documentation used in executing transactions; and
  - ii. the product manual, marketing advertisement, sales illustration and brochures used to describe a product.
4. Assess the work carried out by Shariah Compliance and Shariah Audit in order to ensure compliance with Shariah matters.
5. Provide advice to the Bank's legal counsel, auditor or consultant on Shariah matters as and when required to ensure compliance with Shariah principles;
6. Advise on matters to be referred to SAC of BNM, particularly matters which have not be resolved or endorsed by the SAC of BNM;
7. Provide written Shariah opinions particularly in the following circumstances:
  - i. Where the Bank makes reference to the SAC of BNM for advice; or
  - ii. Where the Bank submits applications to BNM or SC for new product approval in accordance with guidelines on product approval issued by BNM and SC.
8. Articulate Shariah issues involved and ensure that all advice and/or opinion be supported by relevant Shariah jurisprudential literature from established sources. The Shariah Committee is also expected to assist the SAC of BNM on any matters referred by the Bank.
9. Ensure that SAC of BNM's decisions/opinion/advice are properly implemented and adhered to by the Bank;
10. Prepare a report to certify the Annual Audited Account of RHB Islamic Bank for the financial period concerned.
11. In respect of matters concerning Islamic Capital Market (upon mandated):
  - i. Ensure that the instruments are managed and administered in accordance with Shariah principles;
  - ii. Provide expertise and guidance in all matters relating to Shariah principles, including the instrument's deed and prospectus, its structure and investment process, and other operational and administrative matters;
  - iii. Scrutinise the instrument's compliance report as provided by the compliance officer, and investment transaction reports provided by, or duly approved by, the trustee to ensure that the investments are in line with Shariah principles; and
  - iv. Prepare a report to be included in the interim and annual reports certifying whether the instrument had been managed and administered in accordance to Shariah principles for the period concerned.
12. Advise on payment of Zakat to the appropriate authority.

# SHARIAH COMMITTEE REPORT

## MEETINGS

A total of nine (9) meetings were held during the financial year ended 31 December 2016. All members have satisfied the minimum attendance requirement under BNM's Shariah Governance Framework which provides that a Shariah Committee member is required to attend at least 75% of the Shariah Committee meetings held in each financial year. Details of attendance of each member are as follows:

Name of Shariah Committee Member	Number of Meetings	
	Held	Attended
Dr. Ghazali Jaapar	9	8
Prof. Dr. Joni Tamkin Borhan	9	9
Assoc. Prof. Dr. Amir Shahrudin	9	9
En. Mohd Fadhly Md. Yusoff	9	8
En. Wan Abdul Rahim Kamil	9	9
Pn. Shabnam Mohamad Mokhtar	9	9

## SPECIAL ENGAGEMENT & TRAINING

As part of the initiatives towards maintaining effective communication between the Shariah Committee and the Management and Board of Directors of RHB Islamic Bank, the following special engagement sessions were conducted in 2016:

1. Shariah Awareness Programme – Islamic Banking: Compliance, Innovation, Profitability and Social Entrepreneur/Social Responsibility Investment
2. Engagement Session with RHB Islamic Bank's Board of Directors
3. Offsite Brainstorming with Shariah Committee and Shariah Functions of RHB Islamic Bank
4. Offsite Meeting with Group Shariah Business Compliance and Shariah Committee

In 2016, the Shariah Committee members have successfully completed the Shariah Leaders Education Programme and thus fulfilled the compulsory requirement imposed by Bank Negara Malaysia to all Shariah Committee members of Islamic financial institutions. The programme is developed and managed by the International Centre for Leadership in Finance (ICLIF).

In addition, the Shariah Committee members have actively participated in significant trainings and conferences held in 2016 as follows:

- a. 10th Muzakarah Cendekiawan Syariah Nusantara 2016
- b. 11th Muzakarah Penasihat Syariah Kewangan Islam 2016 (in conjunction with 13th Kuala Lumpur Islamic Finance Forum (KLIFF) 2016)
- c. 5th *Ijtima' ASAS 2016*
- d. 11th International Shari'ah Scholars Forum (ISSF) 2016
- e. 3rd Liqa' ASAS Peringkat Kebangsaan 2016

## AWARD AND ACHIEVEMENT

Shariah Committee of RHB Islamic Bank was awarded as "The Most Outstanding Shariah Adviser" during KLIFF Islamic Finance Award 2016.

## SHARIAH COMMITTEE ASSESSMENT

In compliance with BNM's Shariah Governance Framework, the Shariah Committee undergoes the process of assessing the effectiveness of the individual members and the Committee as a whole on a yearly basis. The Shariah Committee annual assessment exercise is primarily based on detailed questionnaire which distributed to the respective Committee members and the permanent invitees to the Shariah Committee meeting. The questionnaire encompasses considerations on the effectiveness of the Committee in discharging its duties and responsibilities as well as the individual member's level of skills and competency in the areas of expertise expected of a Shariah Committee member.

The results of the assessment are tabled to the Board Nominating & Remuneration Committee for review and recommendation and subsequently to the Bank's Board of Directors for approval.

# BUSINESS CONTINUITY MANAGEMENT

The Group recognises and is fully committed to, the need to provide continuous critical services to its customers, ensure the safety of its employees, protect its assets/data and safeguard the interest of its key stakeholders that collectively ensure the viability of the organisation. The Group's BCM programme is based on good business continuity practices and guidelines which are in line with the Bank Negara Malaysia and internationally recognised standards.

The Board of Directors has an oversight function on the Group's BCM readiness through the Board Risk Committee (BRC) and Group Capital and Risk Committee (GCRC). The Group Business Continuity Steering Committee (GBCSC) is the management committee established to oversee the Group's business continuity framework, policies, budget and plans, and reports to GCRC.

The Group has established BCM framework and policies to provide governance and guiding principles for the development and implementation of a comprehensive BCM within the Group. To mitigate the impact of unforeseen operational risk events, the Group has an on-going and actively managed BCM programmes, which include crisis management planning, disaster recovery planning, human resource planning and business continuity planning for its major critical business operations and activities at the Head Office, data centre and branches. The BCP programmes are subject to regular testing/exercising to ensure efficacy, reliability and functionality, and come under the responsibility of the Group Business Continuity Management (Group BCM).

As precautionary measures, the Group conducts periodic assessment on potential threats, identify significant threats and implement the best ways to avoid those threats. To ensure preparedness and effective crisis management as well as the competencies of our staff to deal with real crisis, incident response teams are established at Head Office and regional levels, with clear understanding of their roles and responsibilities, maintaining clear lines of reporting and communication in the event of crisis.

Simulation exercise and drills are conducted to familiarise and equip staff with the skills and techniques required to identify, assess, respond and cope with a serious situation, especially from the moment it first occurs, triggering the activation of recovery procedures till returning to normalcy. Post incident review is carried out to identify the lessons learned, for onward sharing with staff, and to take corrective actions or enhancement on crisis management, in line with continuous improvement on BCM.

RHB will continue to strengthen its BCM programme across the Group to ensure business resiliency with provision of critical and essential services while minimising any disruption in the event of disaster.

## BUSINESS CONTINUITY MANAGEMENT GOVERNANCE



## OVERVIEW

As the Group's Business Model, Reputation and Financial condition are exposed to the risk of impairment due to compliance risk, which encompasses the non-adherence to laws and regulations, internal policies and expectations of stakeholders, the Group upholds high standards in carrying on its business, and at all times observes both the spirit and the letter of the law and regulations.

## INTRODUCTION

As a compliant financial services provider, the Group is committed to upholding good corporate governance principles and regulatory requirements. These principles are outlined in the Group Compliance Framework ("Framework") and Group Compliance Policy ("Policy") which serve as important guides for the Group as it continuously evolves to meet the growing demands of implementing compliance best practices throughout the Group's businesses. The Framework and Policy provide an overarching blueprint, from which the building blocks for the compliance functions of the Group are shaped and developed.

## COMPLIANCE GOVERNANCE AND FRAMEWORK

At the summit of compliance governance are the respective Boards of the various entities of the Group, which oversee and provide strategic direction for compliance within the Group. The Boards take the lead in establishing the tone from the top and upholding standards of conduct, organisational practices and corporate values that are consistent with the Group's overall risk appetite. In support of the respective Boards, the Board Risk Committee ("BRC") is the Board Committee wherein the Group's state of compliance with laws, regulations, internal policies and procedures are first reported. This enables the BRC to carry out effective oversight of the Group's compliance activities and provide the direction for appropriate compliance risk management and mitigation actions prior to notation by the Boards on a monthly basis.

The Group Senior Management supports the Board and the BRC in managing the Group's compliance risks by ensuring that there is an effective compliance programme in place. The Group Senior Management also regularly reviews and deliberates on the programme's adequacy and effectiveness in managing compliance risk. Additionally, the Group Senior Management has established a compliance function at Group level which is independent and has direct access to the BRC and Board.

# COMPLIANCE STATEMENT



The Group's compliance function operates on a group-wide basis with an appointed Head of Group Compliance ("HGC") overseeing the compliance risk management of the RHB Banking Group which extends to all entities in Malaysia and overseas. The HGC is supported by the following six direct reports responsible for managing the respective subject matter areas in Group Compliance:

### Group AML Practice

Responsible for setting up group-wide strategy, standards and measures to promote effective implementation of and compliance with anti-money laundering ("AML"), terrorist financing and proceeds of unlawful activities laws and best practices.

### Group Compliance Governance and Competencies

Responsible for establishing group-wide compliance governance standards and structures across all entities of the Group in Malaysia and overseas, as well as developing group compliance risk management strategies and implementation plans and enhancing compliance competencies across the Group.

### Group Investment Banking Compliance

Responsible for the oversight of the investment banking business compliance with the relevant laws, regulations and best practices.

### Group Shariah Business Compliance

Responsible for the oversight of the Islamic banking business' compliance with the relevant laws, regulations and best practices.

### Group IT Compliance and AML System

Responsible for the oversight of group-wide IT compliance with the relevant laws, regulations and best practices as well as for overseeing the implementation of the AML technology infrastructure across the Group.

### Group Regional Compliance

Oversight of country/subsidiary, via the appointed country/subsidiary compliance officer, complying with Group standards as well as relevant local laws, regulations and best practices.

