



OUR WAY FORWARD



ANNUAL REPORT 2017



RHB BANK BERHAD

OUR WAY FORWARD

Having gained tremendous traction and momentum in our transformation journey, our way forward is guided by an enhanced set of strategies that will strengthen our core competencies and drive our performance. To propel our way forward, we have charted a 5-year strategy known as “FIT22” comprising 22 initiatives, driven by three key pillars, namely:

- **F**und our Journey
- **I**ntest to Win
- **T**ransform for Success

Under this strategic plan, our priorities will be to strengthen Malaysia as our core and win in our targeted segments, focus on our niche and strengths overseas while we explore partnerships, and build a winning operating model.

While scale effects are still important, we aim to differentiate ourselves and win through Digital initiatives, customer intimacy and an Agile way of working.

In driving digitalisation, we aim to strengthen our digital capabilities by introducing market-leading features and providing superior customer experiences. Our customers are our priority, therefore we are constantly enhancing our product and service offering to deliver customised innovative solutions. We are adopting the Agile way of working which is a working culture that brings together key resources from multiple disciplines to achieve common goals and to reimagine customer journeys to deliver superior performance by responding to the market faster while increasing productivity customer centricity and new talent acquisition and development.



**AGILITY:
MANAGING
CHANGE**

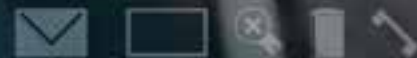


ACCELERATING GROWTH THROUGH INNOVATION

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

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 support a simple, fast and seamless banking experience for our customers as well as fuelling business growth for the organisation.

We are committed to creating sustainable value and making a positive impact for our shareholders, customers, employees and other stakeholders.





Achievements



Innovative Solutions

Target Growth



Distribution Channel



Sep

Oct

Nov

Dec

ABOUT OUR REPORT

As a leading multinational financial services provider, RHB Banking Group (RHB) is driven by its commitment to deliver superior customer experiences with its innovative and versatile suite of financial products and services. With operations across 9 countries in the ASEAN region and Hong Kong/China, RHB offers its customers a strong anchor in financial management and investments. Our Annual Report provides our shareholders and all other stakeholders a comprehensive overview of our business and operations and the results delivered. Through the Annual Report, RHB engages our shareholders and all other stakeholders and shares with them our strategic thrusts and our progress.



We welcome feedback on this report. Please address any questions, comments or suggestions to corporate.communications@rhbgroup.com

Reporting Score and Boundaries

RHB Banking Group's Annual Report is produced and published annually. For 2018, the report covers the financial period between 1 January 2017 and 31 December 2017. It informs our shareholders and all other stakeholders on our progress and performance over the past year in all geographical locations in which we operate. The report also shares our strategic plans for the year ahead.

This report offers our shareholders and all other stakeholders in-depth details on our financial and non-financial performance in 2017 and highlights the significant milestones and achievements throughout the past year. In addition to that, the report also contains RHB's outlook, targets and objectives for the short and medium to long term.

Our strategic thrusts are reflected in our targets and key performance indicators spanning both financial and non-financial performance as well as strategy, risks and how we deliver value to our stakeholders.

Our report offers our stakeholders insights and information to guide their investment and business decisions.

Throughout the preparation of this report, we have adhered to the stringent requirements of local and international statutory and reporting frameworks, including those of Bursa Malaysia.

Materiality Determination

Throughout the years, our Annual Reports have always aimed to present our stakeholders with an accurate and balanced assessment of our strategy, performance, governance and prospects.

Our report also takes into consideration all material matters that affect the economic and social landscape in the geographical areas in which we operate.



Our Report provides cross-references to our suite of reporting publications:

AR

Annual Report

Our annual report is issued in accordance with the Bursa Main Market Listing requirements.

FR

Financial Report

The financial statements and remuneration report are prepared in accordance with International Financial Reporting Standards, together with the report of the Audit Committee.

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52nd Annual General Meeting
For RHB Bank Berhad

Refer to pages 264 to 270 for Annual General Meeting Information

 **WHERE** Taming Sari Ballroom
Level G, Royale Chulan Kuala Lumpur
5 Jalan Conlay, 50450 Kuala Lumpur

 **WHEN** 25 April 2018 (Wednesday)

 **TIME** 10.30 a.m.

Feedback

We need your feedback to make sure we are covering the things that matter to you. Email us at corporate.communications@rhbgroup.com.

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264 Notice of Fifty Second Annual General Meeting



PDF Version

These reports are available on our website

www.rhbgroup.com

Contact details are on page 270



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ATM

RHB Now Internet Banking

fulfil all your banking needs easily with the fast, simple & seamless RHB Now Internet & Mobile Banking Service.
 Enter your balance, transfer funds, pay bills, etc. with this service.



Download
RHB Now Mobile Banking App today!

The app that makes money matters even easier than before.



More Uses

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DRIVING OPERATIONAL EXCELLENCE

We remain focused on increasing efficiency, competitiveness, performance and delivering long-term sustainable value to our shareholders, customers and all other stakeholders. Rapid innovation, investments in our digital capability and embracing agility in our way of working will further increase our ability to deliver a simple, fast and seamless experience to our customers.

A man in a dark suit and glasses stands with his arms crossed in a modern office. In the background, there is a large sign that reads "Digital RHB".

DEAR SHAREHOLDERS,

As I write this statement, the year 2018 has just begun, presenting a new phase for the RHB Banking Group's ongoing journey in pursuit of our aspiration to be a leading multinational financial services provider. Our Ignite 2017 strategic transformation plan, which we introduced in 2014, has come to an end; and we are now building on achievements and strengths to take the Group to the next level. Through this strategy, we have been able to shape the Group into its current standing, boosting the Group's presence in Malaysia and the ASEAN region.

The Group developed strong capabilities and competencies to navigate the highly competitive market both locally and regionally. We have transformed our processes, our culture and our mindset to keep abreast or even emerge above the competition to attain the growth trajectory we envisage.

The Senior Management, led by our Group Managing Director, has developed a new strategic thrust to propel the Group forward. We have begun implementing various initiatives outlined. Having been involved at a strategic level in crafting this five-year plan commencing from 2018-2022, the Board is pleased with the momentum thus far, and will continue to support the management to achieve our business targets. In doing so, we will ensure that robust Risk Management and Governance frameworks are adhered to in order to reinforce the trust and confidence of shareholders and all other stakeholders in RHB Bank, and to fuel sustainable growth.

PERFORMANCE OVERVIEW

Our transformation programme not only ignited a passion to achieve targets but also harmonised our

businesses to work towards common goals. This created powerful synergies which led to very encouraging financial results. On a year-to-year basis, our SME loan growth of 8.7% exceeded the 6.3% achieved by industry. Our domestic CASA grew by 11.9%, which is higher than industry's growth of 9.4% and within the soft property market, we achieved a residential mortgage loan growth rate of 13.2%, surpassing the industry.

The Group achieved a cost-to-income ratio (CIR) of 49.9% and a 16.0% increase in net profit to RM1,950.1 million, largely driven by lower loan loss impairment and lower impairment losses on other assets, which was partially offset by lower non-fund based income and higher overheads. This allowed us to once again distribute attractive returns to our shareholders. The Board is proposing a final dividend for the financial year 2017 of 10 sen per share, amounting to RM401.0 million. Together with an interim single-tier dividend of 5 sen per share amounting to RM200.5 million paid in October, this would amount to a total dividend of 15 sen per share for the financial year ended 31 December, amounting to RM601.5 million and representing a dividend payout ratio of 30.8%, which is higher than the 28.6% in 2016. Since RHB Bank was listed on 28 June 2016, our total shareholder return (TSR) has been 10.5%.

CASA Growth

18.8%

Total Dividend

15 SEN

Per share

Dividend Payout Ratio

30.8%

Net Profit

**RM1,950.1
MILLION**



Further details on the roles of the Chairman and Group Managing Director are contained in the Corporate Governance Overview Statement on page 160.

STRENGTHENING OUR TALENT POOL

Recognising that people are our greatest assets, we have channelled significant resources into attracting, nurturing and retaining the best talents. In terms of training, we provide a diverse range of programmes targeted at different levels, culminating with the opportunity for high performers to enrol in INSEAD, the University of Chicago or Asian Business School. In addition to formal training, there is much emphasis on knowledge-sharing through initiatives such as Senior Leadership Talks and Learning Months.

As we seek to become the next-generation digital bank, our efforts today are focused on building a cadre of digital experts, and during the year we made a headstart with the establishment of a Digital Academy with the objective of training 500 Digital Leaders in three years. These Digital Leaders will not only focus on process automisation and product development but will also help to create a digital mindset and culture throughout the Bank.

SUSTAINABILITY

Sustainability is an integral part of the Group's tenets. Towards this end, we undertake materiality assessments to determine issues that are important to our stakeholders – namely our shareholders, employees, customers, service providers and the communities – and incorporate these into our strategies and decision making processes.

The Board oversees the Group's sustainability initiatives as they are closely linked with and influence our business operations. Additionally, our sustainability efforts are closely linked with our risk management framework and play a key role in creating sustainable value. We are pleased to see management place more emphasis on sustainability as well as its reporting. This year we are producing our first stand-alone sustainability report, which will provide greater disclosure on actions being undertaken. I urge you to read this report, as it would provide you a broader picture of how RHB Bank aims to integrate ourselves fully, and responsibly, into the Malaysian landscape.

COMMUNITY OUTREACH

As part of our sustainability agenda, we continue to nurture and build stronger relationships with local communities in ways that are meaningful. Most of our community programmes are carried out by RHB Foundation, which focuses on empowering the underserved and underprivileged members of the community, and promoting and preserving Malaysia's arts and cultural heritage. Through RHB Foundation, we provide children and youth with equal opportunity to realise their potential and develop into responsible citizens.

GOVERNANCE

As a custodian of public funds, we recognise our responsibility to operate in a manner that is ethical and transparent. Accordingly, we uphold the highest level of governance and stand guided by best practices in each of the countries where we operate. For the Group as a whole, we are guided by the Securities Commission's Malaysian Code on Corporate Governance (MCCG).

In 2017, the MCCG was amended to further strengthen governance in corporate Malaysia. We have acquainted ourselves with the new recommendations and are making the necessary changes to accommodate these. As an example, we plan to meet the requirement to have at least 30% women representation on the Board within the next three years. At the same time, we are pleased to report that 32% of our senior management are women. As these women become role models for others in the Group, we expect our female representation at senior levels to grow organically.

I am pleased to share that, since becoming a public listed company in 2016, we have steadily enhanced our governance, and received due recognition for it. In 2015, RHB ranked among the Top 50 ASEAN Public Listed Companies in Southeast Asia for Governance practices. The following year, we were included in the FTSE4Good Bursa Malaysia Index while also winning a silver award in the Pinnacle Group International's Global Good Governance Award for Best Governed & Transparent Company. In 2017, our silver award was upgraded to gold for improved governance and transparency. We were also the proud recipient of three awards from the Minority Shareholder Watchdog Group (MSWG) – Excellence for Corporate Governance Disclosure, and Merits for Board Diversity and the Most Improved Corporate Governance Disclosure.

The Board is proud of these achievements, yet we recognise that governance has to be constantly monitored, reviewed and improved. As guardians of RHB Bank, this will always remain a priority for us.

OUR WAY FORWARD

Throughout 2017, the Senior Management worked assiduously on developing a new roadmap to ensure RHB maintains the momentum of growth established through IGNITE 2017. The roadmap for the next five years, called FIT22, is poised to propel the Group into the future. FIT22 continues to focus on the three areas that are central to RHB Bank's sustainable success, namely our business fundamentals, digitalisation and our people. We believe that by investing in these three areas we stand in good stead to achieve our vision 2022.

ACKNOWLEDGEMENTS

Our shareholders, customers, employees and all other stakeholders have been instrumental to our achievements and continue to contribute to our ongoing journey. I would like to thank each group for their support over the years. A special note of appreciation goes to my colleagues on the Board for their time and counsel, which have been critical to building the strong governance structures we have in place today as well as for contributing towards keeping the Group on a steady keel as we progressed along our transformation journey. It is with extreme sadness we share that a member of the Group's Board and a member of the Shariah Committee passed away during the year. I would like to take this opportunity to record our immense gratitude for the services of the late Tuan Haji Md Ja'far Abdul Carrim, who was the Non-Executive Chairman of RHB Islamic Bank Berhad since 2013 and the late Professor Dr. Joni Tamkin bin Borhan, who served the Shariah Committee of RHB Islamic Bank for 12 years, from 2005.

On behalf of the Board, I would like to thank Bank Negara Malaysia, Bursa Malaysia and the Securities Commission Malaysia for their guidance and support throughout the year. I would also like to record our sincere appreciation to the Ministry of Finance and all Government bodies that have supported us directly or indirectly in our progress thus far.

Additionally, I would like to commend our Group Managing Director and Senior Management for having led the Group with great dedication. Finally, my heartfelt thanks go to all our employees for their hard work and commitment, and for igniting a special brand of RHB passion. Working together, we have come a long way. With continued collaboration, we can make great things happen.

Together We Progress



AZLAN ZAINOL

A man with grey hair and glasses, wearing a dark blue suit, white shirt, and blue tie, stands in a modern office environment. The background shows a ceiling with recessed lighting and a blurred office interior with chairs and tables.

DEAR SHAREHOLDERS,

As I reflect on our journey in 2017, I am pleased to share that we achieved double-digit growth of 14.6% in pre-tax profit in a year when the Group was very much focused on addressing challenges that shadowed us from the previous year.

2017 marked the final year of our IGNITE 2017 transformation journey, and we achieved healthy business performance. In addition, we embarked on our Digital Transformation Programme that was launched in April 2017, to propel us towards becoming a digitally-enabled customer-centric bank.

Today, RHB continues to stand tall as one of the largest fully-integrated financial services groups in Malaysia with total assets of over RM230 billion and an extensive network of more than 330 branches and offices spanning nine countries in ASEAN and Hong Kong/China, underpinned by a 14,435 strong workforce.

HEALTHY EARNINGS TRAJECTORY

For the financial year 2017, we saw income growth of 3.2% to RM6.4 billion. We also addressed asset quality challenges, resulting in a significant reduction in loan loss provisions of 28.3% year-on-year to RM426.8 million, emphasising the commitment we have placed on growing responsibly while creating value for our shareholders. These efforts resulted in a pre-tax profit of RM2.6 billion, 14.6% higher than the previous year for the Group.

We remained prudent in managing our costs in 2017. Despite a slight increase in total overheads by 2.9%, we managed to bring our cost-to-income ("CIR") ratio below the 50% threshold to 49.9%. The 2.9% increase in operating expenses was attributed to a 9.9% increase in information technology investments and a 5.4% increase in personnel costs. The Group continued its investment in human capital with enhanced staff bench strength and key senior hires, as well as in our digital transformation programme to support the Group's overall growth agenda.

MAINTAINING SOLID FUNDAMENTALS AND LEADERSHIP IN DOMESTIC MARKET

The Group's total gross loans and financing expanded by 3.7% to RM160.1 billion as at 31 December 2017. Our total domestic loans grew by 5.2% mainly due to strong performances by Retail Banking and Business Banking, that posted year-on-year growth of 8.7% and 8.6% respectively.

Gross impaired loans ratio improved from 2.43% in 2016 to 2.23% in December 2017. Deposits grew by 0.3% to RM166.2 billion as we consciously released expensive corporate deposits. However, Current and Savings Account ("CASA") balances growth exceeded expectations with an increase of 18.8%. This brings our CASA composition to 30.4% as at December 2017, compared to 25.6% last year. Continuing on the upward trajectory, shareholders' equity strengthened by 6.5% to RM23.2 billion as at December 2017.

Total Income

**RM6.4
BILLION**

Profit Before Tax

**RM2.6
BILLION**

Cost-to-income Ratio

49.9%

Group Retail Banking remained the biggest contributor to the Group's loan book, with retail loans and financing increasing by 8.7% to RM76.3 billion. This was driven by residential mortgage which outperformed industry at a growth rate of 15.8%. Overall, retail banking posted pre-tax profits of RM1,089.9 million in 2017, 3.0% higher than in the previous year.

Group Business & Transaction Banking continued to excel on the back of a strong performance in 2017, with total business banking loans and financing growing at 8.6% year-on-year. SME portfolio continued to fuel progress, achieving higher than industry growth once again at 9%. Our SME market share in Malaysia ranks in the Top 4 at 9% as at December 2017.

Group Wholesale Banking registered an increase in total income to RM2,836 million and a corresponding 23.3% increase in pre-tax profit to RM1.74 billion. While improved asset quality due to enhanced risk management was one of the contributing factors to the performance, the business as a whole experienced robust maintainable operating profit (MOP) growth of 11.9%. Our share trading business also saw its overall market share increase from 7.7% to 8.3%, emerging as the Best Retail Broker in the country. The other strong contributors to Group Wholesale Banking were Group Treasury & Global Markets ("GTGM") and Group Asset Management ("GAM"). GTGM sustained double-digit sales growth

of 19% through better customer focus and enhanced capabilities and a solid growth of more than 200% in derivatives trading income. GAM's PBT grew by 21% and 29% for its asset management and trustee management businesses respectively while retail AUM increased by 16% compared to 2016.

I am thankful that in a year peppered with distractions, we remained focused on serving our customers and growing our business, and maintained our position as one of the top investment banks in Malaysia. In 2016/2017, RHB Investment Bank (RHBIB) won 50 awards across all business areas, notably in research which once again has been ranked No.1 in multiple categories including "Best Economist", "Best Strategist Team", "Best Economist Team" and "Best Small Caps Team".

On top of the accolades awarded to RHBIB, I am very proud to share that our Investment Banking team led several landmark deals which included:

- Largest rights issue, for MRCB, which raised RM2.3 billion
- Largest debt issuance, for Edra Energy Sdn Bhd, at RM5.1 billion
- 3rd largest IPO and high performing post-listing – SerbaDinamik Holdings Berhad – RM671.7 million
- 3rd largest M&A transaction – acquisition of equity interest in Sarawak Hidro Sdn Bhd by Sarawak Energy Berhad – RM8.1 billion



The other strong contributors to Group Wholesale Banking were Group Treasury & Global Markets ("GTGM") and Group Asset Management ("GAM"). GTGM sustained double-digit sales growth of 19% through better customer focus and enhanced capabilities and a solid growth of more than 200% in derivatives trading income. GAM's PBT and AUM grew 21% and 16% respectively.



REPOSITIONING REGIONAL PRESENCE

As a multinational financial services group with a growing regional presence spanning 9 countries across the ASEAN region and Hong Kong/China, we are well positioned to benefit from the opportunities underlying the ASEAN growth story.

Group International Business, excluding Singapore, registered profit before tax of RM58.2 million, 74.8% higher than the year before. This came mainly on the back of 8.5% net interest income growth to RM137 million, largely from Laos and Thailand. Meanwhile, non-interest income registered 45.2% growth to RM26 million, contributed predominantly by Cambodia.

Our operations in Singapore did not perform well in the last two years due to external factors, i.e. a global slowdown and the decline in oil and commodity prices in late 2015. The key thing is we believe the worst is over and we are looking to grow.

As we move into 2018, we will deploy country specific plans unique to the local context to play on our strengths and capture a bigger portion of the revenue pool. Any inorganic expansion overseas will not be a focus but will be considered opportunistically.

In line with our long-term commitment to grow together with the Singapore community, we are repositioning ourselves to be the catalyst bank for entrepreneurs and to increase our mid-market and SME portfolio. The repositioning will cover several fronts, including holistic products and solutions coverage to meet the needs of entrepreneurs and strengthening our sales force.

Considering Singapore's emergence as the leading asset management hub for the region and our long-standing presence in the country, we believe it is an opportune time for us to build a private wealth management business. We believe, together with our Investment Banking and Asset Management business, we would be able to provide tailored portfolios and services to meet the needs of our customers.

Greater focus will also be placed on Cambodia and Laos to capture business and growth opportunities in Indochina. In line with the Group's aspiration of becoming a prominent regional player in niche segments, RHB Indochina Bank and RHB Lao will adopt a retail and SME-centric approach.

Total Customer Deposits

**RM166.2
BILLION**

Gross Loans

**RM160.1
BILLION**

Shareholders' Equity

**RM23.1
BILLION**

RESETTING THE FUTURE

Reflecting on our IGNITE 2017 journey, it is important to note that we had set our original targets before the global economic downturn and the decline in oil and commodities prices in late 2015. Notwithstanding that, I am pleased to share that we managed to achieve healthy business performance, encouraging cost management, and progress in Digital through our 3-year transformation programme. Some of the key achievements are as follows:

- SME loans market share grew from 8.7% in 2015 to 9.0% in 2017
- Asset Management AUM from funds distributed through the Agency Channel grew by 36% in 2017
- Significant efforts in active cost management saw our CIR fall below 50%
- Our enhanced risk-adjusted returns on capital ("RAROC") methodology saw improvement in our RAROC by 70bps from 11.3% in 2015 to 12.0% in 2017.
- Capital optimisation initiatives resulted in RM43.9 billion RWA reduction over the course of 3 years
- Improved customers' digital banking experiences with the introduction of RHB Smart Account, MPOS, 1st online financial application processing chatbot in ASEAN, and the RHB MyHome app
- Enhanced talent management programmes saw a significant improvement in our employer rankings – from Top 5 for Universum and Top 7 for Graduan in 2016 to Top 4 for both in 2017
- Improved Employee Engagement results from 75% in 2013 to 80% in 2017

Following the conclusion of IGNITE 2017, we will continue to ride on the momentum and energise the Group for our next leap forward with our new 2018 – 2022 strategy FIT22. Comprising 22 initiatives, FIT22 is designed to achieve our 2022 aspiration, which is to break into the Top 3 in Malaysia in terms of performance.

FIT22 is anchored on the following Three Themes:

- Focusing on core segments – in the affluent, wealth and individual space where revenue pool growth is the fastest and where we are still largely underpenetrated. We will also focus on SMEs, not solely on growing loans, but also on building a complete and connected financial services ecosystem to better serve the SME community. Last but not least, we will channel significant effort into getting a better share of wallet and fee income from large corporates and enhance our penetration among mid-sized corporates.
- Strengthening the core – which is our Malaysian business, while focusing on selected segments that we believe we can win overseas and exploring the potential of strategic partnerships.
- Building a winning operating model – that prioritises customer journeys, agility, analytics and digital enablement which are RHB's key differentiators.

OUR DIGITAL TRANSFORMATION JOURNEY

We kick-started our Digital Transformation journey in April 2017 and have made significant progress in enhancing our customers' digital banking experience with the introduction of various digital initiatives. These include the introduction of RHB Smart Account and RHB Smart Account-i which allow customers to open their accounts online through a simple, fast and seamless experience, as well as the RHB MyHome app. This is a first-of-its-kind in the industry to provide convenience of mortgage applications and document submissions via mobile devices. Our expectation is by 2022, 80% of mortgage applications will be submitted via this app. For the year ahead, we will continue to build on that momentum with a focus to digitally enable RHB to grow in the right segments, improve the customer experience and reduce our cost to serve.

We have implemented the AGILE Way of Working at our Digital.RHB office comprising more than 100 staff who have been mobilised from various functions within the Group, namely IT, Digital, analytics, operations, credit, risk and compliance. These teams work together at the Digital office and collaborate under various customer journeys and analytical squads. Our key focus in AGILE is integration between business, IT and other support functions to deliver innovation to the market in a timely manner. In our way forward, we will scale up AGILE and drive its adoption across all business units by 2022, to deliver 20% – 30% improvements in productivity and speed-to-market.

OUR WAY FORWARD

With the Malaysian economy performing exceptionally well in 2017, and most major economies performing better than expected, the outlook for 2018 is largely positive. The banking sector is likely to ride on continued economic growth and increased ASEAN connectivity and integration.

Notwithstanding the positive outlook, we expect challenges to persist in both the immediate and medium term, most notably the implementation of the new accounting standard "MFRS9" starting January 2018 which is likely to place pressure on banks' impairment loss provision. We also expect pressure on margins and profitability to persist, competition to remain keen, and the need to put greater emphasis on regulatory compliance. There will also be continued pressure on funding costs as banks continue to compete for deposits.

The challenges posed by new financial technologies (FinTechs) and products also remain, catering to and even triggering customers' increasingly digital and mobile lifestyles. In this regard, we are taking measures to strengthen our business model to develop greater agility and anchor our offerings on deep customer understanding.

My sincere gratitude and appreciation to my Senior Management colleagues and all RHBians for their dedication, commitment and contribution. Let's be resolute in our execution of FIT22 to bring RHB Banking Group to greater heights.

I would also like to extend my highest gratitude to our Chairman and all Board members for their valued leadership, unwavering support and trust; the regulatory authorities for their continued guidance and to our shareholders for their faith and trust in RHB's leadership.

I am optimistic that the Group is on a firm footing to reap further growth for many years to come. As articulated through FIT22, we have established a clear vision of our place in the financial services industry, both in Malaysia and regionally. With the first arc of our transformation journey completed, we look forward to enhancing the sustainability of our business and becoming a recognised force in financial services across the region.



DATO' KHAIRUSSALEH RAMLI

Group Managing Director

RHB BANKING GROUP OVERVIEW

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.

VISION

To be a Top 3 Bank by Performance

FIT22: Our Way Forward



BRAND PROMISE

Together We Progress

Being your trusted partner

Delivering simple, fast and seamless experiences

Providing solutions that help achieve your goals

Nurturing future generations

CORE BUSINESSES

Group Retail Banking

Group Business & Transaction Banking

Group Wholesale Banking

Singapore Business Operations

Group International Business

Group Insurance

Group Shariah Business

KEY FINANCIAL METRICS

MARKET CAPITALISATION
as at 31 December 2017

RM20.1 BILLION

TOTAL ASSETS

RM230.2 BILLION

PROFIT BEFORE TAX

RM2.6 BILLION

GROSS LOANS

RM160.1 BILLION

REGIONAL PRESENCE

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



KEY FACTS AT A GLANCE



More than

14,000
Employees

across
10 countries

Presence in



10 Countries



254
Branches
in Malaysia



1,830*
Self-Service
Terminals
in Malaysia

- * Consisting of:
- Automated Teller Machines
 - Cash Deposit Machines
 - Coin Deposit Machines
 - Cheque Deposit Machines
 - Cash Recycler Machines



Over

330
Branches

and offices across
ASEAN and Hong Kong/China

MALAYSIA



Employees 12,750



Branches/Offices 254

Total Income
RM**5.5** billion

SINGAPORE



Employees 668



Branches/Offices 9

Total Income
SGD**153.4** million

INDONESIA



Employees 357



Branches/Offices 24

Total Income
IDR**232.8** billion

THAILAND



Employees 438



Branches/Offices 13

Total Income
THB**997.3** million

CAMBODIA



Employees 245



Branches/Offices 13

Total Income
USD**22.4** million

LAO PDR

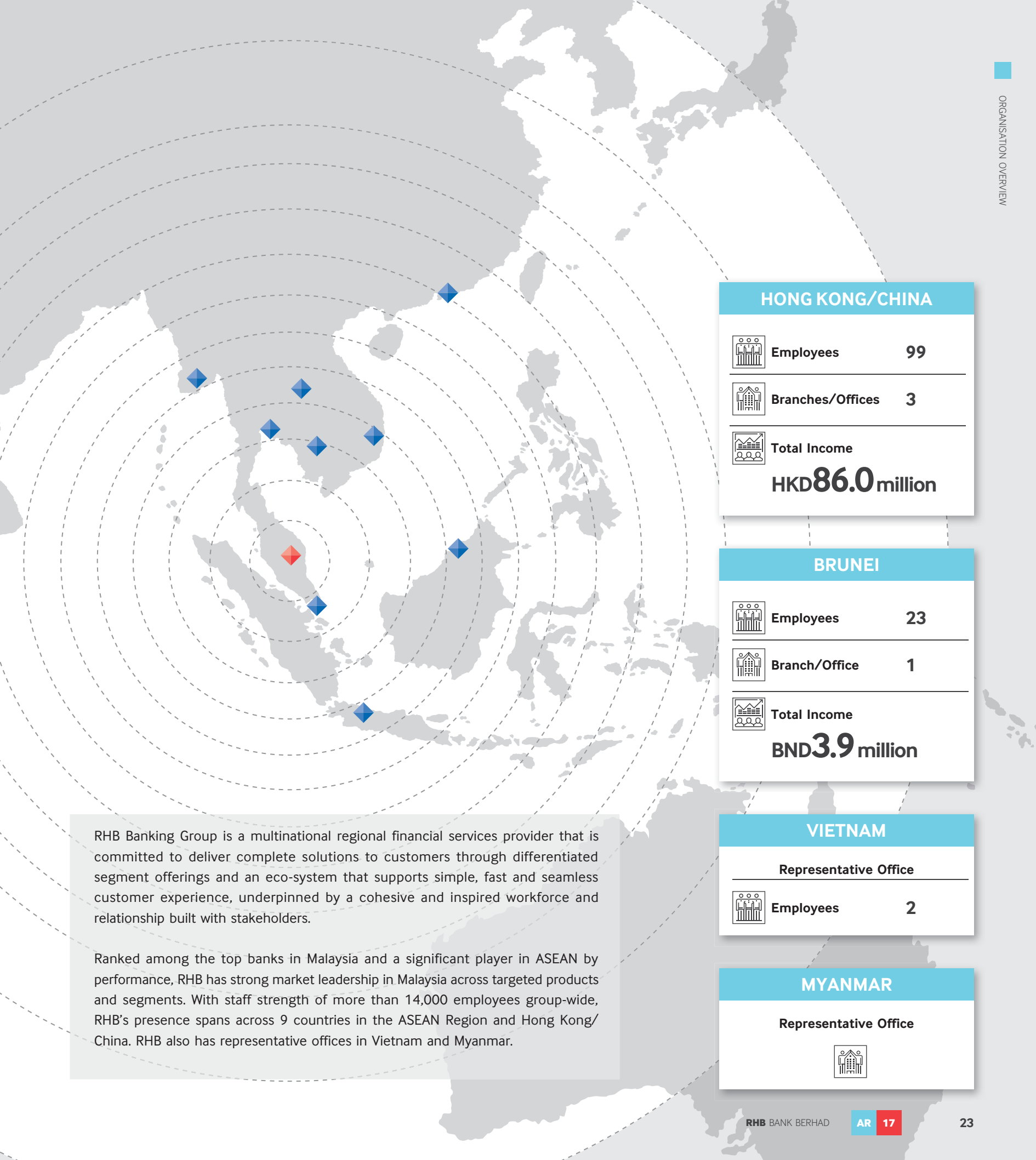


Employees 62



Branches/Offices 2




Total Income
LAK**37.1** billion



HONG KONG/CHINA

	Employees	99
	Branches/Offices	3
	Total Income	HKD86.0 million

BRUNEI

	Employees	23
	Branch/Office	1
	Total Income	BND3.9 million

VIETNAM

Representative Office

	Employees	2
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MYANMAR

Representative Office



RHB Banking Group is a multinational regional financial services provider that is committed to deliver complete solutions to customers through differentiated segment offerings and an eco-system that supports simple, fast and seamless customer experience, underpinned by a cohesive and inspired workforce and relationship built with stakeholders.