## COMPLIANCE RISK MANAGEMENT

The aim of compliance risk management is to preserve and protect the reputation and credibility of the Group vis-à-vis its competitive standing, brand and shared values in line with its vision of becoming a leading financial services group in the region. The team in Group Compliance embraces this vision by enabling and incorporating a strong compliance culture in the Group's strategies, business models and practices so that the Group is recognised for its objective of being a compliant financial services provider. An effective compliance culture not only better satisfies regulator's expectations, but improves the stability and competitiveness of the business.

Group Compliance strives to instill this culture across all functions of the Group by continually emphasizing on the collective responsibility that is to be shared by every employee, Senior Management and the respective Boards of the Group. Therefore, everyone concerned is expected to promote self-regulation and be accountable for his or her own activities.

In addition to day-to-day monitoring, the Group Compliance's commitment towards achieving a strong compliance culture across the Group is demonstrated through the establishment of the following compliance monitoring framework:

- Implementation of comprehensive and clear compliance policies, circulars and guidelines to assist the front line businesses and supporting units to effectively manage their day-to-day non-compliance risks and issues.
- Periodic compliance risk assessment/review on selected areas of concern or on specific compliance-related activities undertaken by the front-line businesses and supporting units by Group Compliance or other units which carries out middle office functions to assess the adequacy or identify gaps, non-compliances or failure in the operations and processes replaced by the relevant business units.
- Regular engagement sessions with business units to "reach out" and understand the compliance issues or concerns faced by them in undertaking their functions and provide solutions to address the same.
- Monthly reporting by Group Compliance to the Group Management Committee and BRC and ultimately to the respective Boards of the Group to update on the Group's state of compliance with applicable laws and regulations as well as raise/escalate any issues of concern.
- Periodic regulatory updates, training and awareness programmes across the Group to ensure that all employees are well informed and aware of the latest regulatory requirements and implication of the same to their respective business activities.
- Engagement with regulators to consult and seek directive on implementation of new policies, decisions or regulatory framework.

In addition to the above, in 2016, the Group has also implemented the Business Risk Compliance Officer programme (“BRCO Programme”) with the objective to cultivate a proactive risk and compliance management within the respective business units in line with our effort to ingrain the compliance culture across the Group. In addition to managing the increased expectations from regulators as well as to provide assurance to the Board, the initiative was also in view of the extensive businesses undertaken by the Group. The Group’s business is ever expanding and diversified and this consequently exposes the Group to a wider regulatory risk. Hence, the BRCOs, who are themselves members of their respective business units are intended to support and assist Group Compliance by acting as the first line of defence in providing advisory and facilitate their respective business units in managing their compliance risk.

## KEY INITIATIVES IN 2016

In the ever evolving financial services industry and its advancement in technology, criminals find new ways to continuously abuse reporting institutions. They adapt and develop more sophisticated methods to evade law enforcers and abuse the financial system. In an effort to curb this, regulators and law enforcers continue to update and enhance regulations to stay on top of the situation.

In line with this effort, the Group has conducted and undertaken reviews, analysis as well as implemented new measures in order to ensure that:

- Any gaps between the new/amended regulations and the existing control mechanism in place are addressed;
- All existing policies and processes/procedures are improved and kept current; and
- All employees of the Group are continuously trained and aware of the changes in the regulatory requirements.

The following are some of the key initiatives undertaken by Group Compliance for 2016.

### Anti-Money Laundering and Counter Financing of Terrorism

The Group holds a strong stance towards Anti-Money Laundering/Counter Financing of Terrorism (“AML/CFT”). With the evolving developments in money laundering and terrorist financing, the Group have continuously worked proactively to implement AML/CFT controls effectively and adequately. The AML/CFT programme is continuously reviewed and updated to meet the regulatory requirements as well as

to counter money laundering and financing of terrorism activities. Risk based approach is applied to minimise the AML/CFT risks. All employees are expected to carry out their functions with ethical and professional standards in accordance with the AML/CFT programme and to be continuously vigilant against the Group being exposed or used to launder money or finance illegal activities including terrorist financing.

The following were some of the AML/CFT initiatives

- i. The Group had engaged an independent party to carry out a review of compliance and AML risk assessment for the Group which assessment covers various reviews on compliance and AML frameworks. Arising from the review, the independent party will provide gap analysis outcome and recommendations for areas of improvement.
- ii. The Bank is currently in the midst of enhancing its sanctions screening for Payments and Trade platforms to facilitate a more effective screening for sanctions elements. Due to evolving trends in AML/CFT, the Bank is currently in the midst of refining the overall transactions monitoring and customer name screening processes.
- iii. The internal AML/CFT policies and procedures are continuously being reviewed to enhance the documents to meet the regulatory requirements and stringent best practises in the industry. The Bank is continuing in recruiting talents for AML/CFT roles to ensure continuous enhancement for our AML/CFT programmes.

### Shariah Compliance

In line with the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia, a comprehensive Shariah framework has also been put in place by the Group which encompasses the concept of Shariah, Shariah governance and its reporting structure, roles and responsibilities and the key principles underpinning the components of the Shariah governance structure. For 2016, various activities involving Shariah reviews, control self-assessment, trainings and briefings aimed at creating awareness as well as continuous learning programmes were conducted throughout the year with a view to enhance Shariah awareness.

### Process Enhancements

The Group’s policies and procedures are continuously reviewed and enhanced to ensure that they are kept current and relevant. Any revisions made are duly communicated across the Group to ensure timely implementation. While various frameworks and policies are in place to handle the Group’s day-to-day operational needs, some key compliance policies, guidelines and processes that were refined or

enhanced in 2016 were in relation to conflict of interest assessment and disclosure requirements, client on-boarding/KYC processes, enhancement on product marketing/suitability assessment forms and strengthening of the Group Chinese Wall and Insider Trading Policy.

### Compliance Reviews

As part of its ongoing efforts to monitor and enhance the compliance risk management across all functions of the Bank, Group Compliance will, on a periodic basis, conduct reviews and health checks on selected areas of concern vis-à-vis the activities undertaken by the Group's business units. Such reviews will not only assist the Group to detect any shortcomings or weaknesses in the existing processes and procedures of the business units but also to facilitate timely identification of any gaps or possible non-compliances with regulatory requirements and ensure the same is rectified expeditiously. The reviews are also intended to provide assurance to the Board that the existing controls in place are adequate and operating effectively.

For 2016, the Group has focused its reviews and assessments on various activities of the Group including but not limited to treasury activities, employee trading activities, investment activities conducted for portfolio/funds, sales and marketing activities, research activities, transaction monitoring, personal accident insurance products, licensing requirements and disclosure requirements.

### Engagement Sessions with Business Units

As part of its monitoring function, Group Compliance continues to actively engage with relevant business or functional units and guide them on regulatory requirements and implications of the latest guidelines or regulations. These engagement sessions also provides business and functional units with a platform to discuss and resolve implementation issues as well as address any compliance issues that they may have in undertaking their respective functions. It also provides an opportunity for Group Compliance to understand and evaluate the challenges faced by the business units in ensuring compliance and provide solutions to manage the same.

### Compliance Competencies Management

For 2016, the Group has continued with its initiatives to promote compliance awareness and inculcate compliance culture across the Bank through various compliance-focused training facilitated under the BRCO Programme. Group Compliance had been working closely with the BRCOs to identify critical areas and compliance-related training needs. Some of the trainings that were conducted by Group Compliance in 2016 were in relation to Market Conduct and Consumer Protection covering Prohibited Business Conduct, Secrecy Provisions and Permitted Disclosures, Fair Debts Collection Practices, Foreign Account Tax Compliance Act, AML, Statistical Reporting Enforcement Framework requirements, Group Chinese Wall and Insider Trading Policy and Foreign Exchange Administration Rules.

A review of the existing training programme is currently being undertaken by Group Compliance together with RHB Academy focusing mainly on the relevancy of the programmes in addressing the specific training needs of each employee. The review is also intended to re-assess the adequacy of the programmes towards meeting regulatory requirements as well as cultivating the compliance culture across the Group.

### System Enhancements For AML

Since early 2016, Group Compliance has embarked on the project for the implementation of an AML System for RHB Investment Bank. The project was initiated to accede to the regulatory expectation of Bank Negara Malaysia for a Management Information System which will automate the existing manual procedures and processes for a timely and regular information to detect irregularity and/or any suspicious activity relating to money laundering and terrorism financing. Once effectively implemented, a more cohesive and systematic AML/CFT governance and approach will be realised throughout the RHB Investment Bank Group.

## COMPLIANCE CHALLENGES

### Enforcement Actions

Enforcement actions continue to occur both globally and locally, either due to new breaches or spill overs from previous years, resulting in fines being imposed, particularly in Malaysia. In addition, costs for the Group to comply with the increasing complexity of regulatory requirements continuously escalate. Group Compliance will continue to play its role to further strengthen its oversight responsibilities and put in place controls and measures to raise the level of compliance and awareness of all employees of the Group and ensure that compliance is incorporated as an integral component of their day-to-day activities.

### Resources

As regulatory requirements become more stringent, the role of compliance officers continues to evolve and the demand for apt/competent compliance officers who keep-up with the evolution and tightening regulations become scarce. As such, it is imperative that the employee with the right set of skills and qualification is recruited. Having stated that, finding and retaining competent compliance officers has proven to be a challenging task for Group Compliance. More importantly, effective management of the remaining skilled resources has also become crucial.

Group Compliance, in recognising the issue, intends to leverage on the findings of the independent party's review of the Group's compliance and AML risk, which is currently being undertaken, to also address these gaps. This will enable the Group to ensure effective staff allocation in accordance with the criticality and risk posed by the respective compliance functions.

### Technology Threats

Cybercrime appears to be increasing and becoming more sophisticated, more frequent and widespread. As the Bank becomes more dependent on automated processes and digitisation of its products and services, the threats posed by cyber scams, malware attacks as well as risk to information security continues to escalate. While the Bank currently has a designated IT Compliance team to identify, address and manage the risk posed by these threats, more preventive measures and controls will be explored and implemented by the Group in line with its effort to build a cyber-resilient financial institution.

## OUR PRIORITIES IN 2017

- More compliance-focused training and awareness programmes are planned in 2017 to enrich the employees', including the BRCO's compliance awareness. Additionally, Group Compliance will be introducing the Compliance Competency Matrix for relevant businesses where an assessment will be carried out to identify staff level of competency based on the agreed competency matrix which will further assist Group Compliance to tailor a more focused and specific training programme.
- Group Compliance will continue with its engagement sessions with its business and functional units in 2017 focusing, in particular, the activities of the regional offices. The initiative will assist the Group in identifying any shortcomings or gaps in the practices adopted by the regional offices and propose solutions to address the same.

# ANALYSIS OF SHAREHOLDINGS

AS AT 14 FEBRUARY 2017

Number of Issued Shares	: 4,010,045,621 ordinary shares
Class of Shares	: Ordinary shares
Voting Rights	: Each shareholder present in person or by proxy at any Shareholders' Meeting shall have one vote for each ordinary share held
Number of Shareholders	: 17,210

Category	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
Less than 100 shares	1,227	7.13	27,866	0.00
100 – 1,000 shares	2,100	12.20	1,054,687	0.03
1,001 – 10,000 shares	10,900	63.33	37,184,170	0.93
10,001 – 100,000 shares	2,459	14.29	67,228,150	1.68
100,001 to less than 5% of the issued shares	521	3.03	1,243,675,466	31.01
5% and above of the issued shares	3	0.02	2,660,875,282	66.35
<b>Total</b>	<b>17,210</b>	<b>100.00</b>	<b>4,010,045,621</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares			
		Direct	%	Indirect	%
1.	Employees Provident Fund Board (“EPF”) <sup>1</sup>	1,632,338,404	40.71	–	–
2.	Aabar Investments PJS	711,825,360	17.75	–	–
3.	International Petroleum Investment Company PJSC <sup>2</sup>	–	–	711,825,360	17.75
4.	Mubadala Investment Company PJSC <sup>3</sup>	–	–	711,825,360	17.75
5.	OSK Holdings Berhad	406,171,518	10.13	–	–
6.	Tan Sri Ong Leong Huat @ Wong Joo Hwa <sup>4</sup>	–	–	406,171,518	10.13
7.	OSK Equity Holdings Sdn Bhd <sup>4</sup>	–	–	406,171,518	10.13
8.	Puan Sri Khor Chai Moi	29,997	*	406,171,518 <sup>4</sup>	10.13

### Notes:

\* Negligible percentage.

<sup>1</sup> The interest of EPF is held through various fund managers.

<sup>2</sup> Deemed interested pursuant to Section 8(4) of the Companies Act 2016 through control of its subsidiary, Aabar Investments PJS.

<sup>3</sup> Deemed interested pursuant to Section 8(4) of the Companies Act 2016 through control of its indirect subsidiary, Aabar Investments PJS.

<sup>4</sup> Deemed interested pursuant to Section 8(4) of the Companies Act 2016, by virtue of shares held through OSK Holdings Berhad.

## DIRECTORS' INTEREST IN SECURITIES OF THE COMPANY AND ITS RELATED CORPORATION

The Company	Shareholdings	
	No. of Shares Held	%
Tan Sri Ong Leong Huat @ Wong Joo Hwa – Indirect*	406,202,949	10.13

### Note:

\* Deemed interested pursuant to Sections 8(4) and 59 of the Companies Act 2016, by virtue of shares held through OSK Holdings Berhad and his family members.



# CLASSIFICATION OF SHAREHOLDERS

AS AT 14 FEBRUARY 2017

Category	No. of Shareholders		Shareholdings		% of Total Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
<b>Individual</b>						
Bumiputera	581	0	3,343,450	0	0.08	0.00
Chinese	12,342	0	82,467,397	0	2.06	0.00
Indian	452	0	1,925,907	0	0.05	0.00
Others	54	447	261,073	6,116,510	0.01	0.15
<b>Body Corporate</b>						
Banks/Finance Companies	33	0	566,222,452	0	14.12	0.00
Investments Trusts/ Foundation/Charities	4	0	204,532	0	0.01	0.00
Other Types of Companies	285	21	338,630,252	7,387,295	8.44	0.18
<b>Government Agencies Institution</b>	2	0	4,802,390	0	0.12	0.00
<b>Nominees</b>	2,243	746	1,899,307,805	1,099,376,558	47.36	27.42
<b>Others</b>	0	0	0	0	0.00	0.00
<b>Total</b>	<b>15,996</b>	<b>1,214</b>	<b>2,897,165,258</b>	<b>1,112,880,363</b>	<b>72.25</b>	<b>27.75</b>

# LIST OF THIRTY (30) LARGEST SHAREHOLDERS

AS AT 14 FEBRUARY 2017

No.	Name	Shareholdings	
		No. of Shares	%
1	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	1,632,338,404	40.71
2	RHB NOMINEES (ASING) SDN BHD AABAR INVESTMENTS PJS	711,825,360	17.75
3	OSK HOLDINGS BERHAD	316,711,518	7.90
4	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	188,271,133	4.69
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	158,008,700	3.94
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OSK HOLDINGS BERHAD (511981)	89,460,000	2.23
7	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	75,526,100	1.88
8	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	48,839,951	1.22
9	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	44,659,921	1.11
10	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	40,046,760	1.00
11	MAYBANK NOMINEES (ASING) SDN BHD NOMURA SINGAPORE LIMITED FOR GUOLINE CAPITAL LIMITED (453830)	34,757,500	0.87
12	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	29,297,500	0.73
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	27,473,800	0.69
14	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	21,206,832	0.53
15	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	20,986,000	0.52
16	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	20,789,500	0.52
17	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	18,788,207	0.47
18	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	17,237,600	0.43

No.	Name	Shareholdings	
		No. of Shares	%
19	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (TAIPEI BCH-CLTS)	14,601,600	0.36
20	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	13,621,538	0.34
21	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	13,064,600	0.33
22	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	12,794,900	0.32
23	CARTABAN NOMINEES (ASING) SDN BHD GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	10,552,800	0.26
24	PERMODALAN NASIONAL BERHAD	8,785,300	0.22
25	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 12)	8,727,900	0.22
26	HSBC NOMINEES (ASING) SDN BHD TNTC FOR ARAB SAUDI ARABIAN MONETARY AUTHORITY	7,929,980	0.20
27	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	7,471,300	0.19
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	6,868,900	0.17
29	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.	6,240,300	0.16
30	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	5,760,919	0.14

# NUMBER OF ISSUED SHARES

AS AT 14 FEBRUARY 2017

The number of issued shares of the Company as at 14 February 2017 is 4,010,045,621 ordinary shares.

The changes on the number of issued shares since 1999 are as follows:-

Date	No. of Shares Allotted	Description	Cumulative No. of Issued Shares	
			Preference Shares	Ordinary Shares
03/06/1999	308,500,000 (preference shares)	Issued pursuant to Sale of Shares Agreement between RHB Bank Berhad (“RHB Bank”), Rashid Hussain Berhad (as promoter), Sime Darby Financial Services Holdings Sdn Bhd and KUB Malaysia Berhad for the acquisition of 90.36% equity interest in Sime Bank Berhad.	308,500,000	3,899,971,952
03/06/1999	1,000,000,000 (preference shares)	Issued pursuant to Subscription Agreement dated 30 November 1998 between Danamodal Nasional Berhad, RHB Capital Berhad (“RHB Capital”) and RHB Bank.	1,308,500,000	3,899,971,952
01/09/1999	4,469,561 (preference shares)	Issued pursuant to the compulsory acquisition of the remaining 9.64% equity interest in Sime Bank Berhad.	1,312,969,561	3,899,971,952
23/09/1999	55,129,584 (preference shares)	Issued pursuant to the compulsory acquisition of the remaining 9.64% equity interest in Sime Bank Berhad.	1,368,099,145	3,899,971,952
27/03/2008	2,736,198,290 (ordinary shares of RM0.50 each)	Issued pursuant to the Conversion Notice received by RHB Bank in respect of the Irredeemable Non-Cumulative Convertible Preference Shares (“INCPS”) holder, RHB Capital’s intention to convert its entire 1,368,099,145 INCPS of RM1.00 each into new ordinary shares of RM0.50 each in RHB Bank.	–	6,636,170,242
31/10/2014	94,802,428 (ordinary shares of RM0.50 each)	Issued pursuant to Rights Issue on the basis of 1 new ordinary share for every 70 existing ordinary shares held.	–	6,730,972,670
03/04/2015	190,197,391 (ordinary shares of RM0.50 each)	Issued pursuant to Rights Issue on the basis of 28.26 new ordinary shares for every 1,000 existing ordinary shares held.	–	6,921,170,061
18/02/2016	Not applicable	Consolidation of every 2 existing ordinary shares of RM0.50 each into 1 new ordinary share of RM1.00 each.	–	3,460,585,030
07/04/2016	101,618,705 (ordinary shares of RM1.00 each)	Issued pursuant to Rights Issue on the basis of 29.3646 new ordinary shares for every 1,000 existing ordinary shares held.	–	3,562,203,735
14/04/2016	447,841,886 (ordinary shares of RM1.00 each)	Cash.	–	4,010,045,621

# KEY INTERNAL CONTROL POLICIES & PROCEDURES

## KEY INTERNAL CONTROL POLICIES AND PROCEDURES

RHB Bank Berhad (“Company”) is committed to ensuring responsible behaviour by the Company and its employees both in the workplace and marketplace. The Company takes full responsibility for the effect of its practices and internal policies/procedures/guidelines while continues to strengthen and embed robust corporate governance and risk management practices throughout its business operations.

All the internal control documents need to follow appropriate delineation process and approval matrix. These documents are kept in the centralised repository for employees’ reference, controlled by a dedicated functional unit namely Operations and Methods for quality assurance purpose. While these internal control documents/measures are implemented to mitigate conflicts of interest, abuses of position, regulatory breaches and consumer facades, such efforts also promote investors’ confidence, boost good brand image and stimulate sustainable growth.