Ranked among the top banks in Malaysia and a significant player in ASEAN by performance, RHB has strong market leadership in Malaysia across targeted products and segments. With staff strength of more than 14,000 employees group-wide, RHB's presence spans across 9 countries in the ASEAN Region and Hong Kong/China. RHB also has representative offices in Vietnam and Myanmar.

FINANCIAL HIGHLIGHTS

TOTAL ASSETS

RM230.2 BILLION

COST TO INCOME RATIO

49.9%

TOTAL CUSTOMER DEPOSITS

RM166.2 BILLION

CASA GROWTH

18.8%

GROSS LOANS

RM160.1 BILLION

COMMON EQUITY TIER 1
(CET1) RATIO

13.9%

SHAREHOLDERS' EQUITY

RM23.1 BILLION

PROFIT BEFORE TAX

RM2.6 BILLION

TOTAL INCOME

RM6.4 BILLION

PROFIT AFTER TAX

RM2.0 BILLION

BUSINESS HIGHLIGHTS

In 2017, RHB Banking Group (RHB) achieved various milestones on several fronts. These significant achievements further, reaffirmed our commitment of providing our customers with solutions that help to achieve their goals.

ST-TO-MARKET



RHB MyHome App

First-in-class app that enables real-time mortgage application with all documents submitted online



Banking at Your Doorstep with RHB Smart Account

Provides the first end-to-end digital account opening experience in Malaysia where the bank goes to the consumer to complete the KYC and ID verification process



Personal loan origination via chatbot

The first of its kind real-time application platform in Southeast Asia that enables RHB Bank to provide approval in principle to customers without the need to submit full documentation

LANDMARK TRANSACTIONS & COLLABORATIONS

- **RHB Bank collaborated with RinggitPlus to offer loan origination via chatbot**
 - The first such application in Southeast Asia, the chatbot is a real-time platform that enables RHB Bank to provide approval in principle to customers without the need to submit full documentation and expedites turnaround time for loan approval
- **RHB Bank & Funding Societies cemented a partnership for the first ever P2P platform for SMEs/Small businesses in Malaysia**
- RHB Investment Bank played a lead role in landmark transactions in 2017:
 - **Largest rights issues** which raised **RM2.254 billion** for Malaysian Resources Corporation Berhad and **RM2.22 billion** for S P Setia Berhad
 - **Largest debt issuances** – **RM5.085 billion** by Edra Energy Sdn Bhd and **RM4.5 billion** by Danalnfra Nasional Berhad
 - **3rd largest IPO and high performing IPO post-listing** – Serba Dinamik Holdings Berhad – **RM671.7 million** Main Market IPO
 - **3rd largest M&A transaction** – acquisition of equity interest in Sarawak Hidro Sdn Bhd by Sarawak Energy Berhad – **RM8.1 billion**

AWARDS



- **DIGITAL BANKING INITIATIVE OF THE YEAR – MALAYSIA**
Asian Banking & Finance Retail Banking Awards 2017
- **BEST MID-CAP EQUITY DEAL IN SOUTHEAST ASIA**
Serba Dinamik Holdings' RM671.7 million (USD151.3 million) IPO
11th Annual Best Deal & Solution Awards in Southeast Asia
- **BEST RETAIL BROKER IN MALAYSIA**
- **BEST SMALL TO MID CAP HOUSE IN MALAYSIA**
- **BEST SMALL TO MID CAP HOUSE IN SINGAPORE (RHB SECURITIES SINGAPORE)**
11th Annual Alpha Southeast Asia Best Financial Institution Awards 2017
- **MOST OUTSTANDING ISLAMIC CORPORATE BANKING**
- **MOST OUTSTANDING ISLAMIC PROJECT FINANCE PRODUCT**
14th KL Islamic Finance Forum 2017
- **BEST PERFORMING MYR ISLAMIC BOND**
in 3, 5 and 10 – year period
- **BEST MIXED ASSET MYR CONSERVATIVE**
in the 10 year period
- **BEST GROUP OVER 3 YEARS BOND**
The Edge Thomson Reuters Lipper Fund Award 2017 Malaysia (a total of 15 awards)

BOARD OF DIRECTORS

01

Tan Sri Azlan Zainol
Non-Independent
Non-Executive Chairman

02

Tan Sri Ong Leong Huat
Q Wong Joo Hwa
Non-Independent
Non-Executive Director

03

Mohamed Ali Ismaeil Ali
Alfahim
Non-Independent
Non-Executive Director

04

Tan Sri Saw Choo Boon
Senior Independent
Non-Executive Director

05

Abdul Aziz Peru Mohamed
Independent
Non-Executive Director

06

Tan Sri Dr Rebecca Fatima
Sta Maria
Independent
Non-Executive Director

07

Ong Ai Lin
Independent
Non-Executive Director

08

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

Chin Yoong Kheong
Independent
Non-Executive Director

Ong Ai Lin
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

Tan Sri Ong Leong Huat
Q Wong Joo Hwa
Non-Independent
Non-Executive Director

Ong Ai Lin
Independent
Non-Executive Director

Tan Sri Dr Rebecca Fatima
Sta Maria
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 Ai Lin
Independent
Non-Executive Director

BOARD CREDIT COMMITTEE#

Patrick Chin Yoke Chung
Non-Independent
Non-Executive Director/Chairman

Tan Sri Ong Leong Huat
Q Wong Joo Hwa
Non-Independent
Non-Executive Director

Dato' Abd Rahman Dato'
Md Khalid
Independent
Non-Executive Director

Note:

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

ISLAMIC RISK MANAGEMENT COMMITTEE[^]

Dato' Abd Rahman Dato' Md Khalid
Independent
Non-Executive Director/Chairman

Dato' Foong Chee Meng
Independent
Non-Executive Director

Ong Ai Lin
Independent
Non-Executive Director

Note:

[^] The Committee resides at RHB Islamic Bank Berhad.

SHARIAH COMMITTEE[^]

Dr. Ghazali Jaapar (Chairman)

Assoc. Prof. Dr. Amir Shaharuddin

Wan Abdul Rahim Kamil Wan Mohamed Ali

Mohd Fadhly Md Yusoff

Shabnam Mohamad Mokhtar

GROUP SENIOR MANAGEMENT & GROUP INTERNAL AUDIT

Dato' Khairussaleh Ramli
Group Managing Director/
Chief Executive Officer

Syed Ahmad Taufik Albar
Group Chief Financial Officer

Dato' Adissadikin Ali
Managing Director/Chief Executive
Officer – RHB Islamic Bank Berhad

Robert Huray
Chief Executive Officer,
RHB Investment Bank Berhad/
Head, Group Investment Banking

Nazri Othman
Acting Head, Group Retail Banking

Jeffrey Ng Eow Oo
Head, Group Business & Transaction
Banking

Mike Chan Cheong Yuen
Country Head and
Chief Executive Officer,
RHB Bank Singapore

Kong Shu Yin
Managing Director,
RHB Insurance Berhad

Mohd Rashid Mohamad
Group Treasurer

Rohan Krishnalingam
Group Chief Operations Officer

Gan Pai Li
Group Chief Strategy Officer

Patrick Ho Kwong Hoong
Group Chief Risk Officer

Jamaluddin Bakri
Group Chief Human Resource Officer

Norazzah Sulaiman
Group Chief Communications Officer/
Chief Executive Officer, RHB Foundation

Abdul Sani Abdul Murad
Group Chief Marketing Officer

Alex Tan Aun Aun
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

COMPANY NO.

6171-M

AUDITORS

PricewaterhouseCoopers PLT
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

CUSTOMER CARE CENTRE

Call Centre : 603 9206 8118
(Peninsular Malaysia – 24 hours)
6082 276 118
(Sabah & Sarawak – 7 a.m. to 7 p.m.)

GROUP CORPORATE STRUCTURE

AS AT 15 FEBRUARY 2018



RHB Bank Berhad

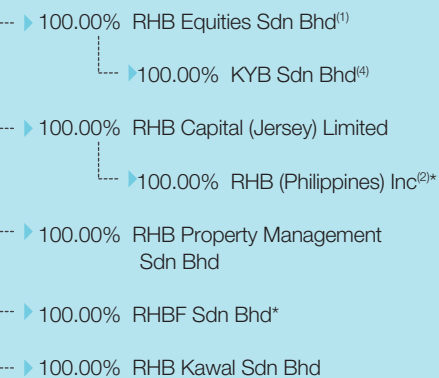
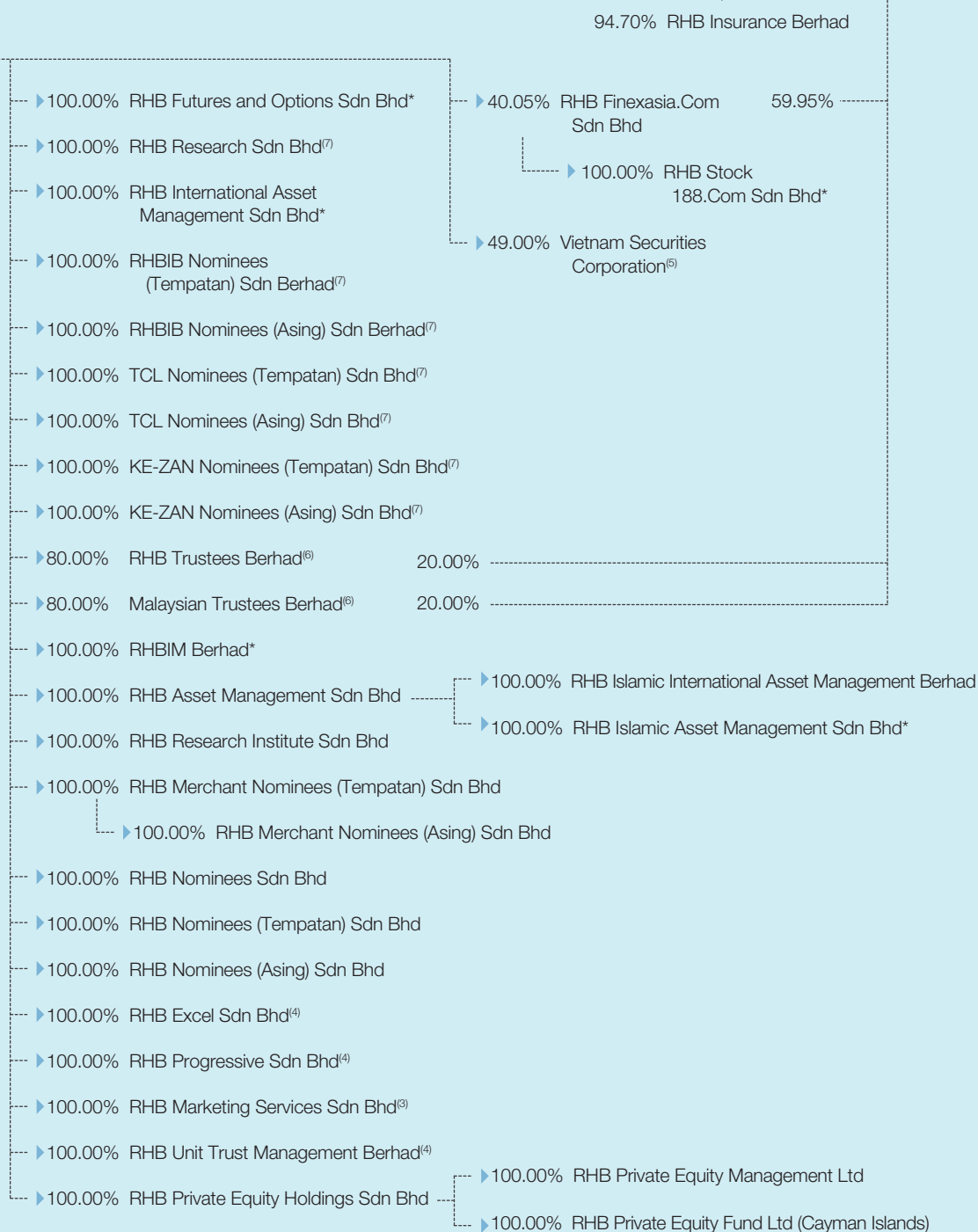
COMMERCIAL BANKING GROUP

INVESTMENT BANKING GROUP

- ▶ 100.00% RHB Islamic Bank Berhad
- ▶ 100.00% RHB Bank (L) Ltd
 - ▶ 100.00% RHB International Trust (L) Ltd
 - ▶ 100.00% RHB Corporate Services Sdn Bhd
- ▶ 100.00% RHB Leasing Sdn Bhd
- ▶ 100.00% RHB Capital Nominees (Tempatan) Sdn Bhd
 - ▶ 100.00% RHB Capital Nominees (Asing) Sdn Bhd
- ▶ 100.00% RHB Capital Properties Sdn Bhd
- ▶ 100.00% Utama Assets Sdn Bhd
- ▶ 100.00% RHB Bank Nominees Pte Ltd (Singapore)
- ▶ 100.00% Banfora Pte Ltd (Singapore)
- ▶ 100.00% RHB Investment Ltd (Singapore)
- ▶ 100.00% RHB Trade Services Limited (Hong Kong)
- ▶ 100.00% Utama Gilang Sdn Bhd⁽³⁾
- ▶ 100.00% UMBC Sdn Bhd*
- ▶ 100.00% RHB Delta Sdn Bhd⁽³⁾
- ▶ 100.00% RHB Indochina Bank Limited
- ▶ 100.00% RHB Bank Lao Limited

- 100.00% RHB Investment Bank Berhad
 - ▶ 100.00% RHB International Investments Pte Ltd
 - ▶ 100.00% RHB Asset Management Pte Ltd
 - ▶ 40.00% RHB GC-Millennium Capital Pte Ltd⁽⁶⁾
 - ▶ 100.00% RHB Hong Kong Limited
 - ▶ 100.00% RHB Securities Hong Kong Limited
 - ▶ 100.00% RHB Futures Hong Kong Limited
 - ▶ 100.00% RHB Finance Hong Kong Limited
 - ▶ 100.00% RHB Capital Hong Kong Limited
 - ▶ 100.00% RHB Fundamental Capital Hong Kong Limited
 - ▶ 100.00% RHB Asset Management Limited
 - ▶ 100.00% RHB Wealth Management Hong Kong Limited
 - ▶ 100.00% RHB (China) Investment Advisory Co Ltd
 - ▶ 99.00% PT RHB Sekuritas Indonesia
 - ▶ 99.62% PT RHB Asset Management Indonesia
 - ▶ 100.00% RHB Securities Singapore Pte Ltd
 - ▶ 100.00% RHB Nominees Singapore Pte Ltd[#]
 - ▶ 100.00% Summit Nominees Pte Ltd[#]
 - ▶ 100.00% RHB Research Institute Singapore Pte Ltd
 - ▶ 99.95% RHB Securities (Thailand) Public Company Limited
 - ▶ 100.00% RHB Indochina Securities Plc.

OTHERS

**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; (iv) RHB Futures and Options Sdn Bhd; and (v) RHB Bank Berhad with direct shareholdings of 20.00% each.

(7) The company has commenced members' voluntary winding-up on 30 June 2017.

STRATEGIC BUSINESS ENTITIES

The RHB Banking Group, with RHB Bank Berhad as the holding company, is among the largest fully integrated financial services groups 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 Operations, 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 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 and securities broking services to a wide range of corporate, institutional, retail and high net worth customers. RHBIB continues to win industry awards and accolades which recognise its leading roles in successfully completing 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 ASSET MANAGEMENT SDN BHD

Asset Management has expertise in a full range of financial solutions including investment management and advisory, product development as well as offering portfolio restructuring and tailor made portfolios. We have capabilities across a wide spectrum of conventional and Shariah compliant investment instruments; targeting institutional, corporate, wholesale and retail investors with customised solutions to address their unique needs. The investment strategies managed ranges from unit trusts across various geographical regions and asset classes including equity, fixed income, balanced and cash management to discretionary and non-discretionary mandates, Private Retirement Scheme (PRS) and alternative investments such as private equity funds, structured investments and investment-linked products.

RHB INSURANCE BERHAD

RHB Insurance Berhad was established in 1978. 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.



SINGAPORE

- Established in 1961
- 9 branches/offices
- Commercial and Wholesale Banking Services, Investment Banking and Brokerage Services; and Asset Management Business

INDONESIA

- Established in 1990
- 24 branches/offices
- Established in 2003
- Capital Markets, Securities and Investment Management Services
- Asset Management Business

THAILAND

- Established in 1964
- 13 branches/offices
- Commercial Banking, Investment Banking, Capital Markets, Securities and Investment Management Services

CAMBODIA

- Established in 2008
- 13 branches/offices
- Commercial Banking and Investment Management Services

LAO PDR

- Established in 2014
- 2 branches/offices
- Commercial Banking Services

HONG KONG

- Established in 2004
- 3 branches/offices
- Capital Markets, Securities and Investment Management Services

BRUNEI

- Established in 1965
- 1 branch/office
- Commercial Banking Services

VIETNAM

- Established in 2008
- Capital Markets and Securities Services

MYANMAR

- Established in 2014
- Representative Office



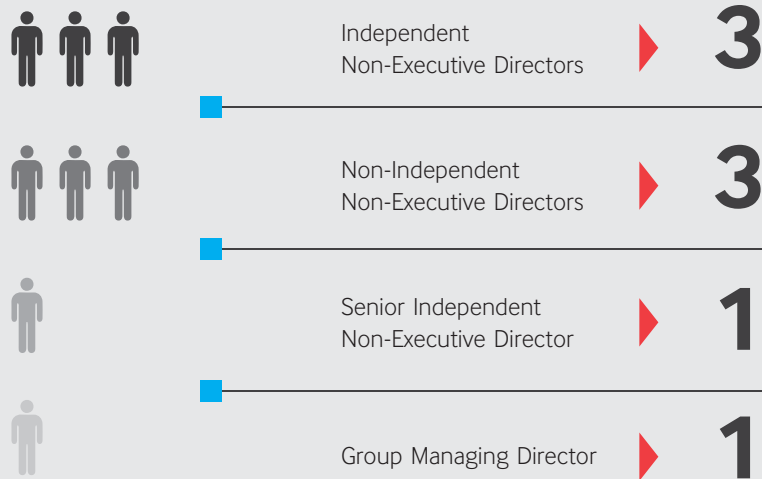
Our
Regional
Presence



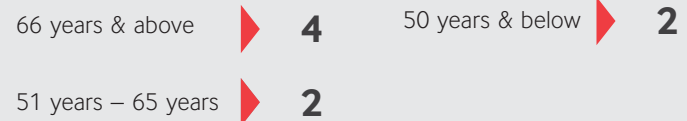
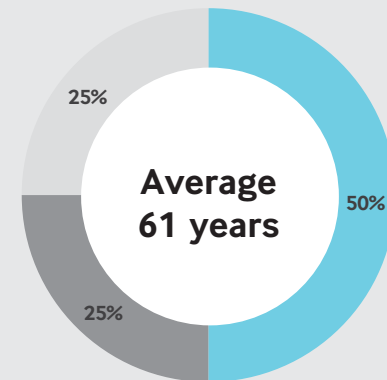
BOARD DIVERSITY

The diversity and skills of the Board ensure that RHB Bank is steered to deliver growth to all our stakeholders.

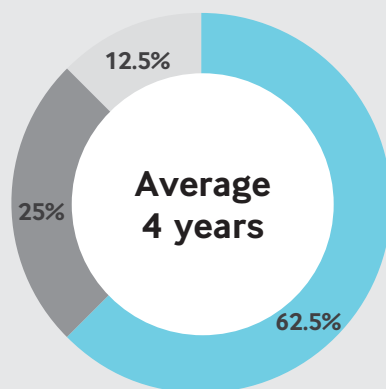
BOARD COMPOSITION



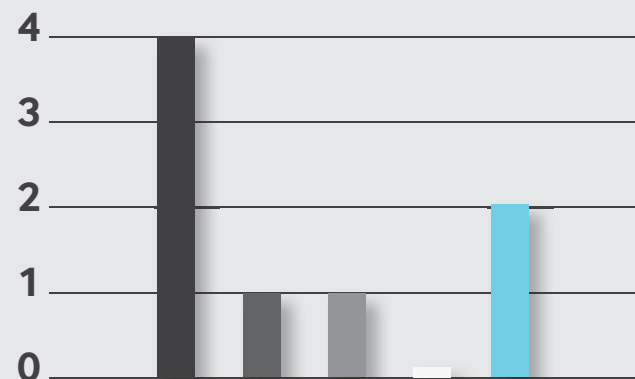
AGE



BOARD TENURE



DIRECTORSHIPS ON LISTED COMPANIES (INCLUDING RHB)



GENDER

Male ▶ **6**Female ▶ **2**

ETHNICITY

Malay ▶ **3**Chinese ▶ **3**Eurasian ▶ **1**Arab ▶ **1**

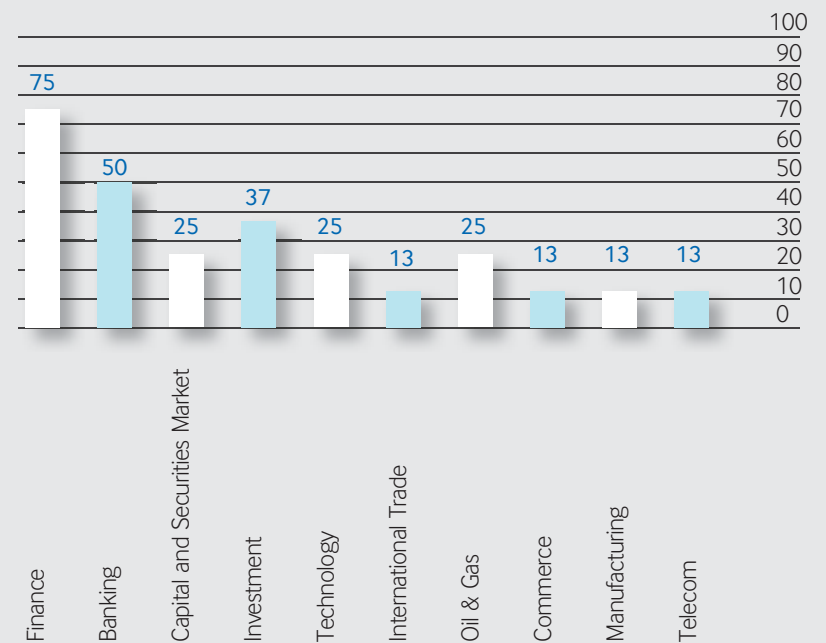
NATIONALITY

Malaysians ▶ **7**Non-Malaysian ▶ **1**

BOARD SKILLS

1. Management, Leadership and Strategy	100%
2. Finance and Banking	62%
3. Capital & Securities Market	25%
4. Corporate Finance & Investment	37%
5. Trade & Economics	25%
6. Governance & Risks	13%
7. Procurement	13%
8. Financial Audit	13%
9. MIS & Technology	25%
10. Commercial Business	13%
11. Manufacturing	13%
12. Multimedia & Communication	13%

SECTOR EXPERIENCE OF BOARD



KEY FEATURES OF OUR BOARD

- The Board comprises 50% Independent Directors
- The Chairman is a Non-Independent Non-Executive Director
- The roles of the Chairman and the Group Managing Director are distinct

B O D

BOARD OF DIRECTORS



From left to right:

• ABDUL AZIZ PERU MOHAMED • ONG AI LIN • DATO' KHAIRUSSALEH RAMLI (GROUP MANAGING DIRECTOR) • TAN SRI AZLAN ZAINOL (CHAIRMAN)



• TAN SRI ONG LEONG HUAT & WONG JOO HWA • TAN SRI DR REBECCA FATIMA STA MARIA
• MOHAMED ALI ISMAEL ALI ALFAHIM • TAN SRI SAW CHOO BOON

PROFILE OF THE BOARD OF DIRECTORS

AS AT 15 FEBRUARY 2018



TAN SRI AZLAN ZAINOL

Non-Independent
Non-Executive Chairman

Malaysian | Age 67

No. of Board Meetings attended in the financial year:

- ▶ 14/14

Qualifications:

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

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 ONG LEONG HUAT Q WONG JOO HWA

Non-Independent
Non-Executive Director

Malaysian | Age 73

Date of Appointment:

20 November 2012

Length of Service:

5 years 3 months

Date of Last Re-Election:

11 May 2016

Board Committee memberships:

- ▶ Board Nominating & Remuneration Committee (Member)
- ▶ Board Credit Committee (Member)

Other Directorships:

Listed Entities:

- ▶ OSK Holdings Berhad (Executive Chairman)

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:

- ▶ 14/14

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



**MOHAMED ALI ISMAEIL
ALI ALFAHIM**

Non-Independent
Non-Executive Director

United Arab Emirates | Age 41

Date of Appointment:

9 May 2014

Length of Service:

3 years 9 months

Date of Last Re-Election:

29 April 2015

Board Committee memberships:

► Nil

Other Directorships:

Listed Entities:

► Nil

Public Companies:

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

No. of Board Meetings attended in the financial year:

► 13/14

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.

Mohamed Ali Ismaeil Ali Alfahim was Head of Finance at the Finance & Accounts Department of International Petroleum Investment Company PJSC ("IPIC") from September 2008 to end April 2017. He represents IPIC as a board member on various boards of investee companies, including Aabar Investments PJS. He is also an Advisor at Mubadala Investment Company PJSC since May 2017.