Listed below are some of the key governance policies, procedures and guidelines:

No.	Title	Description
1	Group Code of Ethics & Business Conduct for Directors	RHB Banking Group (“Group”) places importance of top down compliance culture within the organisation, hence this document is available and disclosed in the Company’s website. Directors’ adherence to ethical values highlighted in this document will demonstrate their commitment to responsible leadership and creation of an ethical culture which will strengthen the confidence level of the employees and the public at large.
2	Group Code of Ethics & Conduct for Employee	This document aids identification of the areas and situations where public trust and confidence might be compromised or a law might be violated. The purpose of this Code is to articulate the high standards of conduct and behaviour that should be adopted as good ethical business practices.
3	Group Gifts & Hospitality Guidelines	This document sets the standards of conduct of giving and acceptance gifts and hospitality, including business entertainment. It is designed to help the Group and its employees understand respective parties’ obligations in upholding corporate integrity.
4	Group Whistle Blower Policy	This policy document provides a proper mechanism and minimum standards to be adhered by employees of Group in dealing with disclosure on questionable actions or wrong doings in the Group. It is intended to guide all employees facing concerns over unlawful conducts, unethical occurrences or questionable practices which may adversely affect to a material extent the financial position or reputation of the Group. Furthermore, it helps nurture the culture of accountability, integrity and transparency among employees within the Group.
5	Group Compliance Management Framework & Policy	The documents lay out the governing principles and roles of board, management and staff in managing compliance risk in the Group.
6	Group Anti-Money Laundering (AML) & Counter Financing of Terrorism (CFT) Policy	The policy is formulated towards building a stronger and robust AML/CFT compliance within the Group. It informs and mandates all employees on their respective roles and responsibilities, focusing on the continuing efforts in countering money laundering and terrorist financing activities.
7	Group Chinese Wall and Insider Trading Policy	The document establishes governance procedures to control the flow of confidential or material non-public and price sensitive information within the Group to avoid the risk of possible breach of the insider trading provisions under the Capital Market Services Act and to protect client confidentiality.
8	Orderly and Fair Market Policy	The policy aims to facilitate the Group to comply with the applicable laws, guidelines and rules in relation to maintaining an orderly and fair market. It underlines relevant principles and guidance towards safeguarding the integrity of the market.



No.	Title	Description
9	Group IT Security Policy & Standards	The policy and standards enable a structured approach of governing confidentiality, integrity and availability of information as the Company's important business assets. The holistic IT Security is achieved by implementing a suitable sets of controls to ensure that the specific security objectives (e.g. permitted disclosure, personal data protection) of the Group are met.
10	Group Asset & Liability Management Policy	The policy document sets out a consistent approach in the management of the balance sheet mismatch with the goal for long-term growth and managing the risk exposures due to Interest Rate Risk/Rate of Return Risk (IRR/ROR) and structural foreign exchange risk in accordance with the risk appetite statements of the Group and the respective entity within the Group.
11	Group Guidelines on Personal Data Protection Act 2010 (PDPA)	The document provides guidance on how to comply with PDPA's and Bank Negara Malaysia's requirements to safeguard individual's personal data from being misused. Protection of personal data basically is to secure any personal data used and processed in commercial transactions which include any information such as name, address, account details and identity card number of the Group's customers.
12	Group Policy on Related Party Transactions (RPTs)	The policy deals with the reporting and review process for RPTs under Bursa Malaysia's Listing Requirements, Companies Act 1965 and Capital Markets and Services Act 2007, which should be conducted on an arm's length basis. The guiding principles are to avoid conflicts of interest, promote transparency and accountability in its related party transactions.
13	Group Risk Management Framework	The document sets out the strategic direction for the management of risks in the Group. It is also an aspiration statement with regards to the longer-term objective for the development of risk management capabilities and infrastructure.
14	Group Shariah Risk Management Guidelines	The document primarily intends to assist staff in undertaking business and support activities in line with Shariah principles for the respective Islamic Banking products and to ensure that the management of Shariah non-compliance risk principles in the Group is clearly and systematically identified, measured, monitored, controlled and reported.
15	Group Credit Policy	The policy document encapsulates broad policy statements governing lending/financing activities, ranging from the credit governance and functional responsibilities, to credit functions in the credit chain process. It enunciates the essence of the credit fundamentals to address the credit management, in particular from credit creation to credit recovery.
16	Group Treasury & Global Markets General Guidelines	The document sets out best and prudent business practices and good corporate governance and against a background of clear Treasury business strategies and business plans currently applicable and in existence within RHB Banking Group.
17	Group Corporate Communications Operations Manual	The document provides guidance and structure in disseminating corporate information to, and in dealing with, media representatives, employees and the public. While it intends to ensure compliance with legal and regulatory requirements on disclosure, it also raises awareness about, and focus management and employees on, disclosure requirements and practices.
18	Group Reputational Risk Management Policy	The policy sets out the approach which the Group will adopt in managing reputational risks of the Group.

## KEY INTERNAL CONTROL POLICIES & PROCEDURES

No.	Title	Description
19	Group Manual of Authority	The document defines clear responsibilities and approving matrix of authorised officers in the Group to approve its purchase or payment of capital and operating expenditure.
20	Group Policy on Product Development and Approval	The policy applies to all product development initiatives within the Group and highlights fundamental principles to staff in approaching product development and approval across the Group, while ensuring sound risk management practices in managing and controlling product risk.
21	Group Brand Marketing Operations Manual	The document sets to provide guidance and structure in disseminating corporate information to, and in dealing with, media representatives, employees and the public. The manual also aims to ensure compliance with legal and regulatory requirements for the Group's activities in relation to advertisement and promotions.
22	Social Media Operations Manual	This document describes the operations, roles & responsibilities and business rules in respect of the Social Media. The purpose of this manual is to meet internal and external requirements while delivering effective digital communication strategies for the Group.
23	Group Fraud Risk Management Policy	The policy document defines the core governing principles for fraud management within the Group which include leadership and ethical culture, fraud awareness, detection, reporting and escalation, as well as fraud response with appropriate corrective actions. The purpose of this policy is to promote consistent organisational behaviour through the development, implementation, and regular review of fraud prevention, detection and response strategies.

# LIST OF TOP TEN (10) PROPERTIES

Location	Owner	Description of Property	Land Area/ (sq. m.)	Usage	Age of Building (Years)	Tenure	Year of Expiry on Lease	Net Book Value 31.12.2016 (RM'Million)	Year of Acquisition or Revaluation
<b>MALAYSIA</b>									
<b>Kuala Lumpur</b>									
1. Tower 1, Tower 2 & 3, RHB Centre 424 & 426 Jalan Tun Razak	RHB Bank Berhad	12 storey & 16 storey office building	10,270	Office Space	27 & 21	Freehold	–	208,639	2016
<b>Penang</b>									
2. 44 Lebuhr Pantai Georgetown	RHB Bank Berhad	1 unit of 6½ storey commercial building	896	Bank Branch	57	Freehold	–	3,623	1968
3. Unit 11 & 12 Jalan Chain Ferry Tmn Inderawasih Seberang Prai	RHB Bank Berhad	2 units of 3 storey commercial building	603	Bank Branch	22	Freehold	–	3,537	1998
<b>Selangor</b>									
4. Lot No. 8 Jalan Institusi Bandar Baru Bangi	RHB Bank Berhad	6 storey office Block, 5 storey Training Block, 7 storey IT Block & 5 storey Car Park Block	55,713	Training Centre	16	Leasehold	2090	71,417	1992
<b>Perak</b>									
5. No. 2, 4, 6 & 8 Jalan Tun Sambanthan Ipoh	RHB Bank Berhad	4 storey office building	890	Bank Branch	19	Freehold	–	4,914	1991
<b>SINGAPORE</b>									
6. 90 Cecil Street	Banfora Pte Ltd	2 commercial buildings	796	Commercial Building	37	Leasehold	2980	151,612	1997
7. 10, Jalan Besar 01-03 Sim Lim Tower	RHB Bank Berhad	Ground Floor of Office buildings	543	Bank Branch	38	Freehold	–	26,331	1999
8. 14A/B, 16A/B & 18A/B East Coast Road	RHB Bank Berhad	3 units of 3 storey shophouses	442	Bank Branch	58	Freehold	–	13,920	1999
9. 1/1A /1B Yio Chu Kang Road	RHB Bank Berhad	First Floor of Office buildings	101	Bank Branch	36	Freehold	–	10,391	1999
10.No. 537/539 Geylang Road	RHB Bank Berhad	3 storey shophouses	374	Bank Branch	93	Freehold	–	8,537	1999

Source of information for the Net Book Value as at 31 December 2016 by: Group Finance.

# GROUP BRANCH NETWORK

## COMMERCIAL BANKING

### MALAYSIA

#### KLANG VALLEY NORTH REGION

##### Regional Director:

**Bernadette Sun Fui Ling**

Level 11, Tower Three  
RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 603 9280 6839  
Fax : 603 9280 7319

#### Branches

- ◆ Ampang Point
- ◆ Bandar Baru Ampang
- ◆ Bandar Baru Sg Buloh
- ◆ Bandar Sri Damansara
- ◆ Dataran Wangsa Melawati
- ◆ First Avenue
- ◆ Jalan Bukit Bintang
- ◆ Jalan Ipoh
- ◆ Jalan Pasar
- ◆ Jinjang Utara
- ◆ Kenanga Wholesale City
- ◆ Kepong
- ◆ Kg Baru Sg Buloh
- ◆ KLCC
- ◆ Kota Damansara
- ◆ Kuala Lumpur Main
- ◆ Menara Shell
- ◆ Pandan Indah
- ◆ Plaza Damas 3
- ◆ Plaza OSK
- ◆ Rawang
- ◆ Segambut
- ◆ Selayang
- ◆ Setapak
- ◆ Taman Shamelin
- ◆ Taman Tun Dr. Ismail

#### KLANG VALLEY SOUTH REGION

##### Regional Director:

**S. Asoka Balan a/l Sinnadurai**

Level 7, Tower One  
RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 603 9280 5688  
Fax : 603 9280 5690

#### Branches

- ◆ Bandar Mahkota Cheras
- ◆ Bandar Sri Permaisuri
- ◆ Bangsar Shopping Centre
- ◆ The Vertical, Bangsar South
- ◆ Damansara Jaya
- ◆ Damansara Utama
- ◆ IOI Resort City
- ◆ Kajang
- ◆ Mid Valley
- ◆ OUG
- ◆ Paradigm
- ◆ PJ New Town
- ◆ Putrajaya Precint 8
- ◆ Seri Kembangan
- ◆ Section 14, Petaling Jaya
- ◆ Sri Petaling
- ◆ SS 2, Petaling Jaya
- ◆ Taman Connaught
- ◆ Taman Indah
- ◆ Taman Megah
- ◆ Taman Midah
- ◆ Taman Sg Besi
- ◆ Taman Suntex
- ◆ Taman Taming Jaya
- ◆ Tun HS Lee
- ◆ The Trillium, Lake Fields

#### KLANG VALLEY WEST REGION

##### Regional Director:

**Thoo Kim Seng**

2nd Floor, No. 48-50  
Jalan SS 15/4D  
47500 Subang Jaya, Selangor  
Tel : 603 5637 8288  
Fax : 603 5631 6233

#### Branches

- ◆ Alam Avenue
- ◆ Bandar Baru Klang
- ◆ Bandar Bukit Tinggi
- ◆ Banting
- ◆ IOI Boulevard
- ◆ Jalan Niaga Shah Alam
- ◆ Jalan Stesen Klang
- ◆ Jalan T. Ampuan Zabedah Shah Alam
- ◆ Jenjarom
- ◆ Kota Kemuning
- ◆ Meru
- ◆ Persiaran Sultan Ibrahim Klang
- ◆ Port Klang
- ◆ Setia Alam
- ◆ Sg Pelek
- ◆ Subang Jaya
- ◆ Tanjung Karang
- ◆ Tanjung Sepat
- ◆ UEP Subang Jaya
- ◆ Utropolis Mall Glenmarie

#### EAST COAST REGION

##### Regional Director:

**Shaharuddin Ming**

Lot 2, 4 & 6 (Level 2)  
Jalan Putra Square 1, Putra Square  
25200 Kuantan, Pahang  
Tel : 609 505 7000  
Fax : 609 505 7003

#### Branches

- ◆ Bentong
- ◆ Jalan Air Putih, Kuantan
- ◆ Jalan Tok Hakim, Kota Bharu
- ◆ Jerantut
- ◆ Kemaman
- ◆ Kerteh
- ◆ Keteroh
- ◆ Kuala Dungun
- ◆ Kuala Terengganu
- ◆ Putra Square Kuantan
- ◆ Mentakab
- ◆ Pasir Mas
- ◆ Raub
- ◆ Triang

## COMMERCIAL BANKING

### MALAYSIA

#### NORTHERN REGION

**Regional Director:**

**Alex Lim Eng Kang**

Level 5, No. 44, Lebuhr Pantai  
10300 Georgetown, Penang  
Tel : 604 262 6168  
Fax : 604 263 2112

#### Branches

- ◆ Prai
- ◆ Ayer Itam
- ◆ Bayan Baru
- ◆ Bukit Mertajam
- ◆ Jalan Burma
- ◆ Butterworth
- ◆ Jalan Bakar Arang  
Sungai Petani
- ◆ Jalan Raja Uda
- ◆ Jalan Tunku Ibrahim  
Alor Setar
- ◆ Jelutong
- ◆ Jitra
- ◆ Kangar
- ◆ Kuala Kedah
- ◆ Lebuhr Pantai
- ◆ Mergong Alor Setar
- ◆ Padang Serai
- ◆ Pulau Langkawi
- ◆ Sungai Bakap
- ◆ Sungai Dua
- ◆ Taman Semarak Kulim
- ◆ Taman Pekan Baru Sungai  
Petani

#### PERAK REGION

**Regional Director:**

**Ali bin Mohamed**

1st Floor, No. 2, 4, 6 & 8  
Jalan Tun Sambanthan  
30000 Ipoh  
Perak Darul Ridzuan  
Tel : 605 254 1176  
Fax : 605 243 2809

#### Branches

- ◆ Air Tawar
- ◆ Bagan Serai
- ◆ Gopeng
- ◆ Gunung Rapat
- ◆ Ipoh Garden South
- ◆ Jalan Tun Sambanthan  
Ipoh
- ◆ Jelapang
- ◆ Kampar
- ◆ Kuala Kurau
- ◆ Kuala Kangsar
- ◆ Menglembu
- ◆ Parit Buntar
- ◆ Persiaran Greenhill Ipoh
- ◆ Simpang Empat  
Hutan Melintang
- ◆ Sitiawan
- ◆ Sungai Siput
- ◆ Sungkai
- ◆ Taiping
- ◆ Tasek
- ◆ Teluk Intan

#### SOUTHERN REGION

**Regional Director:**

**Amir bin Abdul Aziz (Acting)**

1st Floor, No. 14 & 16  
Jalan Padi Emas 6/1  
Bandar Baru Uda  
81200 Johor Bahru, Johor  
Tel : 607 237 7825/232 7109  
Fax : 607 235 0616

#### Branches

- ◆ Bandar Baru Uda
- ◆ Jalan Bandar Pasir Gudang
- ◆ Jalan Bendahara 12,  
T. Ungku T. Aminah
- ◆ Jalan Dato' Rauf Kluang
- ◆ Taman Johor Jaya
- ◆ Johor Bahru City Square
- ◆ Kota Tinggi
- ◆ Kulai
- ◆ Permas Jaya
- ◆ Plentong
- ◆ Pontian Kechil
- ◆ Senai
- ◆ Simpang Renggam
- ◆ Taman Molek
- ◆ Taman Mount Austin
- ◆ Taman Nusa Bestari
- ◆ Taman Pelangi
- ◆ Taman Sentosa
- ◆ Ulu Tiram

#### SOUTHERN WEST REGION

**Regional Director:**

**Amir bin Abdul Aziz**

1st Floor, 19, 21, 23  
Jalan Merdeka  
Taman Melaka Raya  
75000 Melaka  
Tel : 606 281 7880  
Fax : 606 281 7842

#### Branches

- ◆ 1 Lagenda
- ◆ Bahau
- ◆ Bandar Baru Nilai
- ◆ Batu Pahat
- ◆ Bekok
- ◆ Bukit Baru
- ◆ Jalan Hang Tuah Melaka
- ◆ Jementah
- ◆ Kuala Pilah
- ◆ Malim
- ◆ Melaka Raya
- ◆ Muar
- ◆ Rantau
- ◆ Segamat
- ◆ Seremban
- ◆ Seremban 2
- ◆ Taipan Senawang
- ◆ Tangkak
- ◆ Yong Peng



## COMMERCIAL BANKING

### MALAYSIA

#### SABAH REGION

##### Regional Director:

##### Siaw Kok Chee

C-03-05/08, 3rd Floor  
Block C, Warisan Square  
Jalan Tun Fuad Stephens  
88000 Kota Kinabalu, Sabah  
Tel : 6088 528 688  
Fax : 6088 528 779

#### Branches

- ◆ Inanam
- ◆ Jalan Gaya Kota Kinabalu
- ◆ Jalan Tun Mustapha Labuan
- ◆ Keningau
- ◆ Lahad Datu
- ◆ Lintas Station
- ◆ Metro Town Kota Kinabalu
- ◆ Prima Square Sandakan
- ◆ Tawau
- ◆ Wisma Khoo Sandakan

#### SARAWAK REGION

##### Regional Director:

##### Hjh Johanna binti Abdullah

1st Floor  
Lot 363, Jalan Kulas  
93400 Kuching, Sarawak  
Tel : 6082 274 812  
Fax : 6082 274 854

#### Branches

- ◆ Jalan Tuanku Osman Sibul
- ◆ Batu Kawah
- ◆ Boulevard Centre Miri
- ◆ Dalat
- ◆ Jalan Kulas Kuching
- ◆ Jalan Masjid Bintulu
- ◆ Jalan Nakhoda Gampar Miri
- ◆ Jalan Padungan Kuching
- ◆ Kanowit
- ◆ Lawas
- ◆ Limbang
- ◆ Lundu
- ◆ Matang Jaya
- ◆ Mukah
- ◆ Sarikei
- ◆ Siburan
- ◆ Simpang Tiga Kuching
- ◆ Sungai Merah, Sibul
- ◆ Tabuan Jaya
- ◆ UNISQUARE  
Kota Samarahan
- ◆ Wisma Mahmud  
Kuching

### INTERNATIONAL

#### SINGAPORE

##### Country Head: Mike Chan

##### Cecil Branch

Ground Floor 90 Cecil Street  
Singapore 069531  
Tel : 65 6320 0602/0603  
Fax : 65 6225 5296

#### Branches

- ◆ Bukit Timah
- ◆ Geylang
- ◆ Jalan Besar
- ◆ Katong
- ◆ Tai Seng Street
- ◆ Westgate Mall

#### LAOS

##### Country Head:

##### Danny Ling Chii Hian

##### Vientiane

Unit No. 01, House No. 008  
Kaysone Phomvihane Road  
Phonxay Village, Vientiane, Lao PDR  
Tel : 856 2145 5118/5119  
Fax : 856 21455112

#### Branch

- ◆ Sithan Nuea

#### THAILAND

##### Country Head: Wong Kee Poh

##### Bangkok

15th & 18th Floor, M. Thai Tower  
All Seasons Place  
87 Wireless Road Pathumwan  
Lumpini, Bangkok, 10330 Thailand  
Tel : 662 126 8600  
Fax : 662 126 8601/8602

#### Branches

- ◆ Ayutthaya
- ◆ Sri Racha

#### VIETNAM

##### Chief Representative: Wilson Cheah Hui Pin

##### Ho Chi Minh City

Room 1208, 14th Floor, Sunwah Tower  
115 Nguyen Hue, Dist 1  
Ho Chi Minh City, Vietnam  
Tel : 848 3827 8498  
Fax : 848 3827 8499

## COMMERCIAL BANKING

### INTERNATIONAL

#### CAMBODIA

**Country Head: Lim Loong Seng**

##### Phnom Penh

No. 263  
Ang Duong Street (St. 110)  
Phnom Penh, Cambodia  
Tel : 855 23 992 833  
Fax : 855 23 991 822

#### Phnom Penh Branches

- ◆ Phnom Penh Main Office
- ◆ Boeng Keng Kang
- ◆ City Mall Olympic
- ◆ Kbal Thnal
- ◆ Mao Tse Tung
- ◆ Pet Lok Song
- ◆ Stoeung Meanchey
- ◆ Toul Kork

#### Provincial Branches

- ◆ Battambang
- ◆ Kampong Cham
- ◆ Preah Sihanouk
- ◆ Siem Reap

#### MYANMAR

**Chief Representative: Wilson Cheah Hui Pin**

##### RHB Bank Berhad

#411, 412, 415 Level 4, Strand Square  
No.53, Strand Road, 6 Story Offices BLD  
Pabedan Township, Yangon  
The Republic of the Union of Myanmar