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

Malaysian | Age 71

Date of Appointment:

15 June 2016

Length of Service:

1 year 8 months*

Date of Last Re-Election:

26 April 2017

* 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:

- RHB Capital Berhad (In Member's Voluntary Liquidation)
- RHB Insurance Berhad

Associations:

- Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH) as the Co-Chair
- Council Member of the Federation of Malaysian Manufacturers (FMM)
- 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:

► 14/14

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

PROFILE OF THE BOARD OF DIRECTORS

AS AT 15 FEBRUARY 2018



ABDUL AZIZ PERU MOHAMED

Independent Non-Executive Director

Malaysian | Age 69



TAN SRI DR REBECCA FATIMA STA MARIA

Independent Non-Executive Director

Malaysian | Age 60

Date of Appointment:

7 February 2011

Length of Service:

7 years

Date of Last Re-Election:

11 May 2016

Board Committee memberships:

► Nil

Other Directorships:

Listed Entities:

► Nil

Public Companies:

- RHB Insurance Berhad (Chairman)
- As-Salihin Trustee Berhad
- RHB Indochina Bank Limited
- RHB Bank Lao Limited

No. of Board Meetings attended in the financial year:

► 14/14

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

Date of Appointment:

1 August 2016

Length of Service:

1 year 6 months

Date of Last Re-Election:

26 April 2017

Board Committee memberships:

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

Other Directorships:

Listed Entities:

- Sunway Construction Group Berhad
- Hartalega Holdings Berhad
- Lafarge Malaysia Berhad
- Eco World International Berhad

Public Companies:

- RHB Investment Bank Berhad
- MyKasih Foundation (Trustee)

No. of Board Meetings attended in the financial year:

► 14/14

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 MITI in July 2016. She is now Chairman of the Institute for Democracy and Economic Affairs (IDEAS).

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 AI LIN

Independent Non-Executive Director

Malaysian | Age 62

Date of Appointment:

1 July 2017

Length of Service:

7 months

Date of Last Re-Election:

Not Applicable

Board Committee memberships:

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

Other Directorships:

Listed Entities:

- ▶ Nil

Public Companies:

- ▶ RHB Islamic Bank Berhad

No. of Board Meetings attended in the financial year:

- ▶ 7/7

Qualifications:

- ▶ Bachelor of Arts (Honours) in Economics from the University of Leeds, United Kingdom
- ▶ Associate of The Institute of Chartered Accountants in England & Wales
- ▶ Member of the Malaysian Institute of Accountants
- ▶ Certified Information System Auditor
- ▶ Certified Business Continuity Professional

Skills and experience:

Ong Ai Lin began her career with Deloitte Haskins & Sells (DH&S) in London in 1978, prior to joining PricewaterhouseCoopers ("PwC") in 1991 as Senior Manager. At PwC, she built the IT audit practice, an integral part of the firm's financial audit services. She was

then appointed as Partner/Senior Executive Director of PwC in 1993 and was the Business Continuity Management and Information Security Practice Leader for PwC Malaysia. She is also the Past President of the Information Systems Audit and Control Association (ISACA) – Malaysia Chapter.

Ong Ai Lin has over 30 years of experience in providing Business Continuity Management, Governance Risk and Compliance, Information Security, Cyber Security, Technology Risk and Governance, and Data Privacy services in the United Kingdom, Singapore, Indonesia, Thailand, Vietnam, Philippines, Sri Lanka, Cambodia, and Malaysia. Her extensive experience includes collaboration with regulators, government ministries and agencies, organisations in various sectors encompassing financial services, telecommunications and multimedia, energy, capital markets, transportation, aviation, manufacturing & trading, cyber security, provident fund and sovereign fund as well as non-governmental organisations.

Her knowledge and experience earned her the Best Certified Business Continuity Professional in Malaysia in their inaugural award in 2012 by Disaster Recovery Institute International.

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

Malaysian | Age 50

Date of Appointment:

13 December 2013*

Length of Service:

4 years 2 months

Date of Last Re-Election:

11 May 2016

* Subsequently appointed as Group Managing Director/Group Chief Executive Officer of RHB Banking Group on 5 May 2015

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:

- ▶ 14/14

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

PROFILE OF THE CHAIRMEN OF THE KEY OPERATING COMPANIES

AS AT 15 FEBRUARY 2018



TAN SRI AZLAN ZAINOL

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



**ABDUL AZIZ PERU
MOHAMED**

*Independent Non-Executive
Chairman*
RHB Insurance Berhad



**PATRICK CHIN
YOKE CHUNG**

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

Note: Tuan Haji Md Jafar Abdul Carrim, the Chairman of RHB Islamic Bank Berhad, passed away on 19 October 2017. With his demise, RHB Islamic Bank Berhad's Senior Independent Non-Executive Director, YBhg Dato' Abd Rahman Dato' Md Khalid has been appointed to chair RHB Islamic Bank Berhad's Board meetings pending the appointment of a new Chairman for RHB Islamic Bank Berhad.

TAN SRI AZLAN ZAINOL

*Non-Independent
Non-Executive Chairman*
RHB Bank Berhad & RHB Investment
Bank Berhad
Age 67, Male, Malaysian

Board Committee memberships

Board Nominating & Remuneration Committee
(Member)

Qualifications

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

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.

ABDUL AZIZ PERU MOHAMED

*Independent
Non-Executive Chairman*
RHB Insurance Berhad
Age 69, Male, Malaysian

Board Committee memberships

- ▶ Investment Committee of RHB Insurance Berhad (Member)
- ▶ Investment Committee of RHB Asset Management Sdn Bhd (Member)
- ▶ Investment Committee of RHB Islamic International Asset Management Berhad (Member)

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.

PATRICK CHIN YOKE CHUNG

Non-Independent Non-Executive Chairman
RHB Asset Management Sdn Bhd
Age 72, Male, Malaysian

Board Committee memberships

- ▶ Board Credit Committee (Chairman)
- ▶ Board Risk Committee (Member)
- ▶ Investment Committee of RHB Asset Management Sdn Bhd (Chairman)
- ▶ Investment Committee of RHB Islamic International Asset Management Berhad (Chairman)
- ▶ Investment Committee of RHB Insurance Berhad (Chairman)

Qualifications

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

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 BIN JAAPAR
Chairman,
RHB Islamic Bank Berhad
Age 47, Male, Malaysian

Date Appointed: 01 April 2011
Date of Last Re-appointment: 01 April 2017
Number of Shariah Committee Meetings Attended in the Financial Year: 10/10

Qualifications

- B.A. Shariah (Hons.), University of Malaya, Kuala Lumpur
- Master of Comparative Law, International Islamic University Malaysia, Kuala Lumpur
- Ph.D. Islamic Jurisprudence, University of Birmingham, United Kingdom

Area of Expertise

- Islamic Legal System
- Principles of Islamic Jurisprudence (*Usul al-Fiqh*)
- Islamic Law of Transaction (*Fiqh al-Mu'amalat*)
- Islamic Legal Maxims (*Qawaid Fiqhiyyah*)
- Shariah-oriented policy (*Siyasah Shar'iyyah*)

Shariah Committee Membership in Other Institutions

- HSBC Amanah Takaful

Experience & Achievements

- 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.
- Started his career as a lecturer at AIKOL IIUM in 2007 and is still attached with the university, teaching several subjects including Islamic Legal System and *Usul al-Fiqh* for LLB course (Undergraduate), *Siyasah Syar'iyyah* for LLM (Administration of Islamic Law) students and Islamic Legal Maxims for Certificate in Islamic Law (Bank Negara Malaysia and Standard & Chartered).
- He has written numerous journals and articles and participated in various workshops, seminars and conferences on Islamic finance locally and abroad.



ASSOC. PROF. DR. AMIR BIN SHAHARUDDIN
Member,
RHB Islamic Bank Berhad
Age 40, Male, Malaysian

Date Appointed: 01 April 2011
Date of Last Re-appointment: 01 April 2017
Number of Shariah Committee Meetings Attended in the Financial Year: 10/10

Qualifications

- B.A. Shariah (Hons), Al-Azhar University, Egypt
- Master of Business Administration in Islamic Banking & Finance, International Islamic University Malaysia, Kuala Lumpur
- Ph.D. in Islamic Studies, University of Exeter, United Kingdom

Area of Expertise

- Islamic Banking & Finance
- Islamic Law Principles of Islamic Jurisprudence (*Usul al-Fiqh*)
- Islamic Legal Maxims
- *Siyasah Shar'iyyah* (Shariah-oriented policy)
- Zakat

Shariah Committee Membership in Other Institutions

- Malaysian Airport Consultancy Berhad
- Malaysian Electronic Payment System (MEPS)

Experience & Achievements

- Presently the Dean of Economic and Muamalat Faculty, Universiti Sains Islam Malaysia (USIM) since December 2013.
- The first recipient of "Scholar of Residence in Islamic Finance Award", jointly initiated by Malaysia Securities Commission and Oxford Centre for Islamic Studies (OCIS).
- Published numerous articles in journals including Journal of Muamalat and Islamic Finance Research, Arab Law Quarterly and ISRA International Journal of Islamic Finance.
- Wrote articles in Islamic Banking & Finance, Zakat, Principles of Islamic Jurisprudence (*Usul al-Fiqh*), Islamic Legal Maxims and *Siyasah Shar'iyyah* (Shariah-oriented policy) for forums and seminars.
- Presented academic papers in various international seminars in Indonesia, Bahrain, United Kingdom and Italy.



**WAN ABDUL RAHIM
KAMIL BIN WAN
MOHAMED ALI**
Member,
RHB Islamic Bank Berhad
Age 69, Male, Malaysian

Date Appointed: 13 April 2013

Date of Last Re-appointment: 01 April 2017

**Number of Shariah Committee Meetings Attended
in the Financial Year:** 9/10

Qualifications

- ▶ Professional Member, Institute of Statisticians, United Kingdom
- ▶ Post Graduate Degree in Islamic Banking & Economics, International Institute of Islamic Banking & Economics, Turkish Cyprus (in association with Al Azhar University, Cairo)

Area of Expertise

- ▶ Islamic Banking & Finance
- ▶ Islamic Capital Market
- ▶ Debt Capital Market
- ▶ Corporate Advisory

Experience & Achievements

- ▶ Pioneered the development of Islamic Capital Market in Malaysia and has innovated development of several benchmark capital market securities through securitisation of Islamic contracts.
- ▶ Islamic Capital Market consultant, regular trainer and speaker for various seminars and in-house training workshops organised by the World Bank, Bank Negara Malaysia (BNM), Securities Industries Development Corporation (SIDC), Islamic Banking and Finance Institute Malaysia (IBFIM) and other event organisers, both locally and internationally.
- ▶ Recently awarded "Most Outstanding Individual Contribution to Islamic Finance" at Kuala Lumpur Islamic Finance Forum 2017.
- ▶ Awarded "Outstanding Leadership in Islamic Finance" by London Sukuk 2011 organised by ICG Events and UK Trade and Industry Ministry, United Kingdom.
- ▶ Member of Task Force on Islamic Banking and Takaful for Labuan Offshore Financial Services Authority (LOFSA) Malaysia, Islamic Capital Markets Working Group (ICMWG) of Securities Commission Malaysia and represented LOFSA in Market & Product Development Committee under International Islamic Financial Market (IIFM), Bahrain.



**MOHD FADHLY BIN
MD. YUSOFF**
Member,
RHB Islamic Bank Berhad
Age 47, Male, Malaysian

Date Appointed: 13 April 2013

Date of Last Re-appointment: 01 April 2017

**Number of Shariah Committee Meetings Attended
in the Financial Year:** 10/10

Qualifications

- ▶ Bachelor of Syariah (1st Class Honours) from University of Malaya

Area of Expertise

- ▶ Islamic Banking & Finance
- ▶ Islamic Capital Market & Derivatives

Shariah Committee Membership in Other Institutions

- ▶ Sun Life Malaysia Takaful Bhd
- ▶ Opus Asset Management Sdn Bhd
- ▶ Apex Investment Services Berhad
- ▶ Universiti Tenaga Nasional
- ▶ National Farmers Organization (NAFAS)

Experience & Achievements

- ▶ 1995 – 2008: Manager at Islamic Capital Market Department of Securities Commission Malaysia where he was involved in Shariah compliance supervision in relation to submissions for the issuances of Sukuk, structured products, collective investment schemes and Islamic Real Estate Investment Trusts (REITs).
- ▶ Undertook in-depth research for the development of new Islamic Capital Market instruments and provided technical inputs for the preparation of various guidelines issued by Securities Commission Malaysia.
- ▶ Actively participated in various industry development initiatives namely the International Organization 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 programs.



**SHABNAM BINTI
MOHAMAD MOKHTAR**
Member,
RHB Islamic Bank Berhad
Age 40, Female, Malaysian

Date Appointed: 01 May 2015

Date of Last Re-appointment: 01 April 2017

**Number of Shariah Committee Meetings Attended
in the Financial Year:** 10/10

Qualifications

- ▶ Bachelor of Accountancy, University Putra Malaysia
- ▶ Master of Accounting, University of Illinois, Urbana-Champaign, U.S.A

Area of Expertise

- ▶ Finance & Islamic Finance
- ▶ Accounting & Islamic Accounting
- ▶ Islamic Capital Market & Derivatives

Experience & Achievements

- ▶ Presently the Vice President of SHAPE@ Knowledge Services; an Islamic finance consulting firm based in Kuwait.
- ▶ Spearheads research and development activities including financial analysis, strategic & business plan formulation, design and implementation of customised survey, research and training for different customers at SHAPE@.
- ▶ Formerly headed the capital markets research for International Shariah Research Academy (ISRA), an institution established by the Central Bank of Malaysia.
- ▶ Conducted various training programs on Islamic banking, sukuk & Islamic capital market products, risk management and financial reporting for customers in ASEAN region, Gulf Cooperation Council (GCC) and European market.
- ▶ 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).
- ▶ 2010 – 2014: Member of Shariah Advisory Panel of Malaysian Ratings Corporation (MARC).



GROUP SENIOR MANAGEMENT

**Front (left to right)**

- JAMALUDDIN BAKRI • ROHAN KRISHNALINGAM • GAN PAI LI • SYED AHMAD TAUFIK ALBAR
- DATO' KHAIRUSSALEH RAMLI • NAZRI OTHMAN • MIKE CHAN CHEONG YUEN

Back (left to right)

- JEFFRY NG EOW OO • ROBERT HURAY • MOHD RASHID MOHAMAD • KONG SHU YIN • NORAZZAH SULAIMAN
- DATO' ADISSADIKIN ALI • ABDUL SANI ABDUL MURAD • ALEX TAN AUN AUN • PATRICK HO KWONG HOONG

PROFILE OF THE GROUP SENIOR MANAGEMENT

DATO' KHAIRUSSALEH RAMLI

Group Managing Director
Group Chief Executive Officer
Age 50, Male, Malaysian

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)
- ▶ Named Best CFO in Malaysia by Finance Asia in 2010 and 2011
- ▶ Named Best CFO in Malaysia Award by Alpha Southeast Asia in 2012

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 – Payments Network Malaysia Sdn Bhd (fka Malaysian Electronic Clearing Corporation Sdn Bhd)

SYED AHMAD TAUFIK ALBAR

Group Chief Financial Officer
Age 45, Male, Malaysian

Responsibility:

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

Experience:

- ▶ More than 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)

DATO' ADISSADIKIN ALI

Managing Director/Chief Executive Officer
RHB Islamic Bank
Age 47, Male, Malaysian

Responsibility:

- ▶ Lead, manage and grow Islamic Banking and Shariah Business within RHB Group

Experience:

- ▶ More than 20 years of experience in financial services industry
- ▶ Managing Director & Chief Executive Officer at Export-Import Bank Malaysia Berhad
- ▶ Held senior positions in Bank Islam Malaysia and AlKhair International Islamic Bank Berhad
- ▶ Prior to joining RHB, was the Managing Director and Chief Operating Officer at Export-Import Bank Malaysia 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, USA
- ▶ Chartered Banker by the Asian Institute of Chartered Banker (AICB)
- ▶ Chartered Banker by the Chartered Banker Institute, UK
- ▶ Chartered Professional in Islamic Finance by the Chartered Institute of Islamic Finance Professionals

External Memberships/Appointments:

- ▶ Member of the Board of Industry Advisors, Faculty of Business and Accountancy, University of Malaya, Malaysia
- ▶ Council Member, Association of Islamic Banking Institutions Malaysia

ROBERT HURAY

Chief Executive Officer, RHB Investment Bank/
Head, Group Investment Banking,
Group Wholesale Banking
Age 42, 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 19 years of experience in investment banking
- ▶ Last position as Chief Executive Officer of RHB Securities Singapore Pte. Ltd. (previously DMG & Partners Securities Pte. Ltd.) before joining RHB Investment Bank as Chief Executive Officer in 2016
- ▶ 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)

NAZRI OTHMAN

Acting Head, Group Retail Banking
Age 56, Male, Malaysian

Responsibility:

- ▶ Lead, manage and grow the retail banking business by:
 - Improving product and service margins
 - Grow the Group's share of customers' wallets
 - Expand the Group's product range and customers portfolio domestically
 - Identify new markets and opportunities

Experience:

- ▶ More than 25 years of experience in the retail banking business
- ▶ Joined RHB Banking Group as Regional Director for East Coast Region and moved on as Regional Director for Central Region
- ▶ Subsequently appointed as Head, Group Retail Distribution
- ▶ Vice President, Bankcard Operations of Citibank (M) Bhd
- ▶ General Manager of Cards and Unsecured Loans of UOB (M) Bhd

Qualifications:

- ▶ Bachelor of Science (Hons) in Civil Engineering, University of Leeds, England
- ▶ Senior Leadership Development Programme, INSEAD

External Memberships/Appointments:

- ▶ Alternate Representative Association of Bank in Malaysia (ABM)
- ▶ Member of Asian Institute of Chartered Bankers

JEFFREY NG EOW OO

Head, Group Business and Transaction Banking
Age 44, Male, Malaysian

Responsibility:

- ▶ Manage and drive the growth of Business Banking and Transaction Banking in line with the Group's strategic aspirations

Experience:

- ▶ More than 15 years of experience in financial services focusing on SME lending
- ▶ Began career as a qualified accountant with PricewaterhouseCoopers
- ▶ Prior to joining RHB, spent 8 years with Standard Chartered Bank with last position as Head, Retail SME

Qualifications:

- ▶ Chartered Accountant – Malaysian Institute of Accountants (MIA)
- ▶ Chartered Certified Accountant – The Association of Chartered Certified Accountant of the United Kingdom (ACCA)
- ▶ Advance Diploma in Finance – Tunku Abdul Rahman College

External Memberships/Appointments:

- ▶ Nil

MIKE CHAN CHEONG YUEN

Country Head/Chief Executive Officer
 RHB Bank Singapore
Age 51, Male, Malaysian

Responsibility:

- ▶ Manage and grow the Group's business operations in Singapore
- ▶ Create synergies to spur value creation in Singapore with other RHB entities regionally

Experience:

- ▶ More than 26 years of experience in the financial services industry. Has held various positions in foreign and local financial institutions
- ▶ Managing Director/Chief Executive Officer of RHB Investment Bank and Head of Group Corporate & Investment Banking
- ▶ Played a key role in the merger and integration of RHBIB-OSKIB
- ▶ Head of Corporate Banking of RHB Banking Group

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

KONG SHU YIN

Managing Director/Chief Executive Officer
 RHB Insurance Berhad
Age 57, Male, Malaysian

Responsibility:

- ▶ Manage and grow the insurance business

Experience:

- ▶ 32 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
- ▶ Member of Management Committee, Persatuan Insurans Am Malaysia (PIAM)

PROFILE OF THE GROUP SENIOR MANAGEMENT

GAN PAI LI

Group Chief Strategy & Transformation Officer
Age 45, Female, Malaysian

Responsibility:

- ▶ Lead and execute the Annual Strategic Planning Cycle
- ▶ Collaborate with all business units across the Group to establish specific plans, actionable goals and measurable objectives which are aligned with the Group's overall strategy
- ▶ Responsible for the overall strategy, management and business operations of the international portfolio of Cambodia, Thailand, Laos, Brunei, Vietnam and Myanmar

Experience:

- ▶ More than 20 years of working experience in the financial services industry
- ▶ Began her career in Retail Banking. Subsequently moved on to roles in Corporate Banking, Capital Markets, Investment Banking, Group Strategy, Private Equity and Wholesale Banking
- ▶ Held various positions in the areas of post M&A integration, business transformation, green field expansions into ASEAN and various business transformation initiatives across CIMB Group
- ▶ Prior to joining RHB Banking Group, held the position of Senior Managing Director, Group Wholesale Bank, CEO's Office as well as the role of Head, Business Management Office in CIMB Investment Bank Berhad overseeing business performance and regulatory compliance of Group Wholesale Banking regionally

Qualifications:

- ▶ Global Masters in Business Administration (MBA), Manchester Business School
- ▶ Bachelor of Education, TESL, University of Malaya

External Memberships/Appointments:

- ▶ Nil

MOHD RASHID MOHAMAD

Group Treasurer
Age 50, Male, Malaysian

Responsibility:

- ▶ Lead and drive Group-wide 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 and has more than 5 years of experience in monetary policy implementation

Qualifications:

- ▶ Master in Business Administration with Distinction from University of Wales, Cardiff, United Kingdom
- ▶ Bachelor of Accounting (Hons.) from University Technology Mara (UiTM), Shah Alam, Selangor

External Memberships/Appointments:

- ▶ Vice President, Financial Market Association (FMA)
- ▶ Member of Malaysian Institute of Accountants (MIA)
- ▶ Member of Industry Advisory Council, PayNet

ROHAN KRISHNALINGAM

Group Chief Operations Officer
Age 48, 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 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 implement large scale transformation programmes, predominantly in areas of technology and operations
- ▶ Worked 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

PATRICK HO KWONG HOONG

Group Chief Risk Officer
Age 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:

- ▶ Chartered Banker, Asian Institute of Chartered Banker (AICB)
- ▶ Independent Non-Executive Director, Financial Park (Labuan) Sdn Bhd

JAMALUDDIN BAKRI

Group Chief Human Resource Officer
Age 57, Male, Malaysian

Responsibility:

- ▶ Develop and 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, with 15 years being spent abroad. Has experience working with different nationalities, diverse cultures and working style
- ▶ Partnered with Business Leaders of multinationals and local organisations in driving various HR strategies globally and locally

Qualifications:

- ▶ Masters in Business Administration (Human Resources) from University of Hull, United Kingdom

External Memberships/Appointments:

- ▶ Nil

NORAZZAH SULAIMAN

Group Chief Communications Officer/Chief Executive Officer, RHB Foundation
Age 51, Female, Malaysian

Responsibility:

- ▶ Lead and execute the Group’s Corporate Communications strategies which includes managing media relations as well as stakeholder engagement initiatives with the objective of driving brand image and business growth
- ▶ Drive the Group’s Sustainability agenda and community enrichment initiatives with the objective of creating long term shareholders value

Experience:

- ▶ More than 20 years of experience in the financial services industry
- ▶ Served in various senior positions which includes Group Legal Counsel, Chief Operating Officer, Director Group Corporate Services and Group Chief Governance Officer

Qualifications:

- ▶ Bachelor of Law (LLB) with Honours, University of Warwick, United Kingdom
- ▶ Senior Leadership Development Programme (INSEAD)

External Memberships/Appointments:

- ▶ Associate Member of the Institute of Company Secretaries Malaysia
- ▶ Chairperson, Communications Committee, Association of Islamic Bank Malaysia (AIBIM)
- ▶ Advisory Board (Alternate Member), UN Global Compact Network Malaysia (GCMY)

ABDUL SANI ABDUL MURAD

Group Chief Marketing Officer
Age 43, Male, Malaysian

Responsibility:

- ▶ Lead Group Marketing and is responsible for Group wide brand and media strategy, consumer research and all business, consumer and wealth management marketing strategy and programs while driving customer and business growth
- ▶ Drive customer engagement, marketing & acquisition strategies for the Group’s Digital Channel
- ▶ Oversee the management of marketing operations

Experience:

- ▶ More than 19 years of experience as a Marketing professional.
- ▶ Started career at Unilever Malaysia and led the branding teams in various product lines. Helped grow key businesses into market leadership positions and was awarded with numerous Business & Marketing awards while serving in Unilever for 10 years
- ▶ Held the Head of Marketing position with HSBC Bank Malaysia Berhad for 9 years. Supported the overall marketing in implementing structural changes to ensure sustainable growth of the business. Helped launch HSBC Islamic Bank franchise, grew affluent customer base and commercialised digital channel for the business

Qualifications:

- ▶ Bachelor Degree of Economics from University of Malaya
- ▶ Awarded Best Marketing Team in Asia Pacific by HSBC Asia Pacific Office in 2010
- ▶ Awarded CMO Marketing Distinction by Marketing Magazine in 2013

External Memberships/Appointments:

- ▶ Nil

ALEX TAN AUN AUN

Group Chief Internal Auditor
Age 53, Male, Malaysian

Responsibility:

- ▶ Provide leadership and direction for the implementation of a comprehensive risk based audit to add value and improve the operations of the Group to achieve its strategic objectives
- ▶ Responsible for overseeing the internal audit function to assist the Board Audit Committee in discharging its duties and responsibilities by independently reviewing the adequacy and integrity of the Group’s risk management, control and governance processes

Experience:

- ▶ More than 25 years of multifaceted experience in the banking business with 10 years’ experience in the auditing field
- ▶ Served in many areas of the Group’s operations from the frontline business to backend support and has held various senior roles within the Group

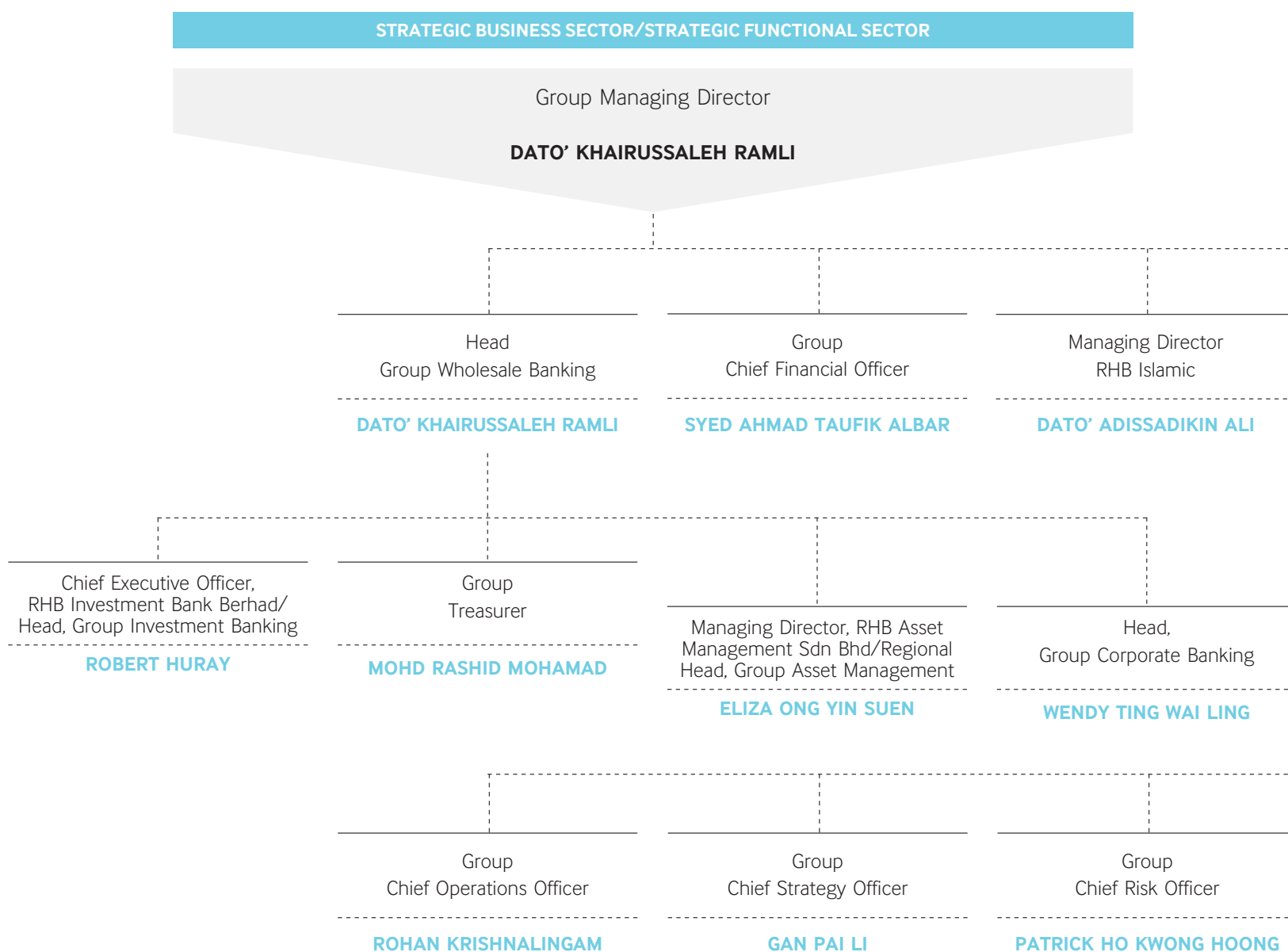
Qualifications:

- ▶ Bachelor of Commerce (Finance), University of Toronto, Canada

External Memberships/Appointments:

- ▶ Member of The Institute of Internal Auditors Malaysia

GROUP ORGANISATION STRUCTURE



Number of Employees

▶ **14,435**

Total Staff by Employment Status

Permanent ▶ **92.5%**

Non-Permanent ▶ **7.5%**

Average Number of Hours of Training per Year per Employee Category

31
HOURS

Acting Head,
Group Retail Banking

NAZRI OTHMAN

Head, Group Business &
Transaction Banking

JEFFREY NG EOW OO

Country Head/Chief Executive
Officer, RHB Bank Singapore

MIKE CHAN CHEONG YUEN

Managing Director
RHB Insurance

KONG SHU YIN

Group
Chief Human Resource Officer

JAMALUDDIN BAKRI

Group Chief Communications
Officer/Chief Executive Officer,
RHB Foundation

NORAZZAH SULAIMAN

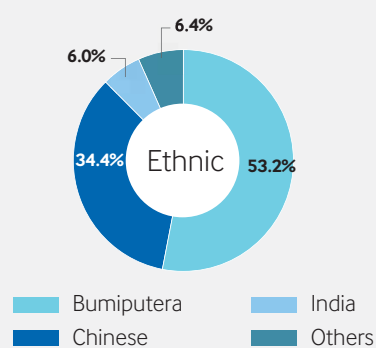
Group
Chief Marketing Officer

ABDUL SANI ABDUL MURAD

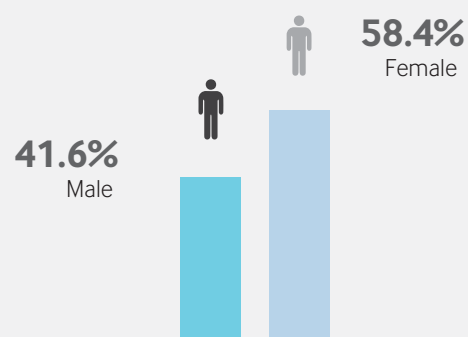
Group
Chief Internal Auditor

ALEX TAN AUN AUN

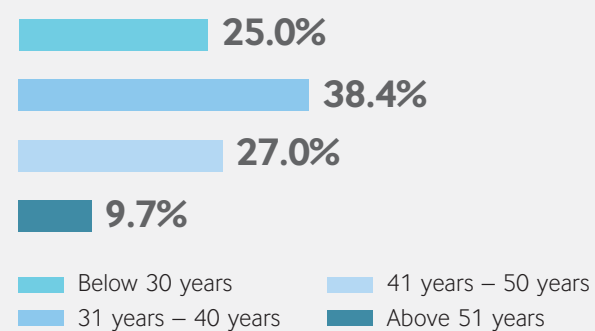
Ethnic Diversity



Gender Diversity



Age Diversity



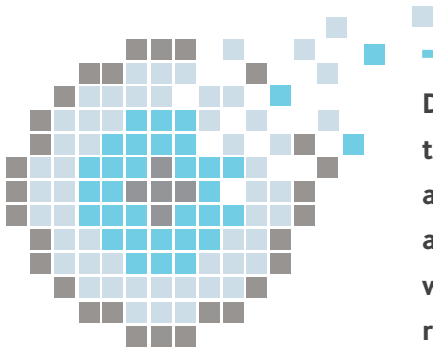


INCREASING AGILITY TO FUEL GROWTH AND COMPETITIVENESS

As part of our continuous efforts to capitalise on emerging opportunities, we have invested in key growth areas in order to enhance our portfolio returns. One key segment is the SME Market. In line with our digital transformation, we introduced the RHB SME Banking Portal, the first online portal that provides SMEs with quick access to information and products relevant to their business.



DEFINING DIGITAL SOLUTIONS



Digital disruption is affecting every industry including the banking industry. We have reached the tipping point where the rapid and confluence of multiple technologies is no longer about automation but also about delivering a better customer experience, digitalisation of products and services, as well as reinventing the business model. The emergence of fintech together with the role of government policy is also promoting the growth of the digital economy. RHB recognises that doing nothing is not an option and has stepped up its game into 2017 to move digital transformation to the next level.

In Malaysia, where mobile ownership stands at 136% and household broadband penetration exceeds 81%, readiness for digital solutions has never been higher. Within the financial services industry itself, fintech players such as AliPay, Atom, Moven and Fidor Bank are starting to disintermediate traditional financial institutions.

Recognising the importance of fintech, Bank Negara Malaysia (BNM) and the Securities Commission (SC) are preparing for the safe and responsible digitalisation of the industry. While encouraging the development of fintech, they are also protecting consumers' interests with a robust regulatory framework to guide innovations in areas such as cybersecurity, distributed ledger technology and digital ID, to name a few.



Financial institutions, meanwhile, are transforming the way we operate to cater to customers' expectations. At RHB, we began our digital journey in earnest in 2015 with our Digital Strategy approved by our Board – not only to deliver value-

added interactions and customised services based on differentiated segment needs, but also to digitalise our internal processes for cost and operational efficiencies.




In 2017, to further step up our effort to become a leading Digital Bank, we launched our Digital Transformation Programme where the focus is around Reimagining Customer Journeys to deliver simple, fast and seamless digital experiences, leveraging data and analytics to drive better insights and deliver superior returns and build a connected Digital ecosystem with our partners and customers. We also adopted the AGILE way of working to deliver faster and more customer-centric solutions. To support our aspirations, we set up Digital Academy, with the objective of training 500 Digital Leaders over a span of three years. A new Digital.RHB office was also officially opened, housing more than 100 employees, the centre for our Digital Innovation and Transformation.

Under Digital.RHB, we have outlined five customer journeys and data analytics focus areas, respectively.

Enhanced Customer Journeys







Objective	Target Customer	Products Launched
 Find & finance my dream home	Retail	RHB MyHome App <ul style="list-style-type: none"> • First-in-ASEAN mobile app that enables real-time mortgage application with all documents submitted via the mobile app. The app comes with a mortgage simulator that allows customers to assess their financial qualification and get advice on the entire home buying journey. The app also gives updates on their application status at each stage, and provides a hassle-free experience with improved turnaround time
 Saving & managing my money	Retail	Banking at Your Doorstep with RHB Smart Account <ul style="list-style-type: none"> • Provides the first end-to-end digital account opening experience in Malaysia which allows customers to open a deposit account online. Our staff go to customers to complete the KYC and ID verification process and deliver their debit card. This innovation enables customers to open new CASA at their convenience, at home or in the office, without having to visit an RHB branch • Account activated and access to debit card in less than 10 minutes • Rewards Programme with gamification to excite customers to transact online and increase stickiness • Instant funding of account through online transfer of money from other banks



Objective	Target Customer	Products Launched
 <p>Guide me on the best solutions to meet my business needs</p>	SME	<ul style="list-style-type: none"> • A digital tool called i-Smart which enables our SME relationship managers to serve their customers better and improve productivity • I-Smart provides a comprehensive customer view, intelligent product recommendations and potential solutions that can be recommended to customers and allows our RMs to be mobile • Resulted in 9% increase in productivity
 <p>Get finance effortlessly</p>	SME	RHB SME banking portal which allows customer to look at SME loan products and apply online. Customers can find out their financing needs and get loan approval and disbursement within a faster turnaround time
 <p>Easy motor insurance</p>	Insurance	RHB Road Rescue – a mobile app allows RHB Insurance policy holders to request for roadside assistance and submit accident claims. There will be continuous innovations to add new transactional features and new products to make this a one-stop insurance app for our customers

DEFINING DIGITAL SOLUTIONS

Data Analytics Focus Areas

Objective	Target customer	Achievements
 Grow deposits using transaction data	Retail	<ul style="list-style-type: none"> Identified more than 10 triggers to drive deposits Look-alike models to identify potential customers for deposit growth that has resulted in uplift of up to 34% for targeted customers
 Grow card spend	Retail	<ul style="list-style-type: none"> Analysed more than 80 million transactions made by RHB cardholders over 24 months Decision trees for segmentation and descriptive analytics for an offer design to deliver the right offers to the right customers
 Cross-sell to Auto Finance customer base	Retail	<ul style="list-style-type: none"> Analysed 250,000 HP customer base to identify cross-selling opportunities to deliver the right offers to our customers, improve customer profitability and product holding ratio
 Grow card portfolio	Retail	<ul style="list-style-type: none"> Analysed 400,000 card customer base to identify opportunities to improve revolving balances
 Cross-sell Premier Banking to customers	SME	<ul style="list-style-type: none"> Analysed total customer potential across retail and SME relationships Improving operating model and better targeting with more than 3,000 new Premier banking customers from our SME base in less than one year
 Cross-sell to SME deposit customers & borrowing customers	SME	<ul style="list-style-type: none"> Used more than 50 variables to analyse more than 50 million monthly transactions to identify potential opportunities to cross-sell and upsell within our SME customer base

EXTERNAL COLLABORATIONS

We continue to collaborate with external parties to support our digital transformation. During the year, we established partnerships with:

- 1) Funding Societies to enable P2P funding for SMEs; and
- 2) RinggitPlus for personal loan origination via chatbot.

The chatbot is a real-time platform that enables RHB Bank to provide approval in principle to customers without the need to submit full documentation. It reduces the turnaround time for loan approvals, and is the first-of-its-kind application in Southeast Asia.

We also established a partnership with Samsung to enable RHB cardholders – to use their Samsung mobile phones to pay for purchases.

DEVELOPING DIGITAL TALENT AND CULTURE

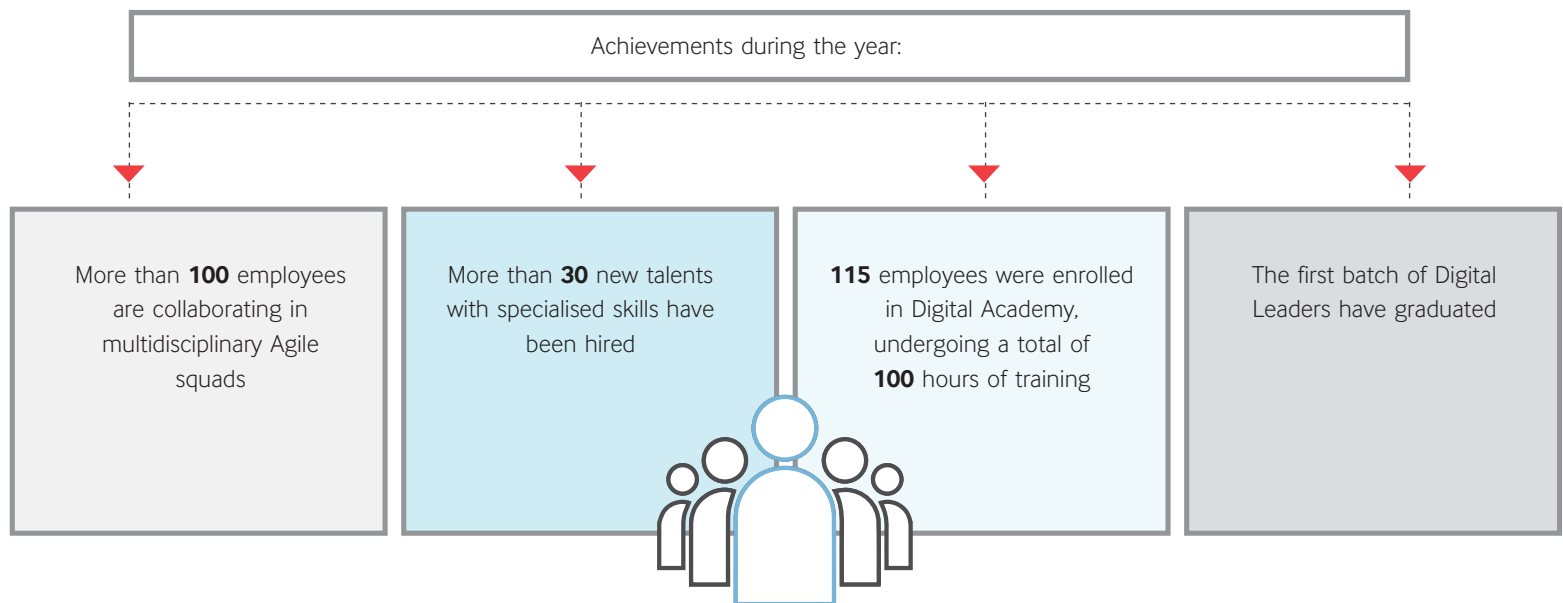
Internally, we are nurturing a digital culture by developing Digital Leaders, and developing a digital way of working via the adoption of a leading global methodology known as Agile. With Agile, we have implemented processes and tools to enhance communication and collaboration within empowered cross-functional squads tasked with driving efficiency. We have also brought on board fresh talent with specialised skills in technologies that will accelerate our digital transformation, such as user experience (UX) and user interface (UI) design, mobile apps development, analytics modelling and data science.

AWARDS

- 1 RHB TradeSmart won the Best Retail Broker in Malaysia award from Alpha Southeast Asia magazine in June 2017.
- 2 RHB MyHome App was runner-up for Best Mortgage Offering from the 9th Retail Banker International Asia Trailblazer 2018.
- 3 RHB iSMART was runner-up for Excellence in SME Banking from the 9th Retail Banker International Asia Trailblazer 2018.
- 4 RHB iSMART was runner-up for Best Innovation Programme from the 9th Retail Banker International Asia Trailblazer 2018.



In addition, we are enhancing our employee engagement programme via Workplace@Facebook across the Group which serves as a dynamic platform to further increase collaboration and communication as well as knowledge sharing.



CUSTOMER CENTRICITY

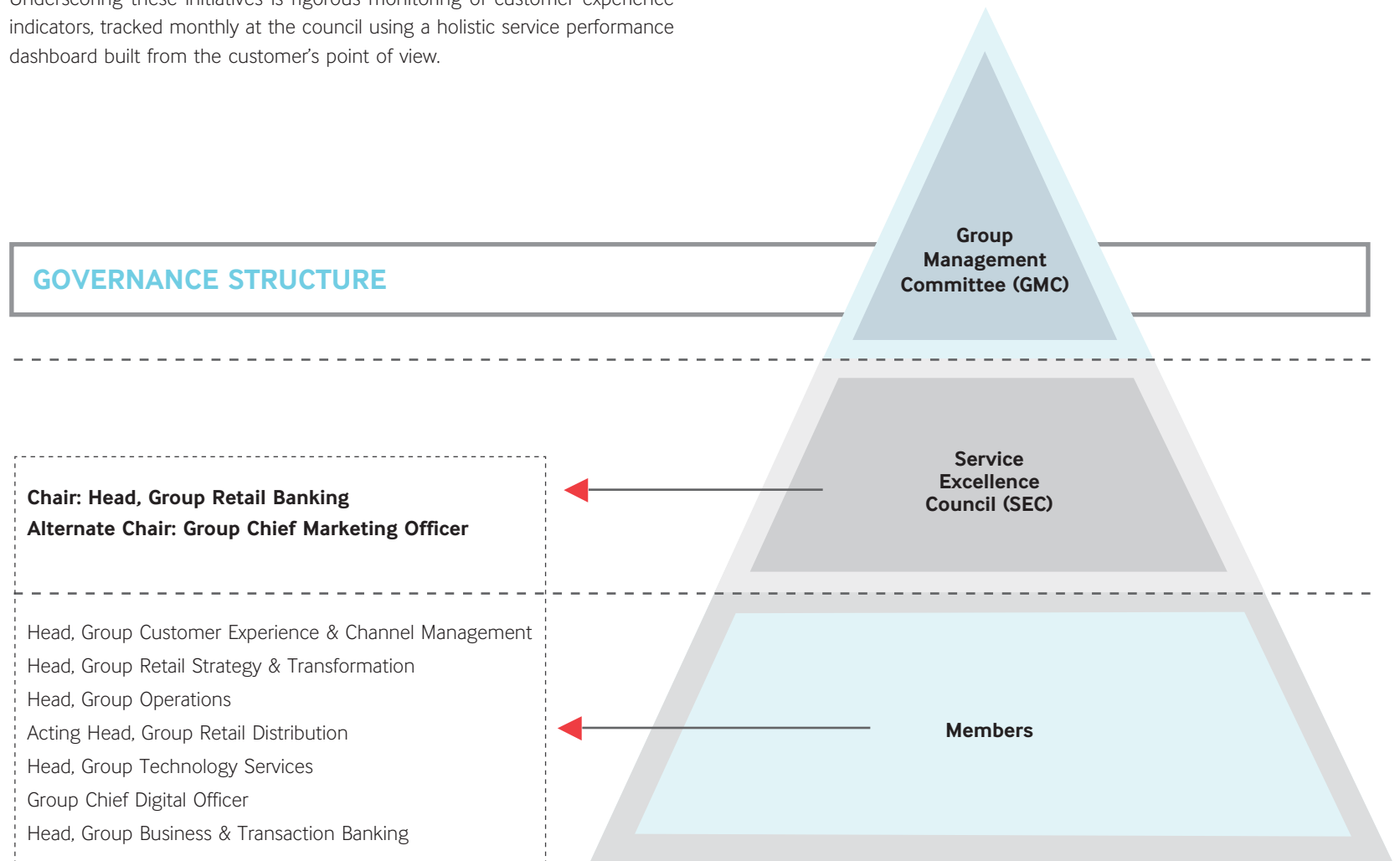
At RHB, we place our customers at the heart of our business. The foundation for our customer commitment is to deliver our brand promise, *Together We Progress*. We understand that customer-centricity is an ongoing journey and we aim to continuously strengthen our culture to deliver better value and service through co-creation with our customers.

IN 2017, OUR FOCUS WAS ON DRIVING CUSTOMER SATISFACTION THROUGH INCREASED EFFICIENCIES AND IMPROVED INTERACTION. VARIOUS INITIATIVES WERE UNDERTAKEN TOWARDS THIS END. THEY INCLUDE:

- **Customer Service Charter.** The charter, re-affirms our commitment to serve, is displayed prominently at our branches and is also available on our website.
- **Harrison Assessment tools to hire the right people for the job.** The tools include a competency framework, psychometric assessment and critical behaviour interview. In 2017, about 100 potential candidates were put through the test, of whom 50 were selected and have begun delivering great service as of October. As the 'maitre d' of our branches, our Service Managers are responsible for the overall end-to-end customer experience – from the time they greet customers through to meeting all the customers' needs and until they bid them farewell. Our Service Managers take full accountability to ensure customers have a great experience dealing with RHB; therefore, we always seek feedback after the service has been completed. Complaints are attended to promptly to ensure proper resolution and satisfaction in the overall handling of the matter.
- **Welcoming feedback.** We set up a Customer Advocacy department comprising nine experienced staff to ensure customers are treated fairly in the complaint resolution process. In the event that a customer remains unhappy with the outcome of a complaint, an escalation option is offered. Our customer advocates then review the complaints and offer mediation, if needed. The system has resulted in an increase of complaints resolution within seven days, achieving 85.5% in 2017. We are now raising the bar by targeting 80% complaints resolution within five days in 2018.
- **Automatically routing calls from Premier customers to our dedicated Premier line at 03-9206 1188.** This was made possible with phone number recognition. The initiative resulted in a 200% increase in the number of calls to the Premier line, which totalled up to 10,000 calls per month. Today, 95% of our Premier customers are served by our dedicated Elite team; the remaining 5% will be captured in due course.

DRIVING STRATEGIC CUSTOMER EXPERIENCE AGENDA

A key milestone in 2017 was the setting up of a Service Excellence Council (SEC) in December to drive our strategic customer experience agenda. Over the next five years, SEC will focus on three areas – Build Trust, Create Value and Deliver Convenience – using feedback and a new way of working to transform the end-to-end customer experience across a range of products and channels. While streamlining our processes to make them convenient, we are educating our team to listen more to our customers to build meaningful relationships. Underscoring these initiatives is rigorous monitoring of customer experience indicators, tracked monthly at the council using a holistic service performance dashboard built from the customer’s point of view.

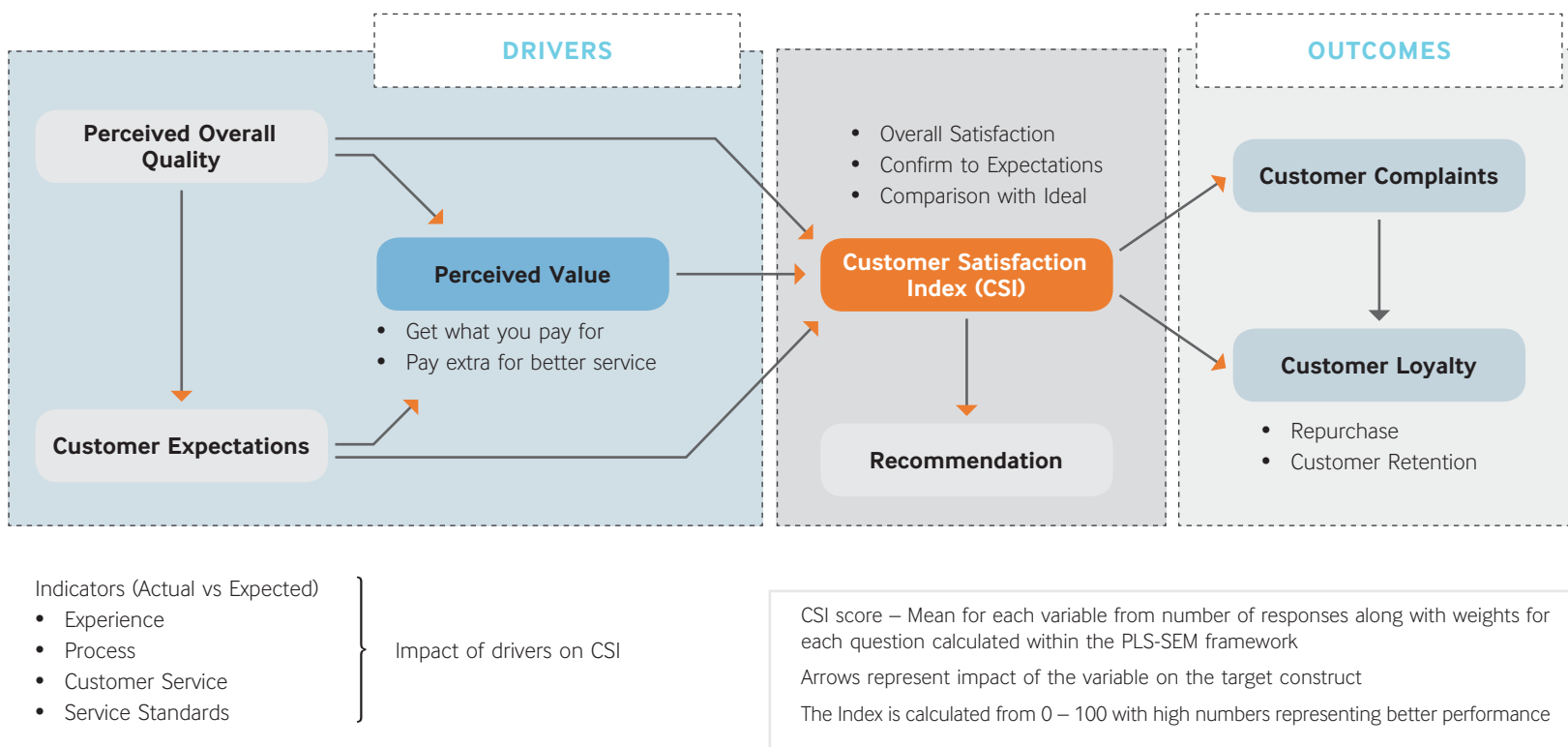


The SEC governs initiatives carried out to reinforce the RHB Way, overseeing our overall performance. It reports to the Group Management Committee following monthly meetings, and has outlined a five-year strategy for RHB to differentiate our customer service.

CUSTOMER CENTRICITY

HIGH LEVEL OF CUSTOMER SATISFACTION

As a result of concerted efforts to enhance our service delivery, RHB performed well in an inaugural industry-wide Customer Satisfaction Index (CSI) study conducted on Malaysian banks. In the survey, bank users were asked about their experiences and perceptions of their main bank. Using econometric modelling of the data obtained, the index provides an objective and reliable view on how well each bank is performing from the customers' perspective. RHB achieved a CSI score of 75, higher than the industry average of 74.

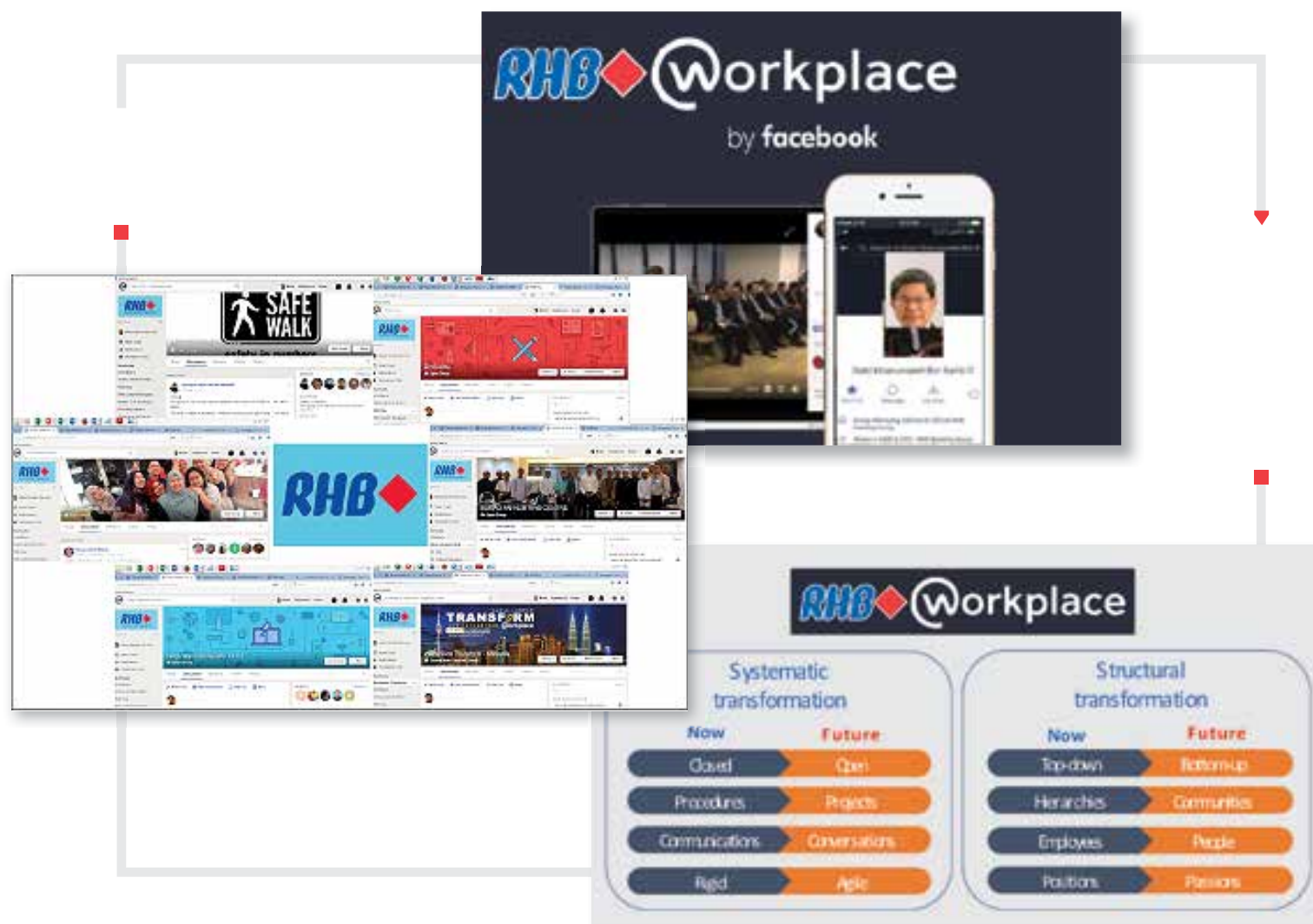


KEEPING TRACK OF OUR CUSTOMER EXPERIENCE

Internally, we have various mechanisms to keep track of our customer satisfaction. Feedback obtained from various channels is analysed regularly to identify customer pain points. We also monitor key service indicators, such as customer waiting time, serving time, the loan application turnaround time and remittance turnaround time, against RHB's internal standards as well as industry benchmarks. Service Improvement Projects are initiated to fill in gaps and, using the AGILE method, are tightly monitored along a progress timeline until the intended results are achieved. Every month, we calculate our Customer Effort Score and Customer Recommendation Score.