#### BRUNEI

**Country Head: Ishak Othman**

##### Bandar Seri Bagawan

Unit G 02, Ground Floor, Block D  
Yayasan Sultan Haji Hassanal Bolkih Complex  
Jalan Pretty, Bandar Seri Begawan  
BS 8711, Brunei Darussalam  
Tel : 673 222 2515/2516  
Fax : 673 223 7487/3687

## INVESTMENT BANKING

### MALAYSIA

#### CENTRAL REGION 1

##### Principal Office

Level 5, Tower One  
RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 603 9287 3888  
Fax : 603 9284 8053

#### Branches

- ◆ Bentong
- ◆ Kepong
- ◆ Pandan Indah
- ◆ Seri Petaling

#### EAST COAST REGION

##### Supervisory Office

##### Kuantan

B32 & B34  
Lorong Tun Ismail 8  
Seri Dagangan II  
25000 Kuantan, Pahang  
Tel : 609 517 3811  
Fax : 609 517 3911

#### Branches

- ◆ Kota Bharu
- ◆ Kuala Terengganu

#### CENTRAL REGION 2

##### Supervisory Office

##### SS2, Petaling Jaya

24, 24M, 24A, 26M, 28M  
28A, 30, 30M & 30A  
Jalan SS2/63  
47300 Petaling Jaya, Selangor  
Tel : 603 7873 6366  
Fax : 603 7873 6566

#### Branches

- ◆ Kajang
- ◆ Klang
- ◆ Rawang
- ◆ USJ Taipan

#### NORTHERN REGION 1

##### Supervisory Office

##### Penang

No. 64 & 64-D  
Tingkat Bawah – Tingkat 3  
& Tingkat 5 – Tingkat 8  
Lebuh Bishop, 10200 Pulau Pinang  
Tel : 604 263 4222  
Fax : 604 262 2299

#### Branches

- ◆ Bayan Baru
- ◆ Parit Buntar

## INVESTMENT BANKING

### MALAYSIA

#### NORTHERN REGION 2 Supervisory Office

##### Butterworth

Aras Bawah, 1 & 2  
2677, Jalan Chain Ferry  
Taman Inderawasih  
13600 Prai Pulau Pinang  
Tel : 604 390 0022  
Fax : 604 390 0023

#### Branches

- ◆ Alor Setar
- ◆ Bukit Mertajam
- ◆ Sungai Petani

#### SOUTHERN REGION 3 Supervisory Office

##### Malacca

579, 580 dan 581  
Taman Melaka Raya  
75000 Melaka  
Tel : 606 282 5211  
Fax : 606 284 4871

#### Branches

- ◆ Port Dickson
- ◆ Segamat
- ◆ Seremban

#### NORTHERN REGION 3 Supervisory Office

##### Ipoh

21-25, Jalan Seenivasagam  
Greentown  
30450 Ipoh  
Perak Darul Ridzuan  
Tel : 605 241 5100  
Fax : 605 255 3903

#### Branches

- ◆ Cameron Highlands
- ◆ Kampar
- ◆ Sitiawan
- ◆ Taiping
- ◆ Teluk Intan

#### SABAH REGION Supervisory Office

##### Kota Kinabalu

2nd Floor  
81 & 83 Jalan Gaya  
88000 Kota Kinabalu, Sabah  
Tel : 6088 269 788  
Fax : 6088 260 910

#### SOUTHERN REGION 1 Supervisory Office

##### Johor Bahru

Tingkat 6  
Wisma Tiong-Hua  
8, Jalan Keris  
Taman Sri Tebrau  
80050 Johor Bahru, Johor  
Tel : 607 278 8821  
Fax : 607 278 8011

#### Branches

- ◆ Kulai
- ◆ Sutera Utama
- ◆ Taman Molek

#### SARAWAK REGION Supervisory Office

##### Kuching

Yung Kong Abell  
Units No, 1-10, 2nd Floor  
Lot 365, Section 50  
Jalan Abell  
93100 Kuching, Sarawak  
Tel : 6082 250 888  
Fax : 6082 250 868

#### Branches

- ◆ Bintulu
- ◆ Miri
- ◆ Sibiu

#### SOUTHERN REGION 2 Supervisory Office

##### Batu Pahat

53, 53-A dan 53-B  
Jalan Sultanah  
83000 Batu Pahat, Johor  
Tel : 607 438 0288  
Fax : 607 438 0277

#### Branches

- ◆ Kluang
- ◆ Muar

## INVESTMENT BANKING

### INTERNATIONAL

#### SINGAPORE

**Chief Executive Officer:**  
**Kenneth Yeoh**

RHB Securities Singapore Pte. Ltd.  
10 Collyer Quay, #09-08  
Ocean Financial Centre  
Singapore 049315  
Tel : 65 6533 1818  
Fax : 65 6532 6211

#### HONG KONG

**Chief Executive Officer:**  
**William Wu**

RHB Securities Hong Kong Limited  
12/F, World-Wide House  
19 Des Voeux Road Central  
Hong Kong  
Tel : 852 2525 1118  
Fax : 852 2810 0908

#### CHINA

**Chief Executive Officer:**  
**William Wu**

RHB (China) Investment Advisory Co Ltd  
Suites 4005, 40/F, CITIC Square  
1168 Nanjing West Road  
Shanghai 200041, China  
Tel : 8621 6288 9611  
Fax : 8621 6288 9633

#### INDONESIA

**Chief Executive Officer:**  
**Chan Kong Ming**

PT RHB Securities Indonesia  
Wisma Mulia, 20th Floor  
Jl. Jend. Gatot Subroto No. 42  
Jakarta 12710, Indonesia  
Tel : 6221 2783 0888  
Fax : 6221 2783 0777

#### Branches

- ◆ Alam Sutera
- ◆ Bandung
- ◆ Kelapa Gading
- ◆ Makassar
- ◆ Malang
- ◆ Medan
- ◆ Mega Pluit
- ◆ Palembang
- ◆ Pekanbaru
- ◆ Puri
- ◆ Solo
- ◆ Surabaya Bukit Darmo
- ◆ Surabaya Kertajaya

#### THAILAND

**Chief Executive Officer:**  
**Tharatporn Techakitkachorn**

RHB Securities (Thailand) PCL  
8th, 10th Floor  
Sathorn Square Office Tower  
98 North Sathorn Road  
Silom, Bangrak  
Bangkok 10500, Thailand  
Tel : 662 862 9999  
Fax : 662 108 0999

#### Branches

- ◆ Amarin
- ◆ Chachoengsao
- ◆ Chiangmai
- ◆ Hadyai
- ◆ Juti Anusorn
- ◆ Pakin
- ◆ Pinklao
- ◆ Silom
- ◆ Vibhavadi Rangsit

## ASSET MANAGEMENT

### MALAYSIA

**RHB Asset Management Sdn Bhd**  
Level 8, Tower 2 & 3 RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Malaysia  
Tel : 603 9205 8000  
Email : rhbam@rhbgroupp.com

### Branches

- ◆ Batu Pahat
- ◆ Ipoh
- ◆ Johor Bharu
- ◆ Kota Bharu
- ◆ Kota Kinabalu
- ◆ Kuala Lumpur
- ◆ Kuantan
- ◆ Kuching
- ◆ Melaka
- ◆ Miri
- ◆ Penang
- ◆ Sri Petaling

### RHB Islamic International Asset

Level 8, Tower 2 & 3 RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Malaysia  
Tel : 603 9205 8000  
Email : rhbam.islamic@rhbgroupp.com

### INDONESIA

**PT RHB Asset Management**  
Wisma Mulia, 20th Floor  
Jalan Jenderal Gatot Subroto No. 42  
Jakarta 12710, Indonesia  
Tel : 6221 2783 0889  
Email : rhbam.id@rhbgroupp.com

### SINGAPORE

**RHB Asset Management Pte Ltd**  
10 Collyer Quay  
#09-08 Ocean Financial Centre  
049315 Singapore  
Tel : 65 6323 2508  
Email : rhbam.sg@rhbgroupp.com

### HONG KONG

**RHB Asset Management Ltd**  
12/F, World-Wide House  
19 Des Voeux Road Central  
Hong Kong  
Tel : 852 2103 9420  
Email : rhbam.hk@rhbgroupp.com

## TRUSTEES

### MALAYSIA

**RHB Trustees Berhad**  
Level 11, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Malaysia  
Tel : 603 9280 8799  
Fax : 603 9280 8796

**Malaysian Trustees Berhad**  
Level 11, Tower 1  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Malaysia  
Tel : 603 9280 8766  
Fax : 603 9280 8767

## INSURANCE

### MALAYSIA

**Head Office**  
Level 12, West Wing, The Icon  
No. 1, Jalan 1/68F  
Jalan Tun Razak  
55000 Kuala Lumpur  
Malaysia  
Tel : 603 2180 3000  
Fax : 603 9281 2729

## ISLAMIC BANKING

### MALAYSIA

**KUALA LUMPUR**  
No. 19A-1-1 & 19A-1-2  
Level 1 UOA Centre  
No. 19 Jalan Pinang  
50450 Kuala Lumpur  
Tel : 603 9206 8118  
Fax : 603 2161 0599

### Cawangan

- ◆ Cawangan Utama Kuala Lumpur
- ◆ Jalan Raja Laut
- ◆ Bandar Baru Bangi
- ◆ Kelana Jaya
- ◆ Laman Seri, Shah Alam
- ◆ Auto City, Prai
- ◆ Sungai Petani
- ◆ Kubang Kerian
- ◆ Kuala Terengganu
- ◆ Taman Flora Utama, Batu Pahat
- ◆ Taman Setia Tropika, Johor Bahru
- ◆ Jalan Satok, Kuching



# NOTICE OF FIFTY FIRST ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fifty First (“51st”) Annual General Meeting (“AGM”) of the Company will be held at Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 26 April 2017 at 10.30 a.m. to transact the following businesses:

## AGENDA

### AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors’ and Auditors’ Reports thereon.
2. To approve a single-tier final dividend of 7 sen per share in respect of the financial year ended 31 December 2016.
3. To re-elect YBhg Tan Sri Azlan Zainol, who is retiring under Article 92 of the Company’s Articles of Association and being eligible, offers himself for re-election.
4. To re-elect Mr Ong Seng Pheow, who is retiring under Article 92 of the Company’s Articles of Association and being eligible, offers himself for re-election.
5. To re-elect YBhg Tan Sri Dr Rebecca Fatima Sta Maria, who is retiring under Article 96 of the Company’s Articles of Association and being eligible, offers herself for re-election.
6. To re-elect YBhg Tan Sri Saw Choo Boon, who is retiring under Article 96 of the Company’s Articles of Association and being eligible, offers himself for re-election.
7. To approve the payment of Directors’ fees and Board Committees’ allowances amounting to RM1,577,841.54 for the financial year ended 31 December 2016.
8. To approve the payment of Directors’ remuneration (excluding Directors’ fees and Board Committees’ allowances) to the Non-Executive Directors up to an amount of RM1.3 million, from 31 January 2017 until the next AGM of the Company.
9. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company, to hold office until the conclusion of the next AGM of the Company, at a remuneration to be determined by the Directors.