Externally, a third party has been engaged to regularly determine our Net Promoter Score (NPS), which measures how likely our customers are to recommend us to others. The NPS is widely acknowledged to correlate better with revenue growth compared to traditional customer satisfaction surveys. Our aim is to achieve best-in class NPS within the industry.

DRIVING OPERATIONAL EXCELLENCE



WORKPLACE BY FACEBOOK

On 25 August 2017, we launched Workplace by Facebook to enhance employee engagement and create a more cohesive work environment that engenders greater productivity. Workplace by FB supports the overall objectives of our digitalisation journey, namely to create systematic and structural transformation.

As RHB embarks on a digital journey and works toward establishing an agile organisational culture, Workplace empowers employees to communicate openly and easily. It is used by management to reach out to staff with updates and announcements as well as to encourage the sharing of best practices among employees and executives from RHB's branch network. Workplace by FB has put connectivity at the fingertips of our human capital.

As at January 2018, Workplace had grown to comprise 300 active groups, including Group Management Team, Project Teams, Branch Operation and Social Group. No less than 91% of our employees (numbering 12,053) have Workplace accounts, recording a weekly activity rate of 41% including 4,100 mobile users.

Under our current FIT22 strategic thrust, the Group aims to undergo a systematic transformation to achieve greater transparency, where information and feedback is available to employees at all times. There is a greater sense of urgency by taking the approach of project deliverables instead of procedural activities. Priority is given to enabling leaders and employees to engage in open discussions on various topics as well as sharing of ideas. Workplace is set to mobilise RHB's agile organisation by connecting stakeholders and spurring fast action.

The structural transformation, has created a greater ease of movement in terms of information, ideas, discussions and suggestions from the bottom of the organisation all the way to the top. From a traditional top-down approach, Workplace has transformed the Group's environment into one that is cohesive and participative, towards the achievement of common goals. Workplace is poised to transform the organisation from a "formal" to a people-driven culture to fuel progress, in line with the Group's brand promise, "Together We Progress".

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ECONOMIC & BANKING INDUSTRY REVIEW AND OUTLOOK

GLOBAL & ASEAN ECONOMY

Economic Review

The pick-up in global activity that started in late 2016 gathered steam in 2017, reflecting firmer domestic demand growth in advanced economies and improved performance in several large emerging market economies. The IMF revised its global growth estimate to 3.7% in 2017 from an earlier projection of 3.6% and compared with 3.2% in 2016. The recovery in global demand spurred global trade, translating into stronger exports and manufacturing activity in ASEAN countries.

Indeed, growth in the US accelerated to 2.3% year-on-year ("YoY") in 2017 (2016: +1.5%) driven by stronger consumption and investment activities. Similarly, a favourable growth momentum was seen for the 19-nation Eurozone (2017: +2.5%, 2016: +1.8%). Meanwhile, robust exports and higher investment has contributed to a stronger GDP growth for Japan (January – September 2017: +1.5%, 2016: +1%). China's growth accelerated for the first time in seven years to 6.9% for 2017 (2016: +6.7%), given strengthening external demand, supportive policy and progress in economic reforms.

In the same vein, ASEAN economies recorded stronger growth for 2017, enabled by an upswing in the export cycle, higher commodity prices and improved domestic demand. **Singapore's** GDP expanded by 3.6% in 2017, improving from 2.4% registered in 2016 driven by stronger manufacturing and services activities. Malaysia's economic growth picked up to 5.9% in 2017, from 4.2% in 2016, on stronger exports and domestic demand. **Thailand's** economy grew 3.9% in 2017, improving from +3.2% in 2016, aided mainly by stronger exports. **Vietnam's** economy grew at 6.8% in 2017, adding on to the 6.2% gain registered in 2016, supported by higher investment and exports. **Indonesia's** GDP grew 5.1% in 2017, edging up from the previous year's 5% pace, partly because its export sector is much smaller than its regional peers and government spending was constrained by weaker-than-expected revenue. In the Philippines, economic growth still generated a robust 6.7% pace for 2017, albeit moderating from +6.9% registered in 2016 as the private and public spending slowed following an election year.

Economic Outlook

The world economy is expected to pick up further in 2018, growing by 3.9%. The impetus is largely from the US where firmer growth of 2.7% is anticipated for 2018 as corporate income tax cuts would likely boost consumption and investment in the world's largest economy and help its main trading partners. Elsewhere, growth in the Eurozone is projected to moderate to 2.2% in 2018 due to slower investment and tightening of the ECB's monetary policy. The normalisation of trade activities following a strong run last year could weigh on Japan's economy, causing growth to slow to 1.2% in 2018. China's economic growth is anticipated to slow to 6.6% amid ongoing structural reforms and measures to contain risks in its financial and real estate markets.

Despite slower external demand for 2018, growth in ASEAN is anticipated to remain resilient, cushioned by strong domestic demand. High base effects from a strong showing last year is expected to result in slower export growth for **Singapore** and **Vietnam** in 2018, causing their economic growth rates to moderate to 3% and 6.3% for 2018, from +3.6% and +6.8% for 2017. Similarly, Malaysia's growth is projected to moderate to 5.2% in 2017, from 5.9% in 2017. On the other hand, **Indonesia** and **Thailand** are expected to see stronger growth of 5.3% and 4.2% for 2018, from +5.1% and +3.9% in 2017, on the back of higher government spending. The **Philippines** is expected to sustain its strong pace of expansion at 6.5% this year, moderating slightly from 2017's +6.7% print amid resilient domestic demand.

Notwithstanding improvements to the global economy, downside risks remain. Vulnerabilities may arise mainly from uncertainty regarding the timing, pace and magnitude of the removal of monetary accommodation in major economies, trade protectionism, and political uncertainty in several parts of the world. Geopolitical tensions, adverse weather conditions, and volatility in oil prices also pose risks to global growth prospects.



MALAYSIA ECONOMY

Economic Review

The Malaysian economy recorded 5.9% growth in the fourth quarter ("4Q17") from 6.2% in the third quarter and compared with 5.8% in the second quarter. The slowdown in 4Q17 GDP growth was mainly due to a moderation in exports while domestic demand remains resilient (see Chart 1). For the full year of 2017, Malaysia registered GDP growth of 5.9%, improving from a +4.2% pace in 2016. Malaysia's exports in nominal value saw a strong surge, growing by 18.9% in 2017. This was driven by strong recovery in global demand, as well as gains in commodity prices. A weaker ringgit, which translated into relatively cheaper export prices also helped. Domestic demand showed a strong pick-up to +6.5% for the year, compared to +4.4% in 2016. This was mainly driven by stronger expansion in both the private and public sectors.

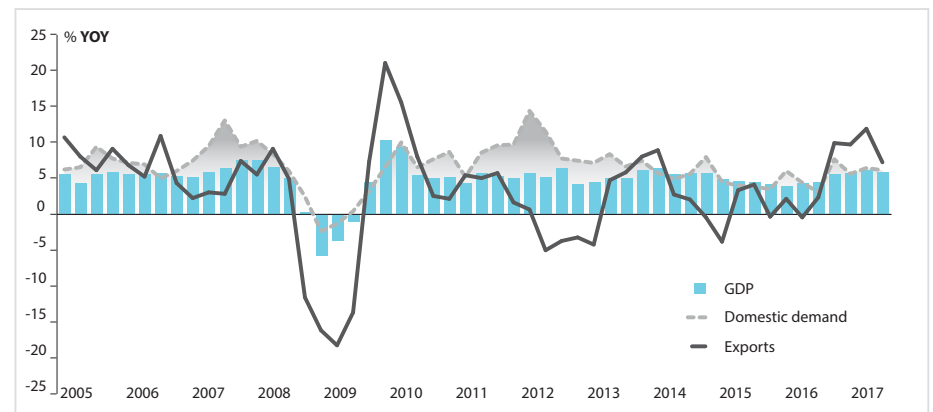
We believe this was driven by stronger spill-overs from the external sector to the domestic economy as firms invested in productive capacity, raised wages and hired more workers. Meanwhile, although inflation gained pace to 3.7% in 2017 from +2.1% in 2016, on account of higher fuel prices (see Chart 2), the rise was mainly cost-push in nature and underlying demand pressure remains manageable. As a result, Bank Negara Malaysia ("BNM") kept the Overnight Policy Rate ("OPR") unchanged at 3.00% throughout 2017.

Economic Outlook

We expect Malaysia to register a more moderate but still healthy pace of expansion at 5.2% in 2018. This is on the back of slower exports due partly to a higher base in 2017; as well as a slowdown in public spending in line with the Government's fiscal consolidation drive. However, real GDP growth would be supported by resilient domestic demand backed by relatively strong consumer spending and private investment during the year. On the inflation front, the headline inflation rate is likely to ease off on the back of relatively stable fuel prices. However, demand-pull pressures and a gas price hike are likely to add to pressures; we expect inflation at 3% in 2018.

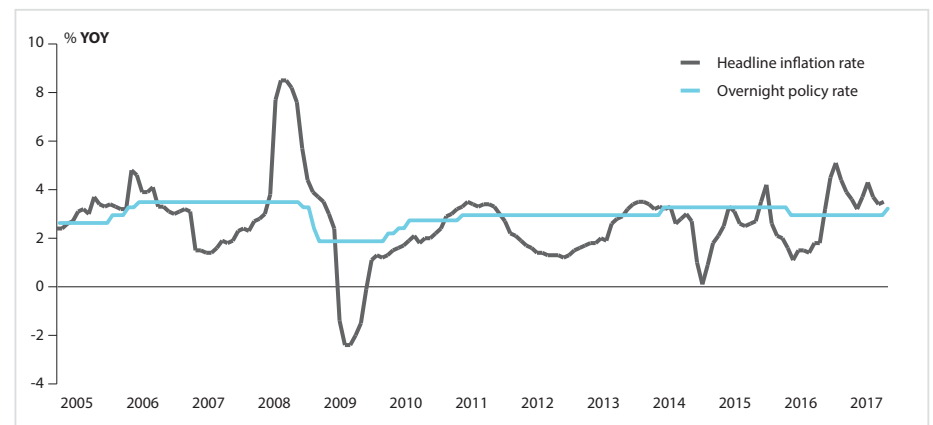
The Central Bank increased the OPR by 25 basis points to 3.25% in January 2018. The move came as the economy continued to grow at a reasonably strong pace. Moreover, BNM sought to prevent a build-up of risks that could arise from low interest rates for a prolonged period. This is also in tandem with the central bank's major steps to tighten monetary policy. With BNM hiking rates earlier than expected, we do not rule out another rate hike of 25 basis points if economic growth turns out to be stronger than anticipated.

Chart 1: Economic growth lifted by improvement in exports and domestic demand



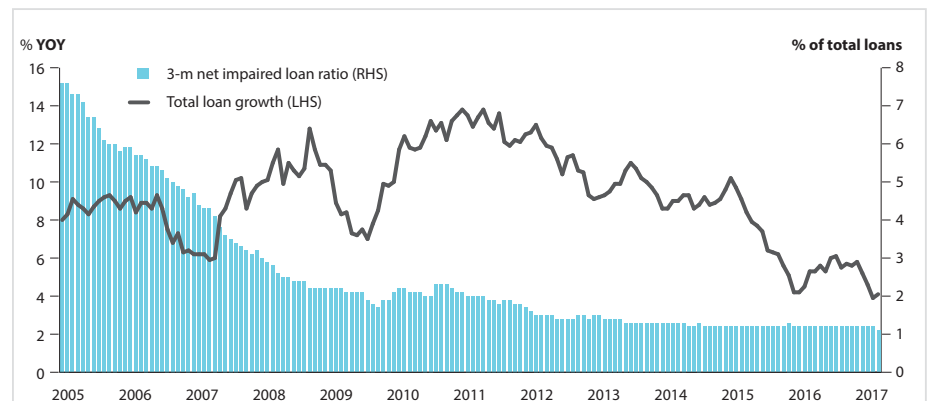
Source: Department of Statistics

Chart 2: Headline inflation trended higher on fuel prices



Source: Department of Statistics

Chart 3: Loan growth on overall moderating trend, while impaired loans ratio remained low



Source: Bank Negara Malaysia

Table 1: Global Real GDP Growth Rates

	% YoY		
	2016	2017E	2018F
World	3.2	3.7	3.9
US	1.5	2.3	2.7
Eurozone	1.8	2.5	2.2
Japan	1.0	1.5	0.7
China	6.7	6.8	6.5
Hong Kong	1.9	2.0	2.2
ASEAN			
Singapore	2.4	3.6	3.0
Malaysia	4.2	5.9	5.2
Thailand	3.2	3.9	4.2
Indonesia	5.0	5.1	5.3
Philippines	6.8	6.7	6.5
Vietnam	6.2	6.8	6.3

Table 2: GDP by expenditure components (at constant 2010 prices)

	% YoY		
	2016	2017	2018F
Consumption			
Private sector	6.0	7.0	6.3
Public sector	0.9	5.4	3.7
Gross Fixed Capital Formation	2.7	6.2	6.3
Private sector	4.3	9.3	8.6
Public sector	-0.5	0.1	1.5
Aggregate Domestic Demand	4.3	6.5	6.0
Exports of Goods & Services	1.1	9.6	5.6
Imports of Goods & Services	1.1	11.0	4.8
Real Gross Domestic Product	4.2	5.9	5.2

Table 3: GDP by industrial origin (at constant 2010 prices)

	% YoY		
	2016	2017	2018F
Agriculture, forestry & fishing	-5.0	7.2	2.6
Mining & quarrying	2.6	1.1	1.3
Manufacturing	4.3	6.0	5.6
Construction	7.4	6.7	6.2
Services	5.7	6.2	6.0
Real Gross Domestic Product	4.2	5.9	5.2

Source: Department of Statistics, RHBRI

E: Estimates F: Forecasts

MALAYSIA BANKING

Banking Sector Review

Malaysia's banking system loan growth moderated to 4.1% YoY in 2017, from a growth of 5.3% YoY in 2016. Household loans grew at a sustained 5.1% YoY while the increase in non-household loans moderated to 2.8% YoY from 5.3% YoY in 2016. Lending in the household sector accounted for 57.3% of banking system loans.

Within the household segment, residential property loans grew 8.9% YoY versus an increase of 9.2% YoY in 2016. Lending for purchase of passenger cars contracted, albeit by a modest 1.1% YoY (versus growth of 0.7% YoY in 2016) while personal loans and credit card financing grew 4.1% YoY and 3.0% YoY (versus increases of 4.6% YoY and 2.5% YoY, respectively in 2016). Within the non-household segment, lending for working capital purposes was up a mild 0.9% YoY, a slowdown from growth of 5.6% YoY in 2016.

Corporate bond issuances totalled MYR121.83 billion in 2017, up 42.3% from MYR85.61 billion in 2016. Coupled with banking system loans, total net financing increased by 6.4% YoY in 2017. This compared with net financing growth of 5.5% YoY in 2016.

Growth in system deposits, which slowed to 2.1% YoY in 2016, picked up to 3.9% YoY in 2017. With deposits growth tracking a little behind loan growth, banking system loan-to-deposit ratio experienced little change at 90.7% from 90.5% in December 2016. The banking system liquidity coverage ratio (LCR) improved to 138% from 124% in December 2016.

Banking system's absolute gross impaired loans increased 5.2% YoY in December 2017, after rising by 6.0% YoY in 2016. Net impaired loans ratio ticked up to 1.19% from 1.18% in December 2016. Loan loss coverage eased to 82.1% in December 2017 from 85.4% a year ago.

As at end-2017, banking system Common Equity Tier 1 (CET1) ratio was 13.3%, while Tier 1 Capital Ratio and Total Capital Ratio were a healthy 14.1% and 17.1%, respectively.

Banking Sector Outlook

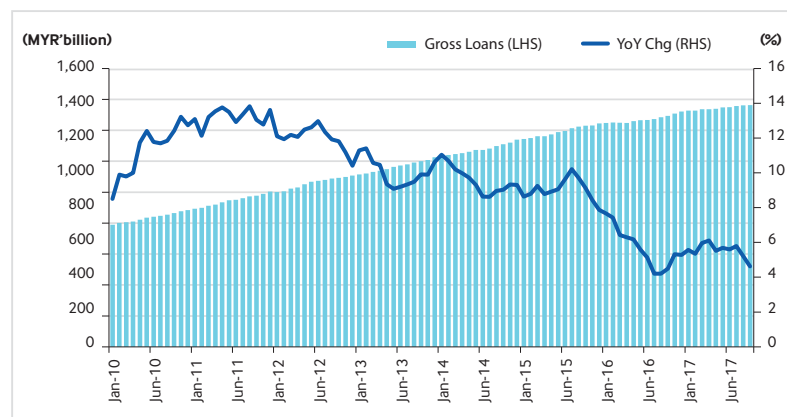
Real GDP is expected to grow at a more moderate but healthy pace in 2018. This would be supported by resilient domestic demand, as exports growth expands and trickles down to consumer spending and private investments. We expect a slight tightening of monetary policy as inflation would likely stay elevated.

Against this macro backdrop, the operating environment for banks would remain challenging in 2018. Lending to businesses is expected to recover but this would be moderated by further softening in household loans growth. Declining property sales since 2014 would weigh on banks' residential mortgage business.

Banks' liquidity positions should remain healthy with system liquidity coverage ratio at a comfortable 138% at end-2017, the moderate loan growth environment would ease pressure for banks to compete aggressively for deposits. We expect deposit growth to track the expansion in loans. As a result, compression in interest margins is expected to be manageable.

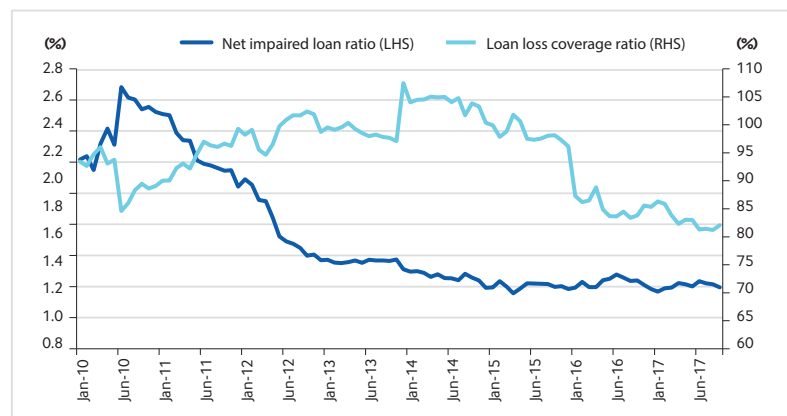
Overall, the banking system is expected to remain sound supported by healthy asset quality and strong capital buffers. Asset quality, which saw mild slippages in the oil & gas, SME and household segments in 2017, is expected to stabilise in the year ahead. The banking system's solid capital position would help banks absorb the capital impact on Day 1 adoption of Malaysia Financial Reporting Standard 9 (MFRS9) in 2018.

Chart 4: Banking System Loan Growth



Source: Bank Negara Malaysia, RHB

Chart 5: Banking System Asset Quality



Source: Bank Negara Malaysia, RHB

SINGAPORE

Banking Sector Review

Singapore’s system loans (domestic banking unit (DBU) and Asian currency units (ACU)) recorded a growth of 8.0% YoY in December 2017, reflecting an increase in lending opportunity and banks’ willingness to benefit from the recovering domestic economy. For the DBU segment, business loans grew 6.2% YoY boosted by financial sector loans (15% loan share) up a sharp 23.0% YoY and lending to general commerce loans (11% loan share) up 7.1% YoY. On the other hand, building & construction loans (18% loan share) was down 0.8% YoY.

Demand for DBU consumer loans improved at a slower pace. Growth of 4.8% YoY was slightly stronger than the 3.1% YoY in December 2016. Reflecting sustained demand from home buyers, housing loans (31% share) rose 4.2% YoY. Lending for purchase of passenger cars also registered increased demand with auto loans rising 7.1% YoY compared with an uptick of 0.2% YoY in December 2016.

DBU deposits increased 1.6% YoY, a moderation from growth of 6.5% YoY in December 2016. DBU’s fixed deposits faced a negative growth of 2.3% YoY and current account and saving accounts (CASA) deposits grew 4.4% YoY. System DBU loan deposit ratio was 108% in December 2017 versus 103% at December 2016, due to the slower growth of deposits.

System net NPL ratio improved to 1.0% in December 2017 from 1.15% in December 2016 while special mention loans ratio declined to 2.11% from 2.41% at end-2016.

Banking Sector Outlook

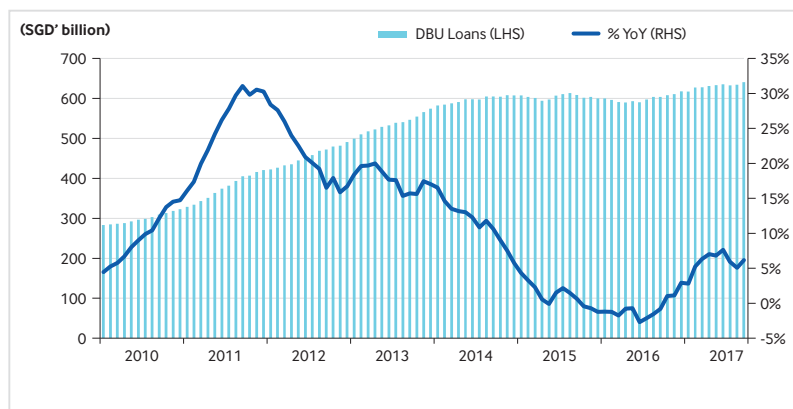
Singapore’s real GDP is projected to expand by 3% in 2018, compared with estimated growth of 3.3% for 2017. The slight dip in real GDP reflects expectations of a moderation in factory output growth to 6.5%, from the 9.8% forecast for 2017.

Loan growth outlook for 2018 remains bright, in our view. The recent activity on residential property en-bloc sales is seen as one contributor to loan expansion. We expect more investments by corporates (in relevant sectors), that would result in sustained loan disbursements.

NIM prospects are expected to improve in the coming year, after being flattish in 2017. Singapore’s short term interest rates, which had been stable for most of 2017, are expected to rise in 2018 in line with market expectations of hikes in the US Federal Reserve’s (US Fed) federal funds rate (FFR). The accompanying rise in SIBOR and SOR would result in wider NIMs.

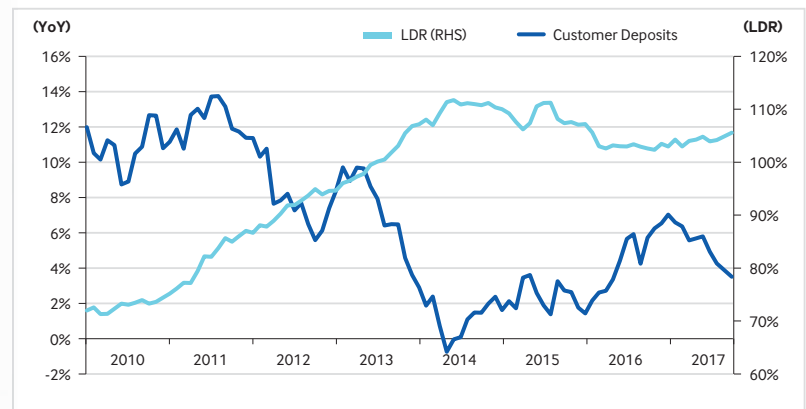
New NPL formation is more muted and oil-related asset quality issues are near the bottom now, in our view. Still, it is too early to talk about a recovery in charter rates and new investments into the industry. We believe there remains lingering provisions for oil and marine services assets as we go into 2018, although the quantum should be more muted.

Chart 6: DBU Loan Growth



Source: Monetary Authority of Singapore (MAS), RHB

Chart 7: DBU Deposits and LDR



Source: Monetary Authority of Singapore (MAS), RHB

MARKET REVIEW

KEY TRENDS AFFECTING THE BANKING INDUSTRY

In recent years, various developments have impacted banks' operating environment. Some of these key trends, we believe, can affect the long term prospects of the industry.

POLITICAL DRIVERS

Malaysia has enjoyed a long period of political stability. Being a multi-racial, multi-ethnic and multi-religious society, continued political and social stability are the foundation for the country's sustained growth and attractiveness to foreign investors.

The Government, under the leadership of Prime Minister Datuk Seri Najib Razak, launched the Transformasi Nasional 2050 (TN50). TN50 is a national development initiative spanning the years 2020 to 2050. It will be driven by clear 30-year goals and targets that are being developed via an inclusive and consultative process. The general goal for TN50 is for Malaysia to become a top 20 country in the world by the year 2050.

TN50 will adopt a bottom-up approach to foster a sense of belonging and participation in the country's development, among the public. In the run up to the unveiling of the TN50 policy document set to be published in early 2020, a series of discourse focused on youth and other segments had begun in 2017 to collect views from the public on what the Malaysian identity should be in 2050.

SOCIAL DRIVERS

Similar to the United States, United Kingdom, Australia and New Zealand, the provision of affordable homes has become a challenge for Malaysia. Since 2012, the increase in house prices has outstripped the rise in income levels, pushing house prices, particularly in major urban centres, beyond the reach of most Malaysians. To address this issue, PM Najib launched in July 2011 the 1Malaysia Housing Programme (or PR1MA) to plan, develop, construct and maintain high-quality housing for middle-income households in key urban centres.

In November 2017, BNM proposed six policy options to reduce supply-demand imbalances in the property market, warning that the oversupply of office space and shopping complexes in major states may worsen with incoming supply. The exacerbated oversupply could potentially become more severe than what was seen during the Asian Financial Crisis.

Malaysia's household debt to GDP stood at 84.6% in September 2017. Although still high, this is an improvement from the 88.4% in 2016. With the macro-prudential measures implemented by BNM, as well as increasing awareness among the public on the importance of financial planning and debt management, the central bank expects household leverage to remain on a gradual downtrend.

Against such a backdrop, we expect banks' lending to the property sector to be focussed mainly on the affordable homes market. Growth in residential mortgages would be sustained at high single digit compared with the 8.9% YoY increase in 2017. We expect growth in financing of non-residential properties to remain subdued, having decelerated to 2.1% YoY in December 2017 from 6.1% YoY a year ago. Overall, we expect continued moderation in loans growth in the household segment, albeit slightly.

COMPETITIVE DRIVERS

Malaysian banking institutions continue to experience competitive pressures from established players as well as new alternative service providers. The industry is seeing an increasing number of automotive franchisees and non-bank financial institutions (NBFIs) offering end financing to buyers of motor vehicles, while fintechs and telecommunication companies are encroaching into the payments and remittances space.

Cognisant that digital disruption could leapfrog given the investments poured into fintech development, Malaysian banks have also stepped up efforts to digitalise their operations, enhance customer experience, improve cyber security, and test new technologies. Banks are also actively engaging fintech firms to seek out innovative "go-to-market" partnerships.

In response to the competitive pressures and changing industry trends, various Malaysian banks have outlined business transformation programmes aimed at honing their strategies to strengthen their income generation engines, asset quality and capital positions.

MARKET REVIEW

TECHNOLOGICAL DRIVERS

The Malaysian government has put many investments and incentives in place to ensure the country captures a good share of the new global economy. These include:

- The Malaysia Tech Entrepreneur Programme that is designed to attract overseas tech founders who also see ASEAN as a high potential opportunity. They can base themselves in Malaysia via a 1-year or 5-year stay programme.
- The Malaysia Digital Hub provides opportunities for businesses to connect to the digital economy ecosystem by providing designated physical spaces for growing startups to develop their next big ideas.
- The Digital Free Trade Zone, the world's first outside of China, aims to capitalise on the exponential growth of the internet economy and cross-broader eCommerce. Although it only officially started in November 2017, over 2000 SMEs have registered to take advantage of the opportunities this platform offers.

The government also provides further support with the establishment of a government-owned agency, the Malaysia Digital Economy Corporation (MDEC) as well as the Malaysian Global Innovation and Creativity Centre, (MaGIC), which is a one-stop centre to support entrepreneurship, and to catalyse creativity and innovation.

REGULATORY DRIVERS

The global financial crisis (GFC) revealed a number of fundamental issues with the international banking system, including the fact that many banks had built up excessive leverage and had a capital base that was inadequate and of insufficient quality.

This led to increased regulations to ensure financial soundness of banks and protect consumers, the most significant of which are the Basel III guidelines on capital adequacy and liquidity, the International Financial Reporting Standard (IFRS 9): Financial Instruments, and anti-money laundering (AML) regulations.

In Malaysia, banks are required to comply with BNM's Capital Adequacy Framework (Capital Components) for the determination of capital and computation of capital adequacy ratios (CAR). Banks are to maintain the regulatory minimum Common Equity Tier 1 (CET1), Tier 1 Capital Ratio and Total Capital Ratio of 4.5%, 6.0% and 8.0% respectively. In addition, BNM has introduced the Capital Conservation Buffer (CCB) of 2.5% that is being phased in from 1 January 2016 to 1 January 2019, and the Countercyclical Capital Buffer ranging between 0% and 2.5% of total risk-weighted assets. The central bank may also introduce additional loss absorbency requirements for systemically important banking institutions (D-SIB).

In the area of liquidity risk management, BNM has in September 2017 issued the exposure draft on Net Stable Funding Ratio (NSFR) for banking institutions. This complements the LCR that has been phased in since 2015.

IFRS 9, or MFRS9 as the Malaysian equivalent is known, has come into force in January 2018. The most significant change effected by the new accounting standard will be banks' approach to impairment. The switch to expected credit loss model, from the incurred loss model, could see a jump in impairment allowances on the first day of MFRS9 implementation (known as Day 1 impact) followed by the possibility of higher annual provisions. Day 1 impact would depend on BNM's guideline on whether banks would be allowed to offset the increase in provisions against regulatory reserves. At the time of writing, banks are awaiting BNM's directive.

Overall, the above regulatory requirements have caused Malaysian banks to be proactive in efforts to ensure efficient utilisation of capital, deposit accumulation to boost liquidity, and measures to safeguard against money laundering and financing of terrorism.

MATERIAL MATTERS

MANAGING MATERIAL MATTERS

In outlining our strategies, we take into consideration the multitude of factors that have an impact on the financial industry generally, and on RHB specifically. These material matters represent our primary risks and, if well managed, also our opportunities. They are related to macro-economic conditions as well as changing expectations and demands of our key stakeholders. We recognise that it is critical to identify our material matters to entrench our long-term success and sustainability; and engage in a three-step process to do so.

How We Determine Material Matters

IDENTIFY & ASSESS



Identification of our material matters is a group-wide effort and includes internal deliberation based on input from all our business units and support divisions, independent research, monitoring of the external environment, as well as feedback from our stakeholders.



PRIORITISE & RANK

Issues identified are **prioritised** according to how relevant they are to RHB's long-term success, i.e. the impact they have on our business and stakeholder relationships.



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.

Our Material Matters




MATERIAL MATTERS	RISKS/OPPORTUNITIES	OUR RESPONSE
 Challenging Economic Environment	Moderate global economic growth may have spillover effects on ASEAN economies, while NPL remains a concern amid exposure to the O&G sector albeit slow recovery	<ul style="list-style-type: none"> Our diversified geographical presence in 10 countries enables us to manage our business portfolio better
 Stringent Regulatory & Compliance	Evolving regulatory landscape including MFRS 9 compliance by 1 January 2018 and Basel III reforms may affect the bank's existing business model and give rise to compliance risks	<ul style="list-style-type: none"> Continuous education and awareness for the Board of Directors and employees to keep abreast of the latest regulatory requirements Constant review of policies and procedures to be in line with changing regulatory requirements Put in place a robust compliance and risk management framework in order to ensure greater level of governance Work closely with regulators while our business and functional units collaborate closely to ensure compliance with requirements
 Digital Wave & Digital Competitors	Non-bank competitors and new entrants are encroaching into banks' existing revenue pools, while traditional banks are losing relevance amid shifting consumer preference	<ul style="list-style-type: none"> Continue to innovate and introduce cutting-edge digital products and services to enhance customer experience, while ensuring best in class cyber security practices in order to maintain customers' confidence
 Talent Management & Retention	Challenges in attracting and retaining talent to build superior leadership and talent pipeline, especially in this new digital age	<ul style="list-style-type: none"> Investment in talent development to up skill our talents Implement employee engagement strategies to drive performance excellence









ENGAGEMENT WITH STAKEHOLDERS

Stakeholder relationships are of the utmost importance as they help build networks that develop credible, united voices about issues, products and services that are important to RHB. Evolving stakeholder preferences and requirements have shaped our vision and strategy. We have developed various formal and informal engagement mechanisms that provide active communication pathways and channels. Stakeholders are provided with an effective forum to express their expectations and concerns.

Communication channels are customised to suit each individual stakeholder group based on considerations such as individual stakeholder profiling and ease of engagement. They are also supplemented with a host of initiatives to proactively assess feedback at multiple levels within the Bank. This analysis helps deliver actionable insights and differentiated understanding. A more streamlined and concentrated strategy results in a products and process framework geared to meet stakeholder expectations.

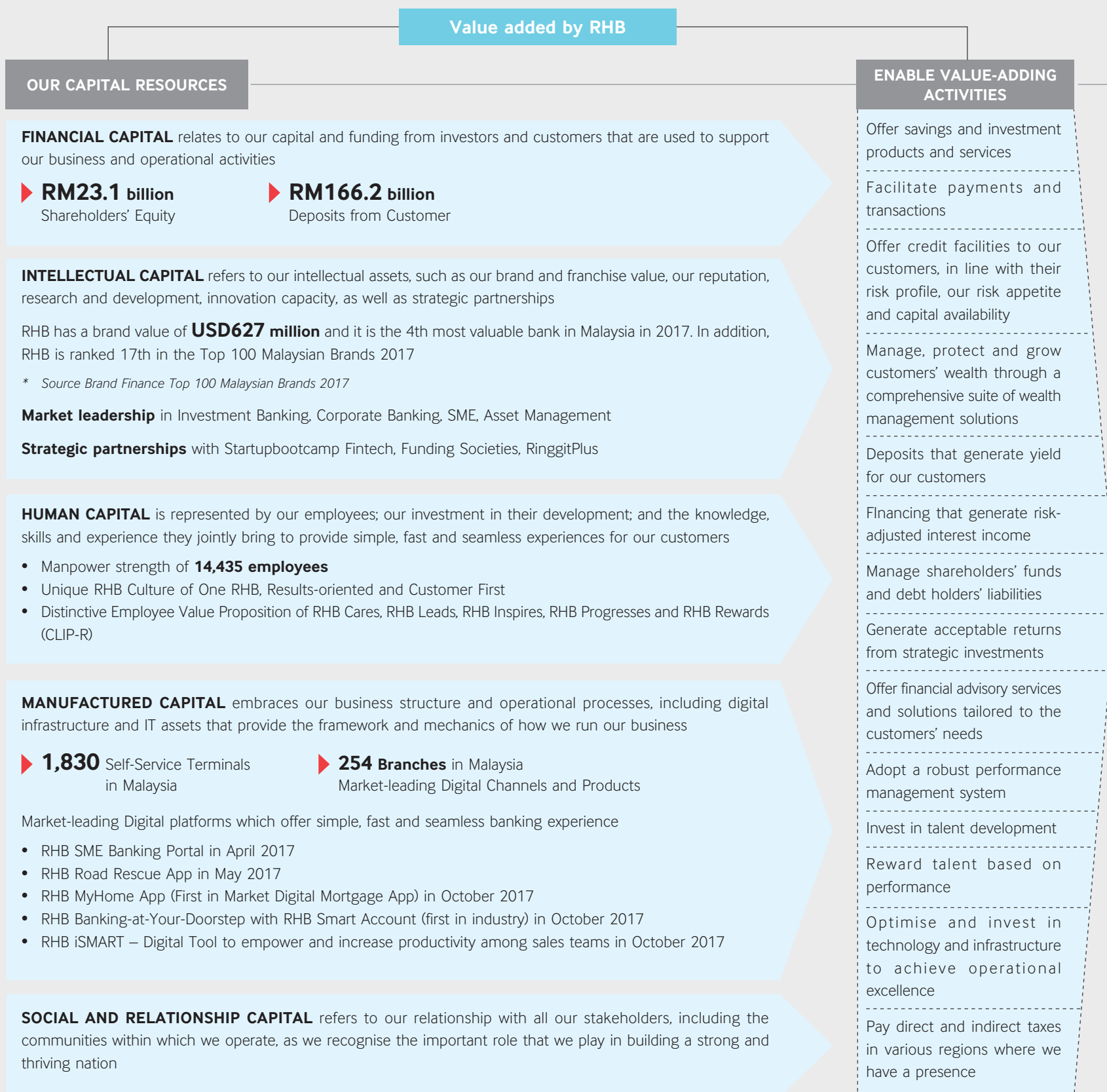
The stakeholder engagement map presented below provides an overview of our continual proactive engagement efforts with key stakeholder groups.

Stakeholder Group	Mode of Engagement	Engagement Frequency	Key Engagement Topics	Performance Highlights
 <p>Shareholders and Investors</p>	<ul style="list-style-type: none"> Annual & extraordinary general meetings Analyst & fund managers briefings Bursa Malaysia announcements Annual reports Quarterly & annual financial results announcement Online communications – Corporate website & e-mails Meetings/discussions (upon request) 	Ongoing >	<ul style="list-style-type: none"> Financial results Business strategies Shareholder returns Corporate governance RHB strategic plan 	<ul style="list-style-type: none"> About 100 shareholder queries received and resolved 1,982 shareholders, proxies and corporate representatives attended the 51st AGM 30 investors/analyst meetings were held Timely response to shareholder enquiries including the Minority Shareholders' Watchdog Group (MSWG)
 <p>Business Partners</p>	<ul style="list-style-type: none"> Corporate website Formal & informal engagements 	Ongoing >	<ul style="list-style-type: none"> Strengthening collaborations and optimising partnerships 	<ul style="list-style-type: none"> Details of significant partnerships and collaborations are disclosed in this Annual Report 2017
 <p>Customers</p>	<ul style="list-style-type: none"> Social media Corporate Website E-mail One-to-one meetings Group meetings Relationship Manager engagement Customer networking events Surveys and focus groups Seminars and forums Interaction programmes Grievance redressal mechanism Call Center 	Ongoing >	<ul style="list-style-type: none"> New product offerings Feedback on products and services Strategic direction Financial literacy Customer satisfaction Grievance redressal 	<ul style="list-style-type: none"> 18.9 million page views for www.rhbgroup.com 1,056,189 Facebook fans, 56,087 followers on Twitter and 14,430 followers on Instagram An average 74% of customer queries resolved within 24 hours each month

Stakeholder Group	Mode of Engagement	Engagement Frequency	Key Engagement Topics	Performance Highlights
 <p>Employees</p>	<ul style="list-style-type: none"> Senior leadership forum Intranet (My1Portal) and email RHB's internal social media channels – Workplace by Facebook Townhall and dialogue sessions with the Group Managing Director and Senior Management Roadshows by Senior Management at branch and regional level Social and sports activities Training and development programmes – classroom and e-learning Annual Employee Satisfaction Surveys (ESS) Informal and formal get together Grievance channels 	Ongoing 	<ul style="list-style-type: none"> Financial performance Business direction Key focus areas Vision and values Ethics and compliance Risk management Product design Market practices Competency building Safety and security Health and wellbeing Work-life balance Employee value proposition Employee engagement activities Grievance redressal 	<ul style="list-style-type: none"> Employee engagement score of 80% 30 employee engagement activities held in 2017 84.7% employee retention rate 4,008 employees have worked more than 15 years
 <p>Regulators</p>	<ul style="list-style-type: none"> Discussions and consultations Participation in public engagement initiatives such as Roadshows, Financial Carnival and Business Forums 	Ongoing 	<ul style="list-style-type: none"> New rules and guidelines Policy matters Risk management matters Regulatory filings and reports Industry perspective Financial literacy Products and services Customer service experience 	<ul style="list-style-type: none"> Supporting the Government's initiatives including empowering SME development and digitalisation Participated in five public engagement initiatives to date (<i>Karnival Kewangan</i>)
 <p>Communities, Government Bodies and NGOs</p>	<ul style="list-style-type: none"> Collaborations and partnership in RHB's CR initiatives Participation in the UN Global Compact Network Malaysia Advisory Board in assessing sustainability Focus group discussions E-mails Website and social media to share on ground engagement initiatives 	Ongoing and need based 	<ul style="list-style-type: none"> Community engagement and development initiatives Financial inclusion and literacy Capacity building Areas for collaboration, gather feedback and discuss improvements Cross-sharing innovative programme interventions and charitable causes 	<ul style="list-style-type: none"> Number of beneficiaries that have benefited <ul style="list-style-type: none"> (a) 24,000 children and youth (b) 2,000 underserved/underprivileged members of community From 2007 to 2017, approximately RM88 million was invested in initiatives that empowers the community, particularly children and youth
 <p>Suppliers, Service Providers & Vendors</p>	<ul style="list-style-type: none"> Meetings and discussions Sharing of information through corporate website and e-mail Supplier training Tender process and supplier feedback mechanism 	Need based 	<ul style="list-style-type: none"> Service turnaround times and deliverables Product/service cost, quality and delivery Performance expectations Governance Suppliers rights Resolution management 	<ul style="list-style-type: none"> 7 supplier training sessions were delivered in 2017 49 engagement sessions with suppliers were held in 2017

OUR BUSINESS MODEL

OUR VALUE CREATION PROCESS



Value created for RHB and our stakeholders

WHILE MANAGING
KEY RISKS

CREDIT RISK

Gross Impaired Loans Ratio
within target at 2.23%



MARKET RISK

Trading instruments or
underlying are of investment
grade quality and profile



LIQUIDITY RISK

Liquidity Coverage Ratio
above regulatory
requirement at 117.5%



OPERATIONAL RISK



TECHNOLOGY RISK

REGULATORY
NON-COMPLIANCE RISKSHARIAH
NON-COMPLIANCE RISKDELIVERING FINANCIAL
OUTCOMES FOR RHB

ROE
8.7%

TOTAL INCOME
**RM6.4
billion**

NET PROFIT
**RM1.95
billion**

TOTAL CUSTOMER
DEPOSITS
**RM166.2
billion**

DIVIDEND PAYOUT
**RM601.5
million**

DIVIDEND
PER SHARE
15 sen

SHAREHOLDERS'
EQUITY
**RM23.1
billion**

TSR
8.6%

VALUE CREATED FOR OUR STAKEHOLDERS

SHAREHOLDERS

- Posted strong financial results – headline earnings from managed operations up **16.0%**
- Increased share price by **6.2%**
- Increased dividend payout ratio to **30.8%**
- Maintained transparent, timely and relevant investor communication and reporting

CUSTOMERS

- Recorded over **RM1 billion** in infrastructure financing drawn or committed
- Supported government housing initiative financing of circa **RM1 billion**
- Extended up to **RM1.6 billion** in private sector growth financing
- SME Acceptances – **RM6,346 million**

EMPLOYEES

- Offered **2,924 job** opportunities
- Paid **RM1,867.9 million** in salaries and benefits
- Invested **RM40.4 million** in learning and development
- Increased female representation from 57.9% to **58.4%**
- Improved employee engagement from 76% to **80%**
- **Top 4** employer ranking among local banks

REGULATORS

- Adhere to rules and regulations that govern the business and operations of financial institutions
- Distribution of Value Added 2017 of **RM4,554 million**:
 - **41%** to employees as personnel costs
 - **13%** to the Government in Taxation

COMMUNITIES

Total Investment in 2017 RM4.17 million

- Nurturing Future Generations **RM3.4 million**
- Health and Wellness **RM156,000**
- Arts and Cultural Heritage **RM250,000**
- Humanitarian and Disaster Relief **RM364,400**

OUR STRATEGIC ROAD MAP IGNITE 2014 – 2017

STRATEGY STATEMENT

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

2020 ASPIRATIONS

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

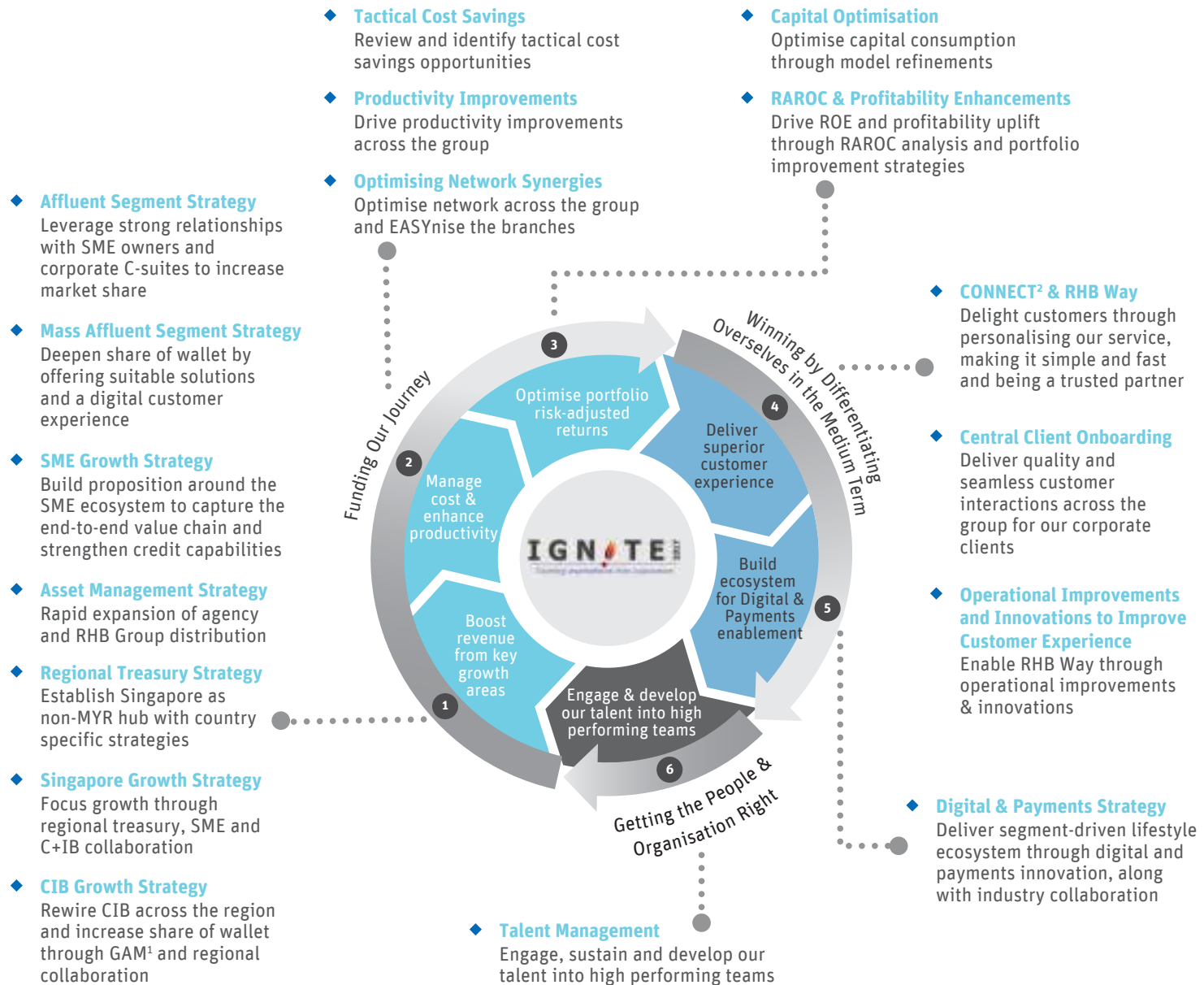


In order to achieve our 2020 Aspirations, we launched a three-year strategic blueprint in February 2014 – IGNITE 2017. In 2015, when the banking industry was impacted by external market volatilities, we reframed our strategy to focus on three broad themes and six strategic priorities.

- ▶ **FUNDING OUR JOURNEY** – focuses on boosting revenue from key growth areas, managing cost while 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



OUR SIX STRATEGIC PRIORITIES, WERE SUPPORTED BY 17 INITIATIVES



Notes:

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

IGNITE 2017 KEY ACHIEVEMENTS

2017 marked the culmination of IGNITE 2017, and we are pleased to report various positive results achieved.

IGNITE 2017 OBJECTIVES



Boost Revenue from Key Growth Areas

2017 HIGHLIGHTS

- ▶ Affluent AUM grew by 27.8% while Premier banking customer base grew by 66% since the launch of the new Premier value proposition in July 2016
- ▶ SME loans grew by 8.8% (industry: 6.3%), improving our market share from 7.2% in 2014 to 9.0% in 2017
- ▶ Improved product holding ratio of top corporates from 4.62 in 2016 to 5.25 in 2017 through a refined customer coverage model
- ▶ Strong Investment Banking market positions:
 - RHBIB ranks 1st in terms of PBT and total income with lowest cost to income ratio among peers
 - ECM ranks 3rd in Malaysia by deal value
 - DCM ranks 4th in Malaysia by deal value
 - M&A ranks 5th in Malaysia by deal value
- ▶ Asset quality issues impeded Singapore's profitability growth



Manage Cost & Enhance Productivity

- ▶ CIR improved from 53.8% in 2014 to 49.9% in 2017
- ▶ Personnel CIR improved from 32.2% in 2014 to 29.3% in 2017
- ▶ EASY "10-minute banking" technology has been integrated into 208 branches nationwide to provide fast and seamless banking experience
- ▶ Launched As Simple As Possible ("A.S.A.P") in April 2016 to simplify processes and drive productivity – realised value benefits of RM6 million in 2017



Optimise Portfolio Risk-Adjusted Returns

- ▶ A core driver to boost profitability was through optimisation of our capital and balance sheet. Various RWA initiatives, model refinement and roll-out of the enhanced risk-adjusted performance management model ("RAROC") provided valuable insights in the management of business portfolios to drive further performance
- ▶ 70 bps improvement in RAROC from 11.3% in 2015 to 12.0% in 2017, arising from portfolio improvement initiatives

IGNITE 2017 OBJECTIVES



Deliver Superior Customer Experience

- ▶ Streamlined our Customer Care Centre (“CCC”) telephone numbers, with a 20% reduction in abandon call rates
- ▶ Set up a Customer Advocacy team as an independent party to review complaints/disputes, resulting in >95% complaints resolved within the internal SLA (vs. 88.8% in 2015)
- ▶ Introduced Banking at Your Doorstep to assist customers with account opening, resulting in an increase in our Net Promoter Score (NPS) for CASA onboarding from 17 in 2015 to 40 in December 2017
- ▶ However, we experienced delays in the roll-out of several customer experience improvement initiatives which will be reviewed in 2018



Build Ecosystem for Digital & Payments Enablement

- ▶ Launched our Digital Transformation Programme – Digital. RHB, focusing on customer-centric design, insights-driven service and a collaborative ‘AGILE’ culture
- ▶ Introduced various digital solutions to improve customers’ digital banking experience, including online account opening (RHB Smart account), RHB MyHome app (1st in market digital mortgage app), RHB Road Rescue for mobile roadside assistance and claims submission as well as SME web portal that enables SMEs to apply for products online
- ▶ Augmented payment offerings via Mobile Point of Sale (MPOS), Samsung Pay and Payment Gateway Tokenisation
- ▶ Partnered with Funding Societies to enable P2P financing for SMEs and with RinggitPlus to enable personal loan financing via chatbot (1st in South East Asia)
- ▶ Hosted the 2nd Fintech Hackathon in KL in collaboration with Startupbootcamp Fintech attracting more than 230 digital enthusiasts to collaborate and co-create solutions to deliver superior customer experience in digital banking



Engage & Develop Our Talent into High Performing Teams

- ▶ Improved employer ranking to #4 among local banks from #7 for Graduan and #5 for Universum in 2016
- ▶ Improved Employee Engagement Score (“EES”) from 73% in 2013 to 80% in 2017
- ▶ Enhanced Talent Management Programme with Senior Leadership Talk Series and Learning Month
- ▶ Enhanced young and mid-level employee learning with Harvard Manage Mentor and RHB Leadership Signature Programme in collaboration with Melbourne Business School
- ▶ Launched Open Enrollment Programme to INSEAD, University of Chicago and Asian Business School

OUR STRATEGIC ROAD MAP FIT22 2018 – 2022

OUR JOURNEY AHEAD

Looking ahead, the outlook for the banking sector will continue to be challenging, with continued pressure on margins and profitability, increased funding costs, the evolving needs of customers and disruptions brought about by non-bank players. Nevertheless, the long term economic fundamentals of Malaysia remain strong, with steady GDP growth of around 5%, increased infrastructure and foreign direct investments, as well as a young digitally savvy population. FIT22 is our 5-year strategy that will leverage on our core strengths to propel RHB to be a leading financial services player in this challenging operating environment.



FIT22 is anchored on 3 key strategic themes:

F FUND OUR JOURNEY

Boosting revenue from prioritised segments as well as through optimising the use of capital. We will focus on the Affluent and Wealth space where the revenue pool growth is the fastest; the SME segment, not only on growing loans but also providing a complete financial services ecosystem; as well as getting a better share of wallet and fee income from large and mid-sized corporates

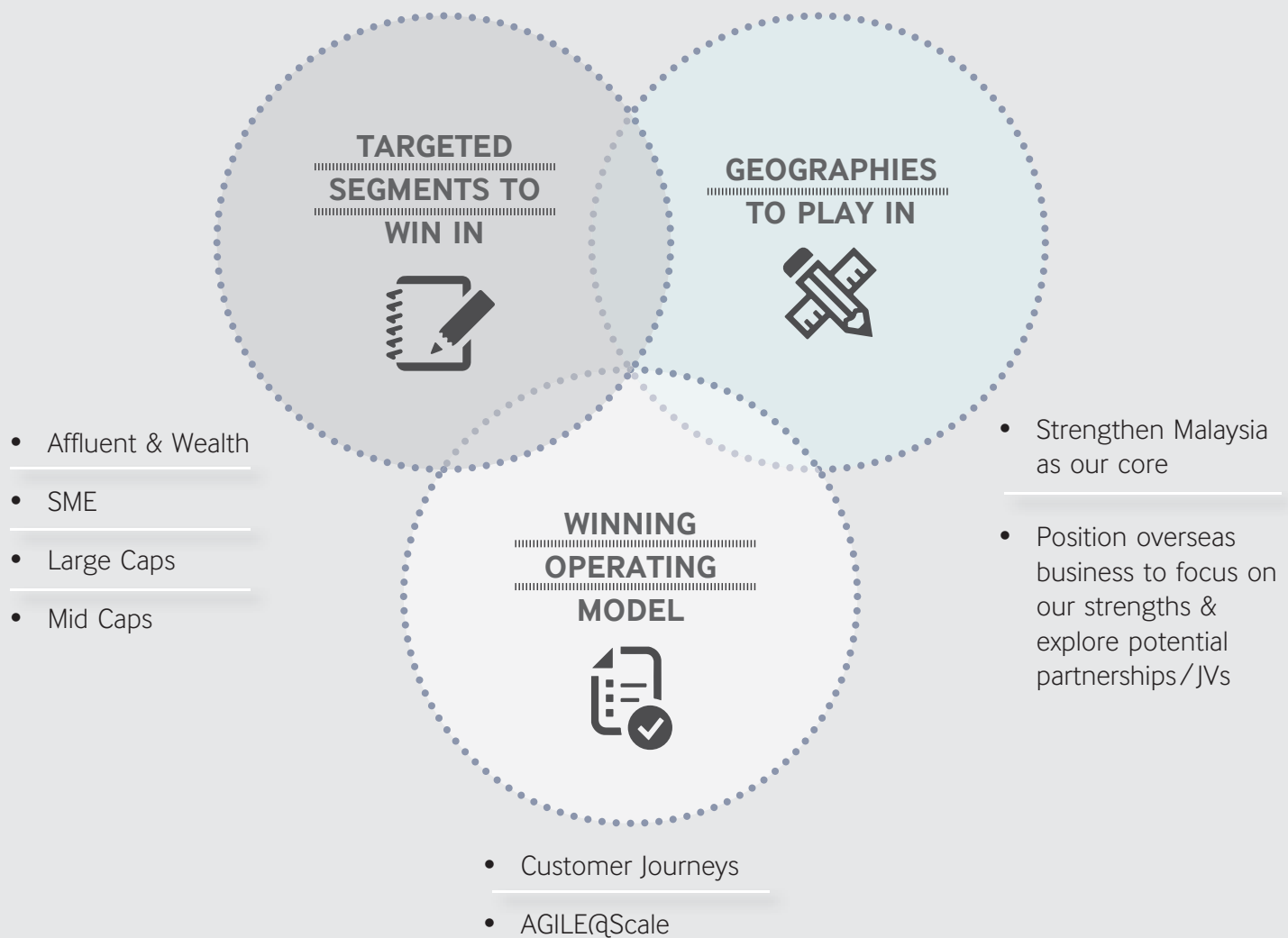
I INVEST TO WIN

Investing in technological and digital initiatives that will differentiate us from our peers, optimising our branch network while opportunistically expanding our overseas footprint

T TRANSFORM THE ORGANISATION

Building a winning operating model that prioritises customer journeys, agility, analytics and digital enablement, as well as developing our talent pool. We will implement the AGILE way of working across the organisation to drive productivity and improve time to market, thereby transforming RHB into a fast, nimble and customer-centric organisation

Our priorities will be to strengthen our Malaysian franchise and win in targeted segments; focus on our strengths and niche overseas while we explore partnerships; and build a winning operating model



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

TOP 3

market share in SME

TOP 3

market share in Wholesale banking

TOP 3

market share in Islamic banking

TOP 4

market share in Retail banking

TOP 5

market share in Insurance

FUND OUR JOURNEY

1. Grow Affluent segment base, leveraging on SME customer base
2. Continue to win in the SME space
3. Increase share of wallet for Large Caps
4. Enhance penetration rate into Mid Caps
5. Position overseas IB businesses to focus on key strengths
6. Boost Retail deposits to narrow gap with Retail assets
7. Apply disciplined capital allocation to businesses to improve risk adjusted returns
8. Accelerate loan recovery
9. Build a private wealth business in Singapore
10. Rebalance financial portfolio in Malaysia to achieve greater Retail and SME composition

INVEST TO WIN

11. Implement robotics and Artificial Intelligence to enhance efficiency and productivity
12. Institutionalise big data and analytics to boost revenue
13. Implement Digital Channel Platform (DCP) for delivery of holistic customer journey and ecosystem
14. Explore partnership/JV for overseas IB to boost business flows
15. Redefine role of branches to boost productivity, efficiency and segment coverage

TRANSFORM THE ORGANISATION

16. Develop an engaged talent pool to drive RHB performance
17. Implement key IT projects to support digital offerings
18. Anchor on customer journey mapping and customer centricity to foster innovation and customer excellence
19. Execute "RHB Way" to deliver superior customer service
20. Scale up AGILE across the group to drive productivity and improve speed to market

21. Instill a collaborative Groupwide corporate culture
22. Embark on corporate brand refresh

KEY PERFORMANCE INDICATORS

PROFIT BEFORE TAXATION

(RM' billion)



OVERSEAS CONTRIBUTION



COST TO INCOME RATIO



RETURN ON EQUITY



DIVIDEND PAYOUT RATIO



COMMON EQUITY TIER-1 RATIO^{N2}



LOANS GROWTH



ISLAMIC FINANCING TO DOMESTIC LOANS



GROSS IMPAIRED LOAN RATIO



CASA GROWTH



N1: Restated N2: After proposed dividend

RISKS 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.