**(Please refer to Explanatory Note 1)**

**Ordinary Resolution 1**

**Ordinary Resolution 2**

**Ordinary Resolution 3**

**Ordinary Resolution 4**

**Ordinary Resolution 5**

**Ordinary Resolution 6**

**Ordinary Resolution 7**

**Ordinary Resolution 8**

### AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following ordinary resolutions:

10. Retention of Independent Non-Executive Director

“THAT pursuant to the Guidelines on Tenure of Appointment/Re-Appointment of Non-Executive Directors for RHB Banking Group and in line with the recommendations of the Malaysian Code on Corporate Governance 2012, Mr Ong Seng Pheow be and is hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

**Ordinary Resolution 9**

**Ordinary Resolution 10**

## 11. Authority for Directors to issue shares

“THAT subject always to the Companies Act 2016, the Company’s Articles of Association and approval of the relevant government/regulatory authorities, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company for the time being.”

## 12. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company’s Articles of Association.

By Order of the Board,

**Azman Shah Md Yaman (LS 0006901)**  
**Ivy Chin So Ching (MAICSA No. 7028292)**  
 Company Secretaries

Kuala Lumpur  
 28 March 2017

**NOTES:****Appointment of Proxy**

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 April 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 51st AGM.
- A member of the Company entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a member of the Company.
- The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.
- If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”), it may appoint at least one (1) proxy in respect of each Securities Account which is credited with ordinary shares of the Company.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- The Form of Proxy or other instruments of appointment must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd, at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

## Explanatory Notes

### 1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2016

Item 1 of the Agenda is meant for discussion only, as the provision of Section 340(1) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

### 2. Ordinary Resolution 7 – Payment of Directors’ Remuneration (excluding Directors’ fees and Board Committees’ allowances) to the Non-Executive Directors

The proposed Directors’ Remuneration (excluding Directors’ fees and Board Committees’ allowances) comprises the allowances and other emoluments payable to Non-Executive Directors. The current remuneration policy is as set out below:

Description	Non-Executive Chairman RM	Non-Executive Directors RM
1 Monthly Fixed Allowance <sup>(a)</sup>	15,000	Not Applicable
2 Meeting Allowance (per meeting):		
Board of RHB Bank Berhad	1,500	1,500
Board Committees <sup>(b)</sup>	1,500	1,500
3 On-Going Recognition & Appreciation Service Award Scheme <sup>(c)</sup> (Discontinued with effect from 1 January 2017)	–	4,180.32 (Balance of unclaimed entitlement)
4 Farewell Pot Scheme <sup>(d)</sup> (per annum) (Established with effect from 1 January 2017)	2,000	2,000
5 Other Benefits: Club membership, driver, car and petrol allowance, etc.		

#### Notes:

(a) The monthly fixed allowance is given to the Chairman of RHB Bank Berhad (“RHB Bank”) as a Special Allowance, in recognition of the significant roles in leadership and oversight, and the wide-ranging scope of responsibilities expected of him.

(b) The abovementioned Board Committees are Centralised Committees which are shared by RHB Bank and its relevant subsidiaries of the Group.

(c) The On-Going Recognition & Appreciation Service Award Scheme is part of the Group’s reward to Non-Executive Directors on their on-going contribution as well as for Directors’ retention purpose. The quantum of the said scheme is RM10,000 per Non-Executive Director per annum. It is non-cashable and based on reimbursement approach. The above

scheme was discontinued and being replaced by “Farewell Pot Scheme” for all Non-Executive Directors effective 1 January 2017. The Non-Executive Directors, however, are still eligible to submit their claims under the On-Going Recognition & Appreciation Service Award Scheme for the period from 1 January 2014 until 31 December 2016, by June 2017.

(d) Pursuant to “Farewell Pot Scheme”, an amount of RM2,000 is to be potted annually for every Non-Executive Director for the whole duration of the calendar year he serves within the Group. A farewell gift will be granted to Non-Executive Director upon his exit from the Group, either upon retirement or resignation. The value of the said gift is determined based on his entitlement of monetary value accumulated in the pot.

# NOTICE OF FIFTY FIRST ANNUAL GENERAL MEETING

The Group Managing Director/Chief Executive Officer does not receive any Directors' remuneration.

In determining the estimated total amount of remuneration (excluding Directors' fees and Board Committees' allowances) for the Non-Executive Directors including the Non-Executive Chairman of the Board of RHB Bank, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Non-Executive Directors involved in these meetings. The estimated amount of RM1.3 million for the Relevant Period is derived from a total of RMO.9 million for the financial period from 31 January 2017 to 31 December 2017 and half of the said amount estimated to be RMO.4 million for the period from 1 January 2018 until the next AGM targeted in June 2018.

Payment of the Non-Executive Directors' remuneration (excluding Directors' fees and Board Committees' allowances) will be made by the Company on a monthly basis and/or as and when incurred, if the Ordinary Resolution 7 has been passed at the 51st AGM. The Board is of the view that it is just and equitable for the Non-Executive Directors to be paid the Directors' remuneration (excluding Directors' fees and Board Committees' allowances) on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

### 3. Ordinary Resolution 9 – Retention of Independent Non-Executive Director

Mr Ong Seng Pheow (“Mr Ong”) is an Independent Non-Executive Director (“INED”) of the Company. Pursuant to the Guidelines on Tenure of Appointment/Re-Appointment of Non-Executive Directors for RHB Banking Group and in line with the recommendations of the Malaysian Code on Corporate Governance 2012, the service tenure of an INED should not exceed a consecutive or cumulative term of 9 years. Upon completion of the 9 years, an Independent Director shall retire at the next AGM of the company concerned, otherwise, the Board must justify and seek shareholders' approval in the event it retains as an INED, a person who has served in that capacity for more than 9 years. The tenure will commence from the date of his appointment as an INED in the Group. Mr Ong was first appointed as an INED in the Group in November 2006 and would therefore be regarded as having served for more than 9 years.

Based on the Board Nominating & Remuneration Committee's assessment, the Board has recommended that Mr Ong continues to act as an INED of the Company on the following basis:

- (i) he continues to be able to exercise independent judgement and demonstrate objectivity in his deliberations in the best interest of the Company;
- (ii) he has detailed knowledge of the business and has proven commitment, experience and competency to effectively advise and oversee the management of the Company; and
- (iii) he has met the criteria for independence as defined in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board is therefore of the view that the retention of Mr Ong as an INED of the Company is in the best interest of the Company and recommends that you vote in favour of this resolution.

### 4. Ordinary Resolution 10 – Authority for Directors to Issue Shares

The proposed Ordinary Resolution 10 is a new general mandate to the Directors of RHB Bank to issue ordinary shares of the Company from time to time pursuant to Sections 75 and 76 of the Companies Act 2016. The resolution, if passed, will give powers to the Directors of RHB Bank to issue ordinary shares in the capital of the Company provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being (“General Mandate”), without having to convene a general meeting. The General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new shares and to avoid delay and cost in convening general meetings to approve such issue of shares. In any event, the exercise of the mandate is only to be undertaken if the Board considers it to be in the best interest of the Company.

#### Statement Accompanying Notice of 51st Annual General Meeting

Additional information pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is set out in Annexure A to RHB Bank Berhad's Annual Report 2016.

# STATEMENT ACCOMPANYING NOTICE OF 51ST ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

(i) Further details of individual who is standing for re-election as Director as per Agenda 3 of the Notice of 51st AGM:

## Ordinary Resolution 2

Name of Director	<b>Tan Sri Azlan Zainol</b> Non-Independent Non-Executive Chairman
Nationality/Age	Malaysian/66
Gender	Male
Academic/Professional Qualifications	<ol style="list-style-type: none"> <li>1) Fellow of the Institute of Chartered Accountants in England and Wales</li> <li>2) Member of the Malaysian Institute of Accountants</li> <li>3) Member of the Malaysian Institute of Certified Public Accountants</li> <li>4) Fellow of Asian Institute of Chartered Bankers</li> </ol>
Working Experience	He was previously the Chief Executive Officer of the Employees Provident Fund Board until his retirement in April 2013. He has more than 30 years of experience in the financial sector, having served as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.
Other Directorships in Public Companies	<p><b>Listed Issuers:</b></p> <ol style="list-style-type: none"> <li>1) Malaysian Resources Corporation Berhad (Chairman)</li> <li>2) Kuala Lumpur Kepong Berhad</li> <li>3) Jardine Cycle &amp; Carriage Limited (Singapore)</li> </ol> <p><b>Other Public Companies:</b></p> <ol style="list-style-type: none"> <li>1) RHB Investment Bank Berhad (Chairman)</li> <li>2) Eco World International Berhad (Chairman)</li> <li>3) Yayasan Astro Kasih (Chairman)</li> <li>4) OSK Foundation</li> <li>5) RHB Capital Berhad (In Member's Voluntary Winding Up)</li> <li>6) Rashid Hussain Berhad (In Member's Voluntary Winding Up)</li> <li>7) Financial Reporting Foundation</li> </ol>



- (ii) Further details of individual who is standing for re-election as Director and retention as Independent Non-Executive Director as per Agenda 4 and 10, respectively of the Notice of 51st AGM:

#### Ordinary Resolution 3 and 9

Name of Director	<b>Ong Seng Pheow</b> Independent Non-Executive Director
Nationality/Age	Malaysian/68
Gender	Male
Academic/Professional Qualifications	1) Member of the Malaysian Institute of Certified Public Accountants (“MICPA”) 2) Member of the Malaysian Institute of Accountants
Working Experience	He has over 34 years of audit and accounting experience. He was a partner of Ernst & Young from 1984 to 2003. His last held position in Ernst & Young was as the National Director of Assurance and Advisory Business Services. He also served on committees and working groups of MICPA.
Other Directorships in Public Companies	<p><b>Listed Issuers:</b></p> <ol style="list-style-type: none"> <li>1) Daiman Development Berhad</li> <li>2) LCTH Corporation Berhad</li> <li>3) George Kent (Malaysia) Berhad</li> </ol> <p><b>Other Public Companies:</b></p> <ol style="list-style-type: none"> <li>1) RHB Insurance Berhad (Chairman)</li> <li>2) HELP International Corporation Berhad</li> <li>3) RHB Indochina Bank Limited (Chairman)</li> <li>4) RHB Indochina Securities PLc (Chairman)</li> <li>5) RHB Bank Lao Limited (Chairman)</li> </ol>

(iii) Further details of individual who is standing for re-election as Director as per Agenda 5 of the Notice of 51st AGM:

**Ordinary Resolution 4**

Name of Director	<b>Tan Sri Dr Rebecca Fatima Sta Maria</b> Independent Non-Executive Director
Nationality/Age	Malaysian/59
Gender	Female
Academic/Professional Qualifications	<ol style="list-style-type: none"> <li>1) Bachelor of Arts (Honours) in English Literature from University of Malaya</li> <li>2) Diploma in Public Administration from National Institute of Public Administration (“INTAN”)</li> <li>3) M.S. in Counselling from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia)</li> <li>4) Ph.D from University of Georgia in Athens, USA</li> </ol>
Working Experience	<p>She was previously the Secretary General of the Ministry of International Trade and Industry (“MITI”). She began her career in the Administrative and Diplomatic Service in 1981 and served in various capacities in the then Ministry of Trade and Industry. In 1988, she was seconded to the ASEAN Plant Quarantine and Training Centre as its Chief Administration and Procurement Officer. She also served as the Senior Project Coordinator at the Leadership Centre, INTAN from 2000 to 2002. She also served at various divisions in MITI namely, Senior Director of the Investment Policy Division, Director of the Investment Policy and Manufacturing Related Services Division and Director of the Strategic Planning Division before she became the MITI Deputy Secretary General of Trade. She was then involved in handling trade related matters of the Ministry, including administering Malaysia’s interests under bilateral and regional Free Trade Agreements (FTAs), as well as Malaysia’s engagements in various international organisations such as ASEAN, APEC and WTO. After 35 years in civil service, serving six trade ministers and overseeing twelve trade pacts, she retired as the Secretary General of the MITI in July 2016.</p>
Other Directorships in Public Companies	<p><b>Listed Issuers:</b></p> <ol style="list-style-type: none"> <li>1) Sunway Construction Group Berhad</li> <li>2) Hartalega Holdings Berhad</li> <li>3) Lafarge Malaysia Berhad</li> </ol> <p><b>Other Public Companies:</b></p> <ol style="list-style-type: none"> <li>1) RHB Investment Bank Berhad</li> </ol>

## STATEMENT ACCOMPANYING NOTICE OF 51ST ANNUAL GENERAL MEETING

(iv) Further details of individual who is standing for re-election as Director as per Agenda 6 of the Notice of 51st AGM:

### Ordinary Resolution 5

Name of Director	<b>Tan Sri Saw Choo Boon</b> Senior Independent Non-Executive Director
Nationality/Age	Malaysian/70
Gender	Male
Academic/Professional Qualifications	Bachelor of Science (Chemistry) from the University of Malaya
Working Experience	<p>He joined Shell in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Berhad. He then served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and Netherlands. In 1996, he was appointed Managing Director of Shell MDS (Malaysia) Sendirian Berhad. In 1998 – 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia and Managing Director of Shell Refining Company (Federation of Malaya) Berhad. In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice-President of the commercial business in the Asia-Pacific region and in 2004, he became the President of Shell Oil Product East. In 2005, he assumed the role of Vice-President Global Marine Products.</p> <p>He was appointed the Chairman of Shell Malaysia on 1 March 2006. He was also the Vice-President Business Development Asia Pacific responsible for developing the commercial businesses in new market entries in Asia – China, India, Indonesia and Vietnam. From 1 January 2010, he was appointed the Senior Advisor of Shell Malaysia until his retirement on 30 June 2010.</p>
Other Directorships in Public Companies	<p><b>Listed Issuers:</b></p> <ol style="list-style-type: none"> <li>1) Digi.Com Berhad</li> <li>2) Ranhill Holdings Berhad</li> </ol> <p><b>Other Public Companies:</b></p> <ol style="list-style-type: none"> <li>1) Phoenix Petroleum (M) Berhad</li> <li>2) RHB Capital Berhad (In Member's Voluntary Winding Up)</li> </ol> <p>He also serves on the Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH) as the Co-Chair, and the Socio-Economic Research Centre (SERC) Board of the Associated Chinese Chambers of Commerce and Industry Malaysia. He was also the Immediate Past President of Federation of Malaysian Manufacturers (FMM) Council.</p>

(v) Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of RHB Bank Berhad, have no conflict of interests with RHB Bank Berhad and have not been convicted of any offence within the past 10 years.

(vi) The Directors' direct and indirect interests in the securities of the Company as at 14 February 2017:

Name of Directors	Direct Interest		Indirect Interest	
	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Tan Sri Azlan Zainol	-	-	-	-
Tan Sri Saw Choo Boon	-	-	-	-
Ong Seng Pheow	-	-	-	-
Abdul Aziz Peru Mohamed	-	-	-	-
Tan Sri Ong Leong Huat @ Wong Joo Hwa	-	-	406,202,949 <sup>1</sup>	10.13
Mohamed Ali Ismaeil Ali Alfahim	-	-	-	-
Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	-	-	-	-
Tan Sri Dr Rebecca Fatima Sta Maria	-	-	-	-
Dato' Khairussaleh Ramli	-	-	-	-

*Note:*

<sup>1</sup> Deemed interested pursuant to Sections 8(4) and 59 of the Companies Act 2016 by virtue of shares held through OSK Holdings Berhad and his family members.



**RHB Bank Berhad**  
 (Company No. 6171-M)  
 (Incorporated in Malaysia under the then  
 Companies Ordinances, 1940 – 1946)

# PROXY FORM

No. of Ordinary Shares held

CDS Account No.

I/We \_\_\_\_\_ NRIC/Passport/Company No. \_\_\_\_\_  
 (Name in block letters)

of \_\_\_\_\_  
 (Full address)

being a member of **RHB BANK BERHAD** hereby appoint:

Name \_\_\_\_\_ NRIC No. (Mandatory) \_\_\_\_\_  
 (Name in block letters)

of \_\_\_\_\_  
 (Full address)

and/or\*

Name \_\_\_\_\_ NRIC No. (Mandatory) \_\_\_\_\_  
 (Name in block letters)

of \_\_\_\_\_  
 (Full address)

or failing him/her, the CHAIRMAN OF THE MEETING, as my/our\* proxy to vote for me/us\* and on my/our\* behalf at the Fifty First (51st) Annual General Meeting of the Company to be held at Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 26 April 2017 at 10.30 a.m. or at any adjournment thereof.

The proportion of my/our\* holding to be represented by my/our\* proxies are as follows:

**First Proxy (1)**

**Second Proxy (2)**

My/Our proxy\* is to vote as indicated below:

	Resolutions	For	Against
<b>Ordinary Resolution 1</b>	To approve a single-tier final dividend of 7 sen per share in respect of the financial year ended 31 December 2016.		
<b>Ordinary Resolution 2</b>	To re-elect YBhg Tan Sri Azlan Zainol as Director.		
<b>Ordinary Resolution 3</b>	To re-elect Mr Ong Seng Pheow as Director.		
<b>Ordinary Resolution 4</b>	To re-elect YBhg Tan Sri Dr Rebecca Fatima Sta Maria as Director.		
<b>Ordinary Resolution 5</b>	To re-elect YBhg Tan Sri Saw Choo Boon as Director.		
<b>Ordinary Resolution 6</b>	To approve the payment of Directors' fees and Board Committees' allowances amounting to RM1,577,841.54 for the Non-Executive Directors for the financial year ended 31 December 2016.		
<b>Ordinary Resolution 7</b>	To approve the payment of Directors' remuneration (excluding Directors' fees and Board Committees' allowances) to the Non-Executive Directors up to an amount of RM1.3 million, from 31 January 2017 until the next Annual General Meeting of the Company.		
<b>Ordinary Resolution 8</b>	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.		
<b>Ordinary Resolution 9</b>	To retain Mr Ong Seng Pheow as Independent Non-Executive Director.		
<b>Ordinary Resolution 10</b>	To authorise the Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		

(Please indicate with an "X" in the spaces provided above as to how you wish to cast your vote. If no specific directions as to voting are given, the proxy shall vote or abstain from voting at his/her full discretion.)

Dated \_\_\_\_\_, 2017.

\_\_\_\_\_  
 Signature  
 (If shareholder is a corporation, this part  
 should be executed under seal)

\* Delete if not applicable



**Notes:**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 April 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 51st Annual General Meeting (“AGM”).
2. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint up to two (2) proxies to attend and vote in his place. A proxy may but need not be a member of the Company.
3. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its attorney duly authorised in writing.
4. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
5. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”), it may appoint at least one (1) proxy in respect of each Securities Account which is credited with ordinary shares of the Company.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
7. The Form of Proxy or other instruments of appointment must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd, at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
8. Shareholders’ and proxies’ registration will start at 8.30 a.m. and will end at a time as directed by the Chairman of the meeting. At the closure thereof, no person will be allowed to register for the meeting or enter the meeting venue and no wrist tag will be allocated.

PLEASE FOLD HERE

Postage  
Stamp

The Share Registrar of **RHB BANK BERHAD**  
SYMPHONY SHARE REGISTRARS SDN BHD  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor

PLEASE FOLD HERE

**RHB Bank Berhad** (6171-M)

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Tel : 603-9287 8888 Fax : 603-9281 9314

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