SIGNIFICANT RISKS

The Group's risk management activities for each of the significant risk area are reinforced by a framework, and supplemented by policies and guidelines. The significant risks and how the Group mitigates them are:

Type of Risk	Definition	Key Risk Mitigation
 <p>Credit Risk</p>	<ul style="list-style-type: none"> • 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, trade finance and its funding, underwritings, investment and trading activities from both on- and off-balance sheet transactions. 	<ul style="list-style-type: none"> • The Group's credit risk management framework and Group Credit Policy are developed to support the development of a strong credit culture with the objective of maintaining a diversified portfolio, and a reliable and satisfactory risk-weighted return. • The Group Credit Procedures Manual and Group Credit Guidelines set out the operational procedures and guidelines governing the credit processes within the Group. • All credit limits are approved within a defined credit approval authority framework spanning from individuals to credit committees. • Regular risk reports are made to the risk committees and the Board. Such reporting allows Senior Management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.
 <p>Market Risk</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Availability of a framework which encompasses risk policies, measurement methodologies and limits which control the Group's financial market activities and identifies potential risks due to market volatility. • Phased implementation of a market risk management engine to enable aggregation of exposures across entities for monitoring and analytical purposes.

Type of Risk	Definition	Key Risk Mitigation
 <p>Liquidity Risk</p>	<p>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.</p>	<ul style="list-style-type: none"> Prudent liquidity management that involves establishing policies and limits, regular monitoring, stress testing and establishing contingency funding plans. Regular monitoring and management of liquidity risk positions to ensure the risk positions are within the risk appetite and meet regulatory requirements. The Group maintains adequate liquidity surplus with diversified sources of liquefiable assets as buffer against periods of stress.
 <p>Operational Risk</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Implementation of operational risk policies, frameworks and methodologies that create awareness and provide guidance to business units on operational risk areas. Continuous Risk Culture awareness training to staff within the Group to enhance their understanding in managing and mitigating risks pro-actively and effectively.
 <p>Technology Risk</p>	<ul style="list-style-type: none"> The business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise. 	<ul style="list-style-type: none"> Establishment of systems to monitor suspicious network activities and increased attention on infrastructure readiness, compatibility, capacity, security and resiliency to support digitalisation projects.
 <p>Regulatory Non-Compliance Risk</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Continuous efforts to further strengthen monitoring/oversight responsibilities and raise the level of compliance awareness of all employees of the Group to ensure that compliance is an integral component of their daily activities.
 <p>Shariah Non-Compliance Risk</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Continuous focus on activities involving Shariah reviews, control self-assessment, trainings and briefings aimed at creating awareness in mitigating Shariah non-compliance risk.

RISKS AND MITIGATION

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 and Strategic Functional Units 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 processes within the Group seek 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.
- Controlling and Monitoring: Controls, triggers and limits are used to manage risk exposures and to facilitate early identification of potential problem on a timely basis.
- Analytics and Reporting: Risk analysis and reports are prepared at the respective entities and consolidated level as well as business level are regularly escalated to the senior management and relevant Boards to ensure that the risks remain within the established appetite and to support an informed decision-making process.



RISK DOCUMENTATION AND INFRASTRUCTURE

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation and infrastructure. Towards this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are implemented consistently across the Group.



In terms of risk infrastructure, the Group has organised its resources and talents into specific functions, and invested into technology, including data management to support the Group's risk management activities.

Please refer to the Risk Management Report on pages 200 to 210 for more details.



PERFORMANCE REVIEW

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PERFORMANCE REVIEW BY GROUP CHIEF FINANCIAL OFFICER



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

Syed Ahmad Taufik Albar
Group Chief Financial Officer

Total Dividend
15.0^{SEN}
Per Share

Net Profit
RM1,950.1
Million

OVERVIEW OF FY2017

Malaysia experienced a healthy rebound of GDP to 5.9% in 2017 from 4.2% in 2016, which was further supported by the recovery of oil price and the strengthening of Ringgit. Industry loans however recorded a subdued growth, softer than the initial expectation as the export-driven economic growth did not immediately translate into increased consumer and business spending domestically.

Overall, RHB delivered a solid set of results on the back of a continued tough operating environment, and improved on our 2016 performance. Net profit

grew 16.0% to RM1,950.1 million. Cost was tightly controlled and asset quality firmly managed. The resilience of the Group’s financial performance demonstrated our ability to capture opportunities across our businesses amidst the domestic market’s moderate loans growth and heightened global uncertainties. Our strong balance sheet, which includes comfortable loan loss coverage, capital and liquidity levels, places the Group in a good position to drive value creation from key businesses and segments.

Key Financial Performance Highlights:

1

Total income grew **3.2% to RM6,386.7 million**, supported by increase in net fund based income

2

Disciplined cost management **improved cost-to-income ratio to 49.9%**

3

Gross loans of RM160.1 billion, **up by 3.7% (domestic up by 5.2%)**

4

Current and savings account balances **(CASA) up by 18.8%**, CASA composition at **30.4%**

5

Mortgages and SME continued **growth momentum at 13.2% and 8.7%** respectively

6

Total dividend of 15 sen per share, representing a **dividend payout of 30.8%**

7

Pre-tax profit of **RM2,558.1 million and net profit of RM1,950.1 million**, an increase of 14.6% and 16.0% respectively

8

Improved asset quality with **gross impaired loans ratio of 2.23%** and credit charge of 0.27%

9

Customer **deposits of RM166.2 billion**

10

Islamic Banking contributed **29.7% of total domestic loan and financing** from 24.8% in 2016

11

Capital adequacy remained strong with total capital ratio of 17.2%

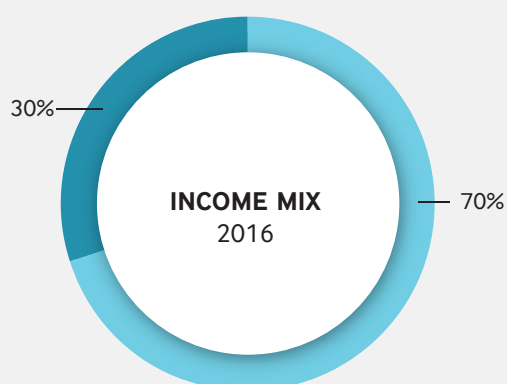
ANALYSIS OF THE INCOME STATEMENT

RM'million	FY2017	FY2016	Y-o-Y Change %
Net interest income	3,522	3,454	2
Net Islamic fund based income	1,032	867	19
Total net fund based income (a)	4,554	4,321	5
Other operating income	1,786	1,759	2
Islamic non-fund based income	47	110	-57
Total non-fund based income (b)	1,833	1,869	-2
Total income (a+b)	6,387	6,190	3
Operating expenses	(3,187)	(3,095)	3
Operating profit before allowances	3,200	3,095	3
Allowances for loan impairment	(427)	(595)	-28
Impairment losses made on other assets	(215)	(268)	-20
Profit before tax	2,558	2,232	15
Net profit	1,950	1,682	16

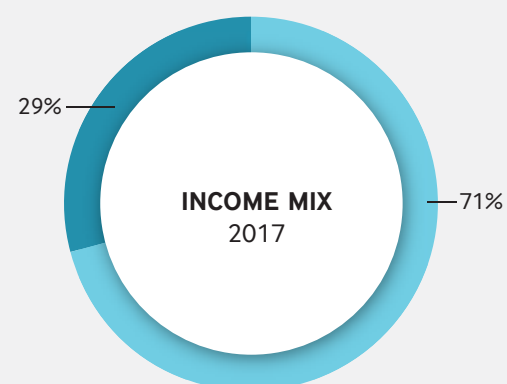
The Group reported a pre-tax profit of RM2,558.1 million for the financial year ended 31 December 2017, an increase of 14.6%. The improved performance was largely driven by higher net funding income, lower loan loss impairment and lower impairment losses on other assets, partially offset by higher overheads and lower non-fund based income.

Total income increased to RM6,386.7 million, as a result of net fund-based income growth of 5.4% to RM4,554.1 million but offset by a decline in non-fund based income of 1.9%.

Prudent funding cost and operating expense management, as well as a healthy growth in CASA provided further support, with operating profit before allowances improving 3.4% to RM3,200.2 million.



■ Net fund based income
■ Non-fund based income



PERFORMANCE REVIEW BY GROUP CHIEF FINANCIAL OFFICER

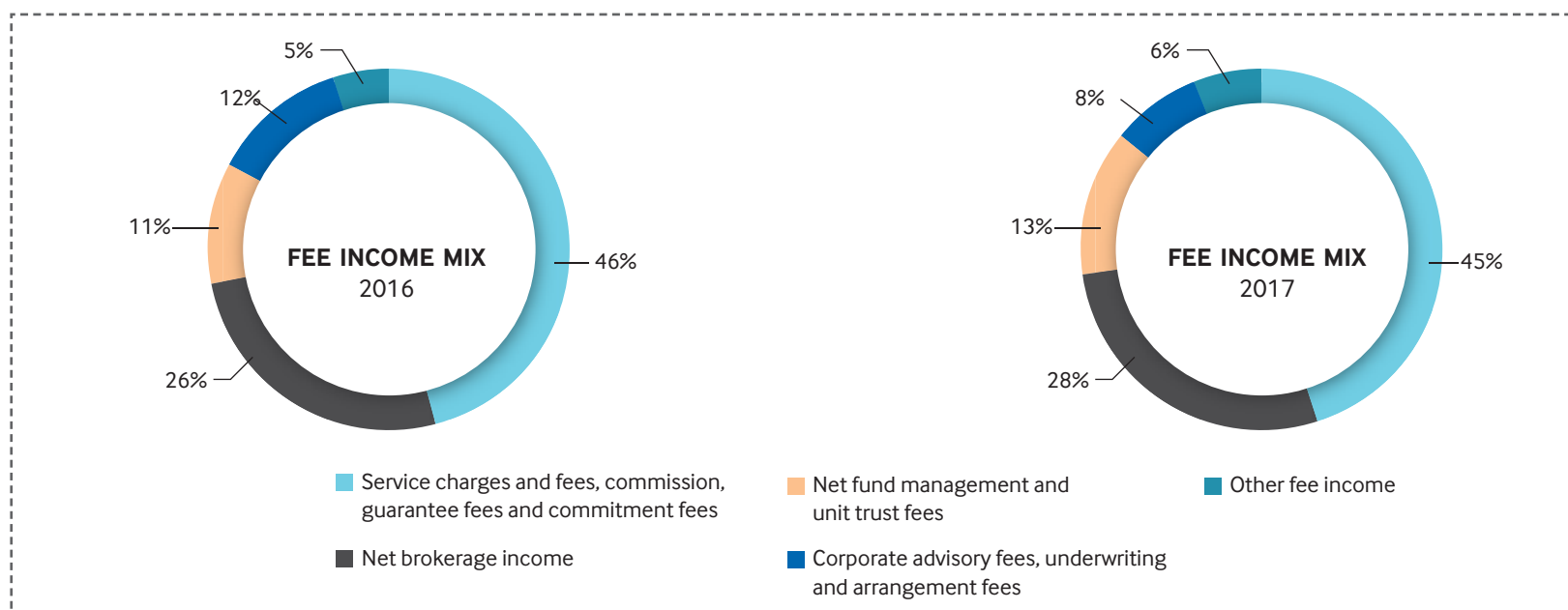
NET INTEREST/FUND BASED INCOME

Net fund based income increased by 5.4% to RM4,554.1 million year-on-year. This was mainly underpinned by growth in loans and prudent funding cost management particularly reflected in the healthy 18.8% CASA growth and replenishment of new sub-debts issuances at lower rates as well as redemption of a portion of senior notes during the year.

The efforts brought about a stable NIM performance at 2.18% for the year, comparable to the one achieved in 2016, despite the competitive pressure on margins.

OTHER OPERATING/NON-FUND BASED INCOME

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



OPERATING EXPENSES

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

ALLOWANCES FOR IMPAIRMENT ON LOANS, FINANCING AND OTHER LOSSES

Allowances for impairment on loans and financing declined by 28.3% to RM426.8 million primarily due to pre-emptive provisions for legacy steel related exposure provided in the previous year. This led to improvement in credit charge for the full year to 0.27%, markedly lower than the 0.39% recorded in 2016.

IMPAIRMENT LOSSES ON OTHER ASSETS

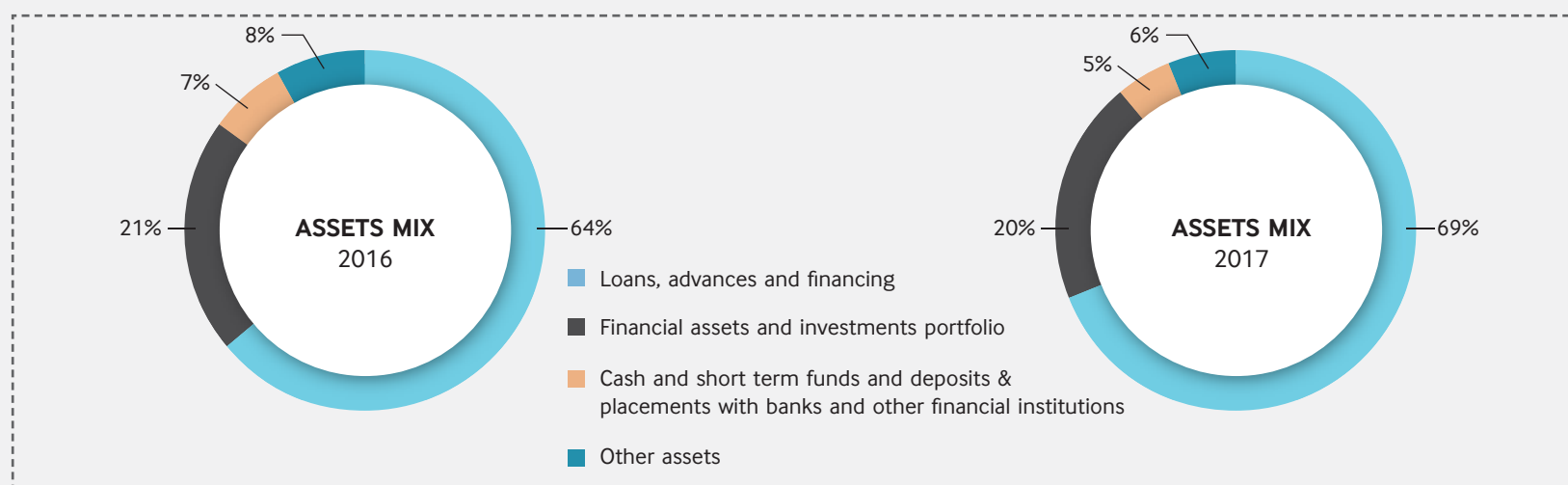
Overall, impairment losses on other assets was lower by 19.6%, even after the Group took a more prudent approach for impairment of certain corporate bonds and loans in Singapore.

ANALYSIS OF THE STATEMENTS OF FINANCIAL POSITION

Total assets

Total assets of the Group stood at RM230.2 billion as at 31 December 2017, a decline of 2.7% from 2016, primarily due to decrease in cash and short-term funds, derivative assets and lower financial investments in the held-to-maturity portfolio, partially mitigated by growth in loans and financing which remained as the largest component of the total assets at 68.8% (2016: 64.4%).

The Group continued 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

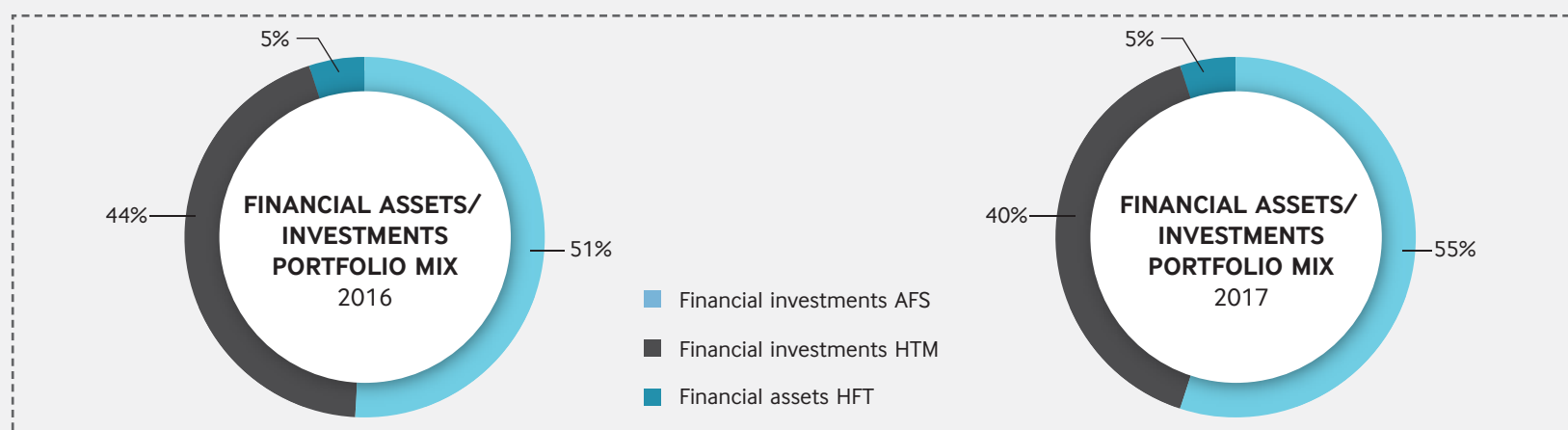
The Group's total cash & short term funds and deposits & placements with banks and other financial institutions decreased by 30.7% to RM11.1 billion as at 31 December 2017.

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 decreased by 2.8% to RM47.4 billion mainly due to the redemption of negotiable instruments of deposits.

Around 35.0% of our investments are of investment grade and 22.6% have a residual maturity of less than twelve (12) months.



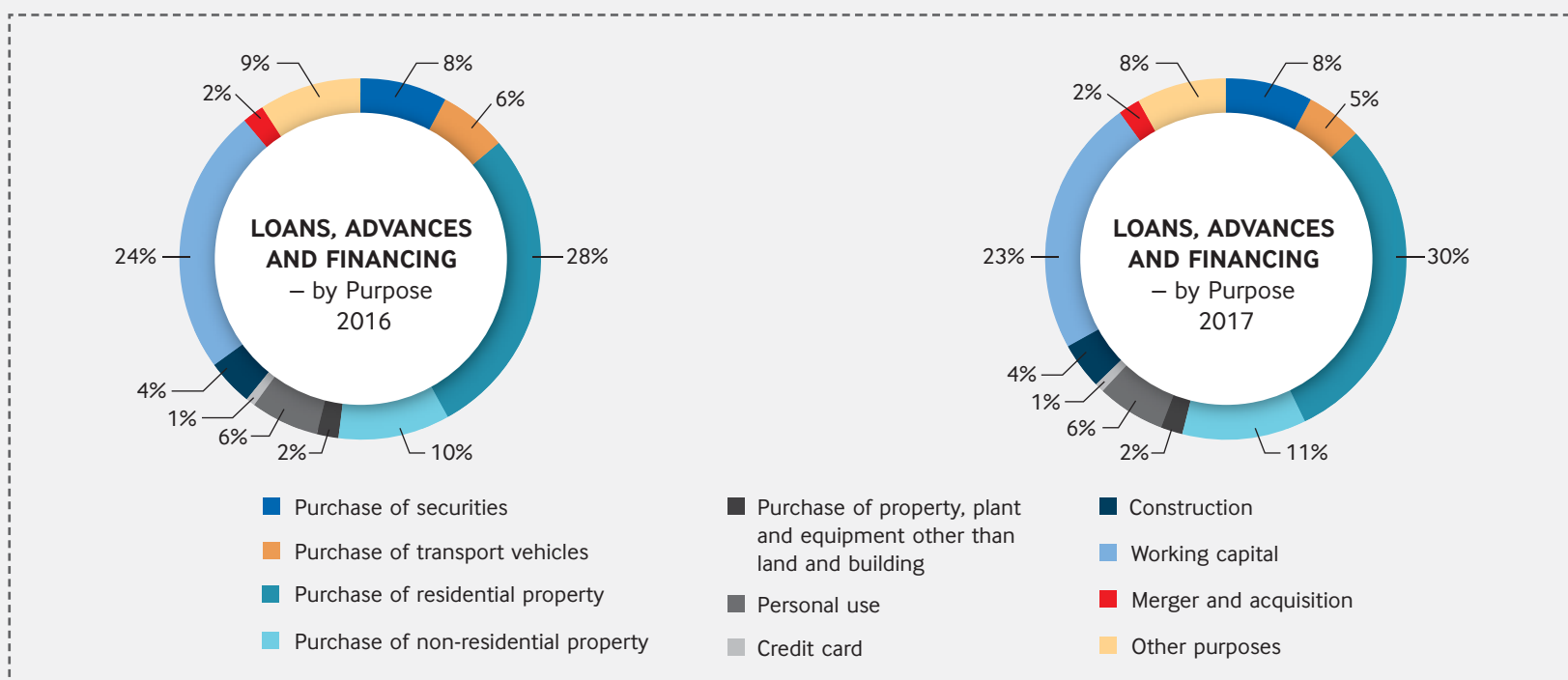
PERFORMANCE REVIEW BY GROUP CHIEF FINANCIAL OFFICER

Loans, advances and financing

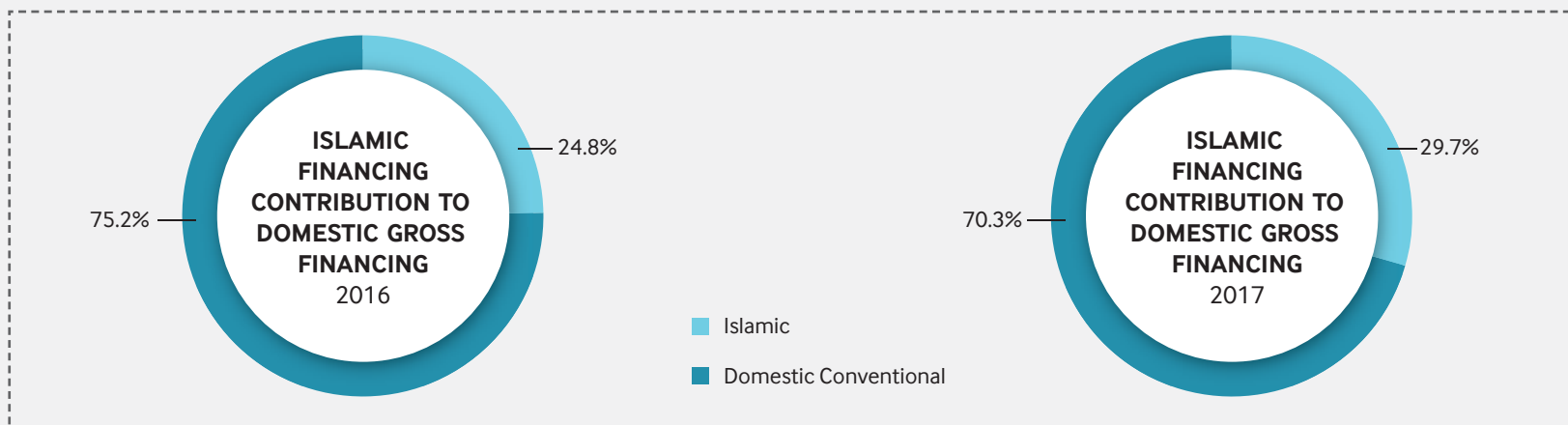
The Group's gross loans and financing grew by 3.7% year-on-year to RM160.1 billion. Overall domestic loans grew by 5.2%, outpacing the industry which grew 4.1%, resulting in our loans market share increasing to 9.1% by end 2017. The increase came mainly from mortgages and SME, negated by a decline in 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 13.2% and 8.7% respectively, and further improving our market share to 9.1% and 9.0% respectively as at December 2017.

Non-Malaysian gross loans declined by 9.1% mainly due to decrease in loan base in Singapore by 12.1% and Hong Kong by 53.9%. This was partially due to the strengthening of Ringgit Malaysia against other foreign currencies and our decision to tighten credit underwriting in Singapore to be more selective in our asset growth.



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



Asset quality

Overall, asset quality for the Group has improved. Gross impaired loans declined 4.9% to RM3.6 billion, while gross impaired loans ratio improved to 2.23% from 2.43% in 2016.

Loan loss coverage for the Group, including regulatory reserve, has also surged to 101.6% from 74.7% a year ago.

Total liabilities and equity

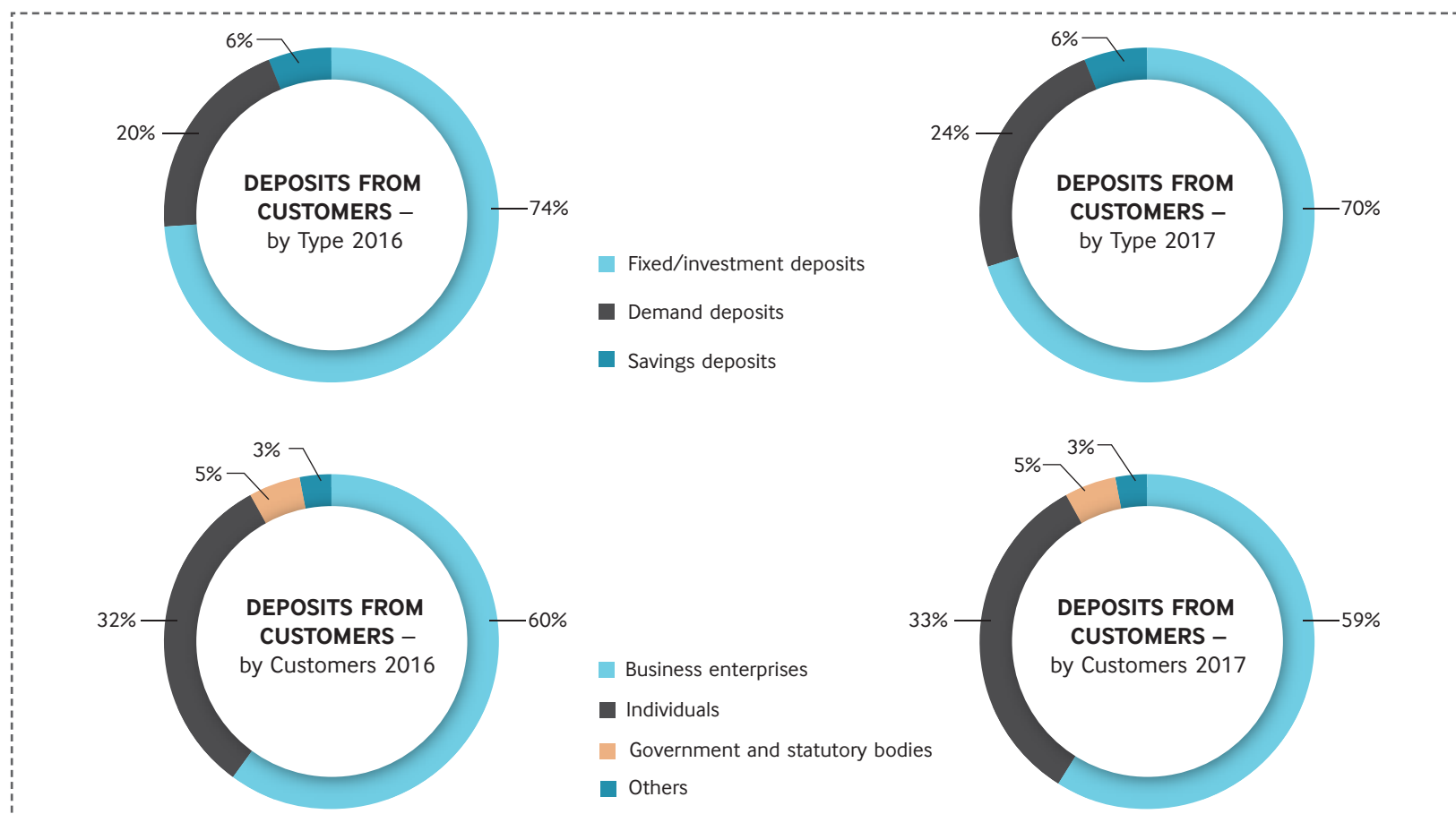
Total liabilities decreased by 3.7% to RM207.0 billion as at 31 December 2017, mainly due to contraction in derivative liabilities, and recourse obligations on loans sold to Cagamas as well as redemption of senior debt securities and subordinated debts during the year. This was partially mitigated by growth in deposits from customers.

Shareholders' equity strengthened by 6.5% to RM23.1 billion, with higher retained earnings and marked-to-market gains on financial investments available-for-sale, partially offset by foreign currency translation losses and dividend payment during the year. Net assets per share rose 6.5% to RM5.77 from RM5.42 previously.

Deposits from customers

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

Deposits for the domestic operations increased by 2.4%, while the overseas operations registered a decrease of 13.6%, with Singapore recording a 17.9% decline.



PERFORMANCE REVIEW BY GROUP CHIEF FINANCIAL OFFICER

Deposits and placements of banks and other financial institutions

Deposits and placements of banks and other financial institutions declined RM0.9 billion or 4.0% to RM21.8 billion in December 2017, mainly due to the decrease in deposits with licensed Islamic banks.

Senior debt securities

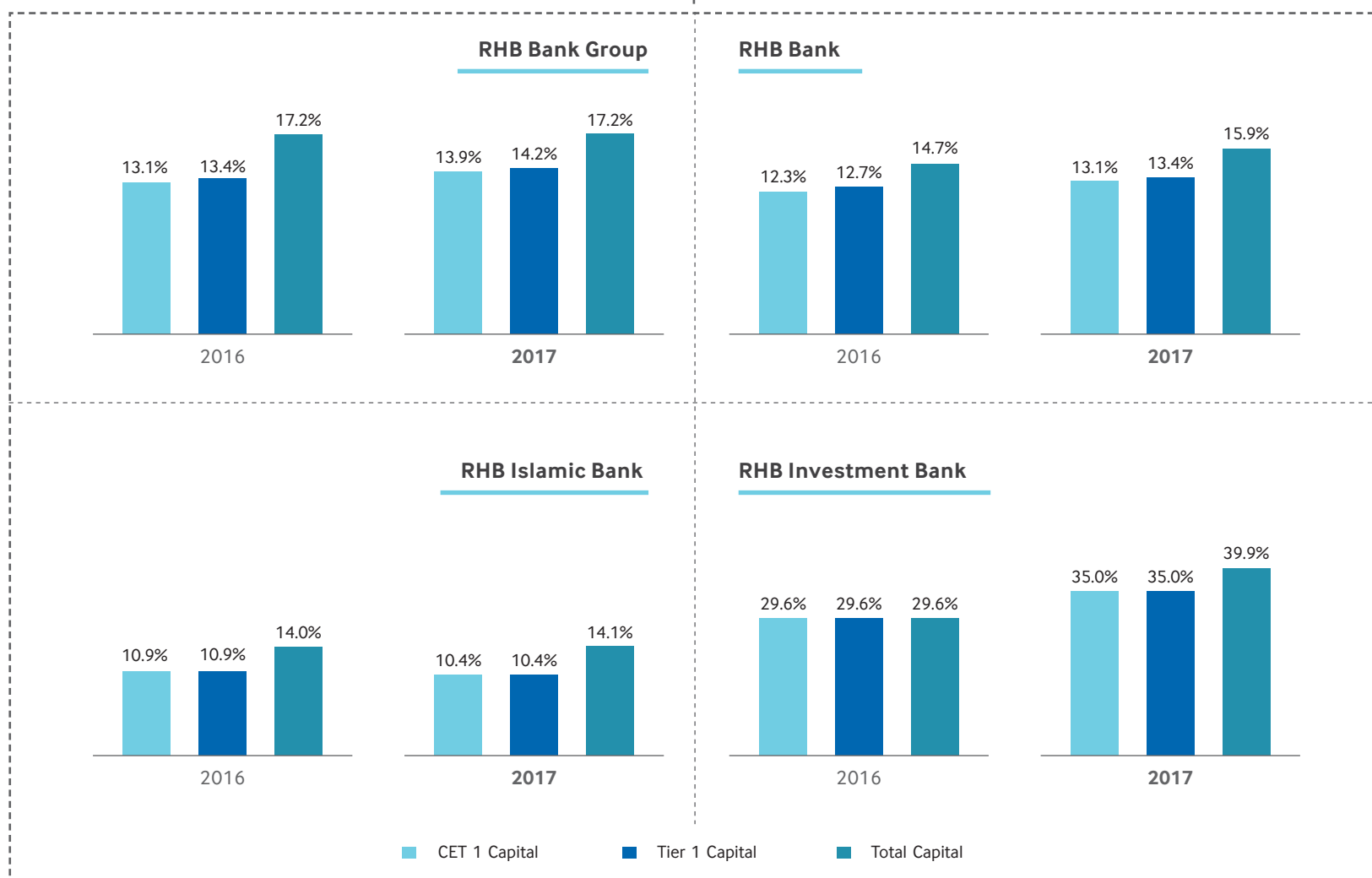
Senior debt securities decreased by RM2.6 billion or 44.5%, mainly from the redemption of USD500 million senior notes in May 2017.

Subordinated obligations

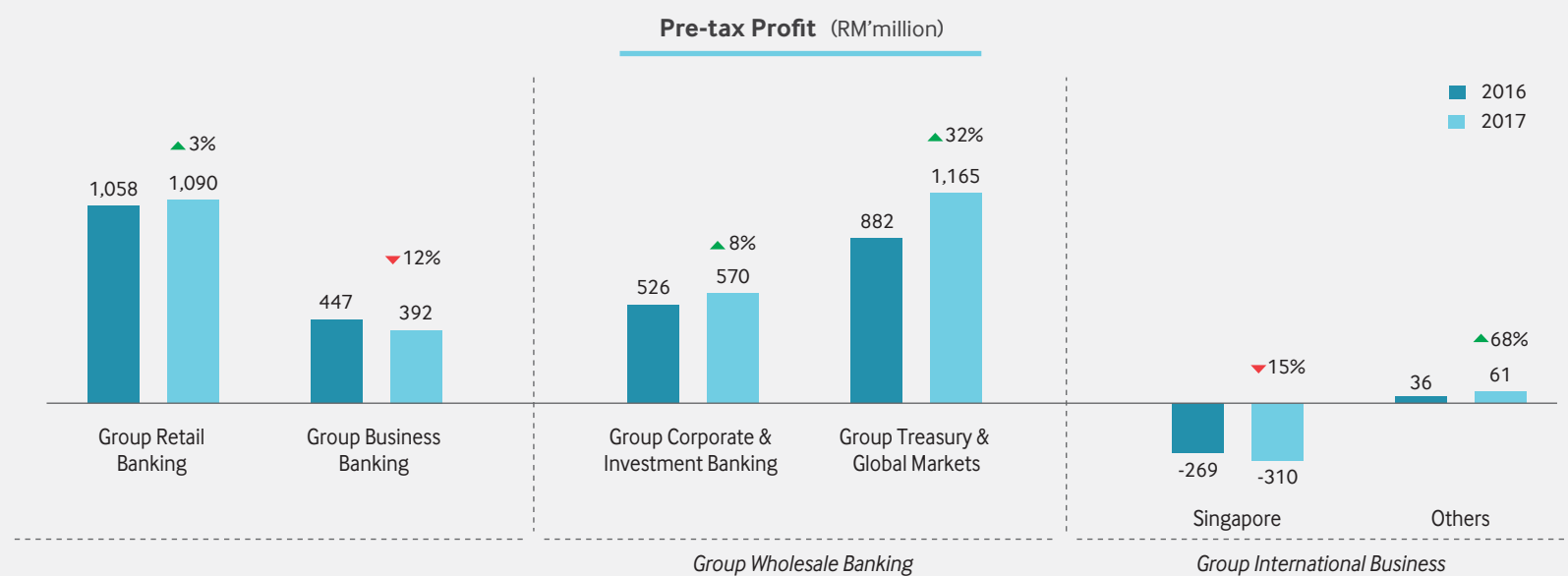
Subordinated obligations decreased by RM1.8 billion or 32.4%, primarily due to redemption of subordinated notes due for step-up in coupon rates during the year amounting to RM3.0 billion, notwithstanding partial replenishment via issuance of new subordinated notes of RM1.2 billion.

Capital adequacy

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



PERFORMANCE REVIEW OF KEY BUSINESS UNITS



Group Retail Banking remained the biggest contributor to the Group. It reported a pre-tax profit of RM1,089.9 million for the financial year ended 31 December 2017. 3.0% higher than the previous year driven by higher non fund based income and lower allowances for loans and financing. The impact was partially offset by lower net fund based income as yield competition intensified.

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

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

- (i) **Group Corporate & Investment Banking** recorded pre-tax profit of RM570.3 million or 8.5% increase arising from lower loan impairment, partially offset by lower net funding income and non-fund based income.

Investment Banking in particular registered higher brokerage income but was affected by softer capital market and higher provision on margin accounts from overseas business. Asset management on the other hand recorded a 20.5% increase in pre-tax profit to RM59.3 million.

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

RHB Bank Singapore recorded a pre-tax loss of SGD102.3 million compared with a pre-tax loss of SGD90.3 million in the previous year, as the Group took a prudent approach to impairment losses made on corporate bonds and loans, especially those relating to the oil and gas industry.

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

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

PERFORMANCE REVIEW BY GROUP CHIEF FINANCIAL OFFICER

ACTUAL VS TARGET FOR 2017

TOP LEVEL INDICATORS



PROPOSED FINAL DIVIDEND

The Board believes in balancing returns to shareholders with investment to support future growth, while at the same time preserving strong capital ratios. A final dividend of 10 sen, amounting to RM401.0 million has been proposed. Together with the interim dividend of 5.0 sen paid in October 2017, total dividend for 2017 is 15 sen per share, representing a dividend payout ratio of 30.8% out of the Group's net profit attributable to shareholders of RM1,950.1 million for the financial year 2017.

SUMMARY AND MOVING FORWARD

While challenges continue, Malaysia's economy is expected to sustain its growth momentum in 2018. The Group has the right foundation in place to capitalise on opportunities that the market presents and to withstand economic headwinds should they arise. Comfortable levels of capital, liquidity and loan loss coverage have ensured that our balance sheet remains resilient. We also place emphasis on growing our assets responsibly and continue to exercise vigilance in asset quality as well as cost management to further drive productivity and operational efficiency.

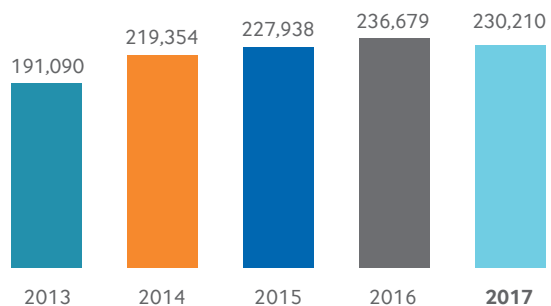
GROUP FINANCIAL HIGHLIGHTS

	2017	2016
PROFITABILITY (RM'million)		
Total income	6,387	6,190
Operating profit before allowances	3,200	3,095
Profit before taxation	2,558	2,232
Net profit attributable to equity holders of the Bank	1,950	1,682
FINANCIAL POSITION (RM'million)		
Total assets	230,210	236,679
Financial assets and investments portfolio	47,427	48,799
Gross loans, advances and financing	160,124	154,469
Total liabilities	207,025	214,905
Deposits from customers	166,158	165,636
Shareholders' equity	23,150	21,745
FINANCIAL RATIOS (%)		
Net return on average equity	8.7%	8.5%
Net return on average total assets	0.8%	0.7%
Gross impaired loans ratio	2.23%	2.43%
CAPITAL ADEQUACY RATIOS (%)^{N1}		
Common Equity Tier 1 capital ratio	13.9%	13.1%
Tier 1 capital ratio	14.2%	13.4%
Total capital ratio	17.2%	17.2%

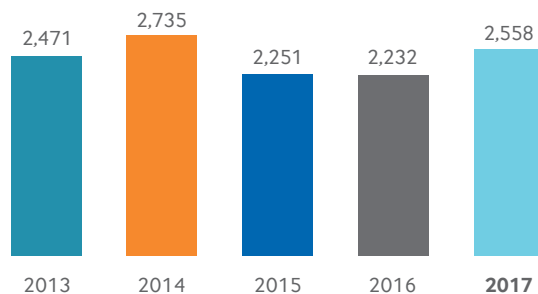
N1: Ratios are after proposed final dividend

SUMMARY OF FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

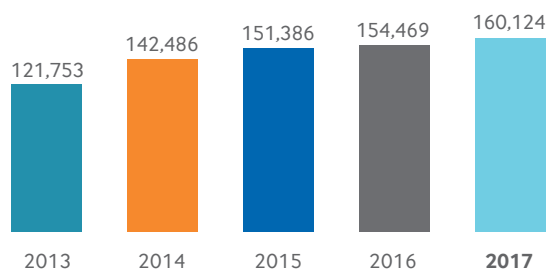
Total Assets (RM'million)



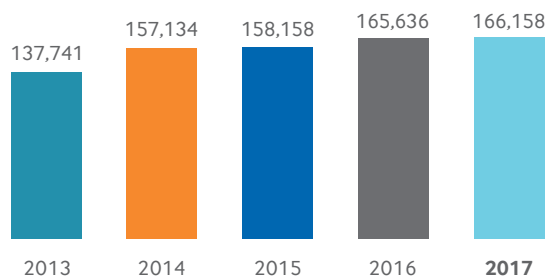
Profit Before Tax (RM'million)



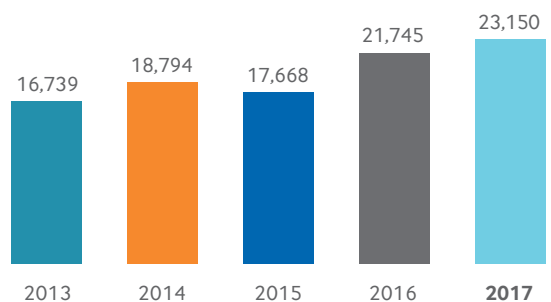
Gross Loans, Advances And Financing (RM'million)



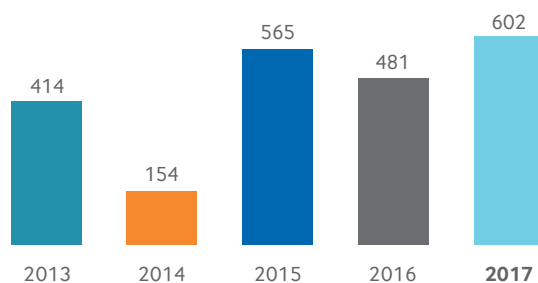
Deposits From Customers (RM'million)



Shareholders' Equity (RM'million)



Net Dividends^{N1} (RM'million)



N1: 2013 and 2014 represent net dividend paid/declared by RHB Capital to its shareholders. Dividend Reinvestment Plans were implemented for these dividends and the reinvestment rate were 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.

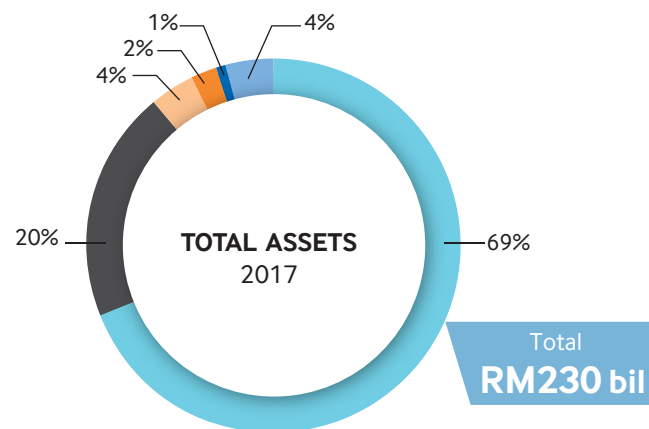
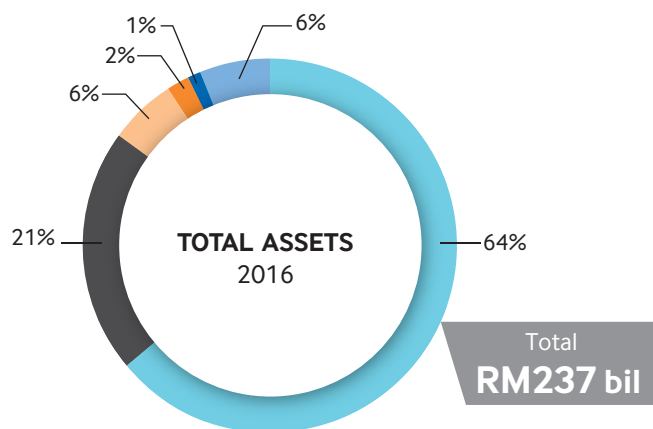
FIVE-YEAR GROUP FINANCIAL SUMMARY

	RHB BANK GROUP			RHB CAPITAL GROUP	
	2017	2016	2015	2014	2013
OPERATING RESULTS (RM'million)					
Operating profit before allowances	3,200	3,095	2,545	2,824	2,899
Profit before taxation	2,558	2,232	2,251	2,735	2,471
Net profit attributable to equity holders of the Bank	1,950	1,682	1,665	2,038	1,831
KEY BALANCE SHEET DATA (RM'million)					
Total assets	230,210	236,679	227,938	219,354	191,090
Gross loans, advances and financing	160,124	154,469	151,386	142,486	121,753
Total liabilities	207,025	214,905	210,246	200,460	174,147
Deposits from customers	166,158	165,636	158,158	157,134	137,741
Shareholders' equity	23,150	21,745	17,668	18,794	16,739
Commitments and contingencies	172,226	196,190	186,078	133,504	100,232
SHARE INFORMATION					
Gross dividend per share (sen)	15.00	12.00	16.33	6.00	16.30
Net assets per share (RM)	5.8	5.4	5.1	7.3	6.6
Net tangible assets per share (RM)	5.0	4.7	4.2	5.3	4.5
Basic earnings per share (sen)	48.6	43.6	48.4	79.7	72.9
Share price (RM)	5.00	4.71	4.35 ^{N1}	7.62	7.90
Market capitalisation (RM'million)	20,050	18,887	17,444 ^{N2}	19,602	20,121
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net return on average equity	8.7	8.5	10.0	11.5	11.5
Net return on average assets	0.8	0.7	0.7	1.0	1.0
Cost-to-income ratio	49.9	50.0	58.8	54.7	51.3
Asset Quality					
Gross loans to deposits ratio	96.4	93.3	95.7	90.7	88.4
Gross impaired loans ratio	2.23	2.43	1.88	2.03	2.81
Ordinary Shares					
Dividend yield	3.0	2.5	3.7 ^{N1}	0.8	2.1
Dividend payout ratio	30.8	28.6	33.9	7.6	22.6

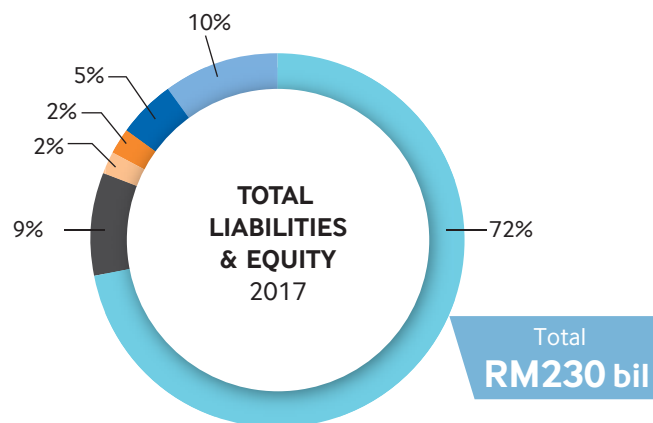
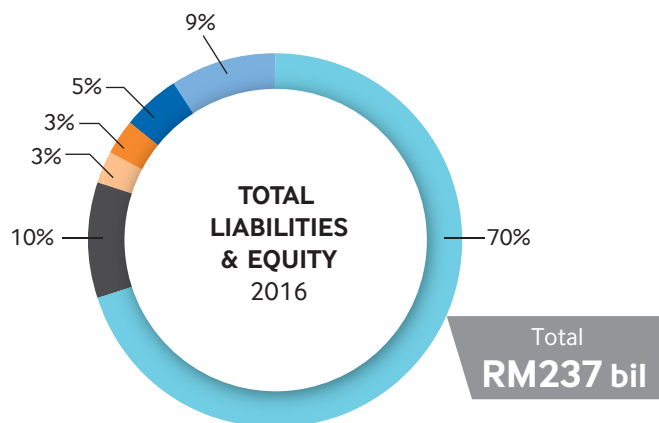
N1: Share price for RHB Bank in 2015 was based on share swap ratio of 1: 1.3

N2: Based on enlarged share base of RHB Bank after capital injection in April 2016

SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITIONS

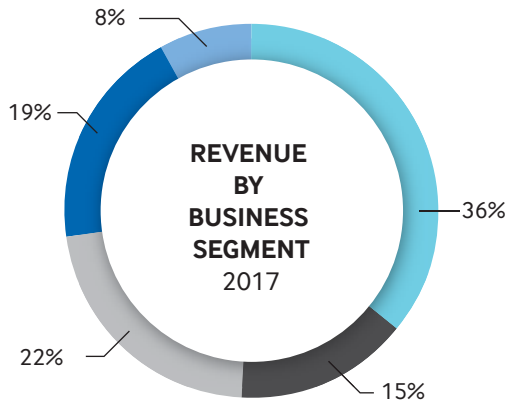


- Loans, advances and financing
- Financial assets and investments portfolio
- Cash and short term funds
- Statutory deposits
- Clients' and brokers' balances
- Other assets

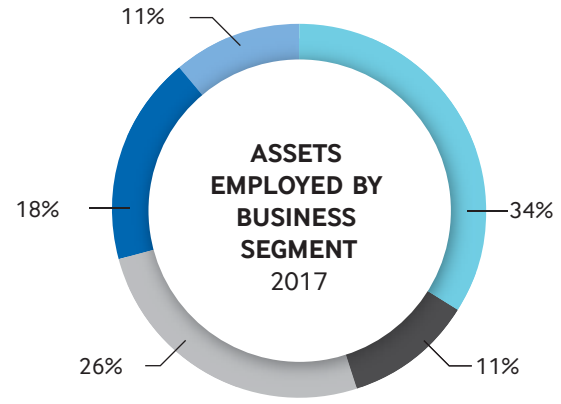


- Deposits from customers
- Deposits and placements of banks and other financial institutions
- Borrowings and senior debt securities
- Subordinated obligations and Hybrid Tier-1 Capital Securities
- Other liabilities
- Shareholders' equity

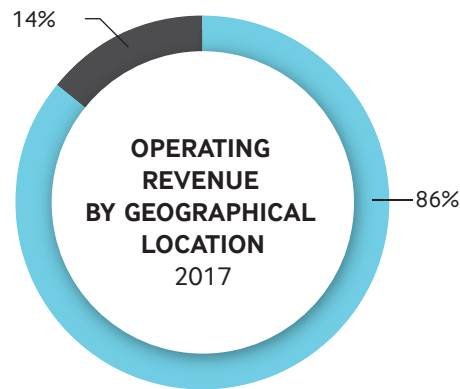
SEGMENTAL ANALYSIS



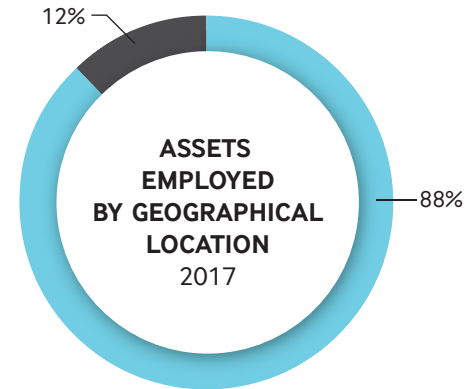
- Group Retail Banking
- Group Business Banking
- Group Corporate & Investment Banking



- Group Treasury & Global Markets
- Group International Business



■ Malaysia



■ Overseas*

* Inclusive of RHB Investment overseas banking operations

GROUP QUARTERLY PERFORMANCE

2017	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Financial Performance (RM'million)					
Total income	1,555	1,579	1,585	1,668	6,387
Net fund based income	1,093	1,146	1,159	1,156	4,554
Non-fund based income	462	433	426	512	1,833
Operating profit before allowances	794	795	791	820	3,200
Profit before tax	658	654	644	602	2,558
Net profit attributable to equity holders of the Bank	500	501	489	460	1,950
Earnings per share (sen)	12.5	12.5	12.2	11.5	48.6
Dividend per share (sen)	–	5.0	–	10.0	15.0

2016	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Financial Performance (RM'million)					
Total income	1,582	1,551	1,579	1,478	6,190
Net fund based income	1,107	1,062	1,061	1,091	4,321
Non-fund based income	475	489	518	387	1,869
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 share (sen)	16.3	8.9	12.6	6.5	43.6
Dividend per share (sen)	–	5.0	–	7.0	12.0

KEY INTEREST BEARING ASSETS AND LIABILITIES

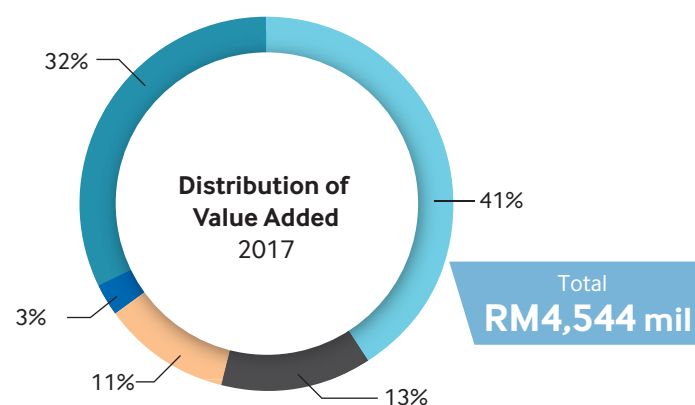
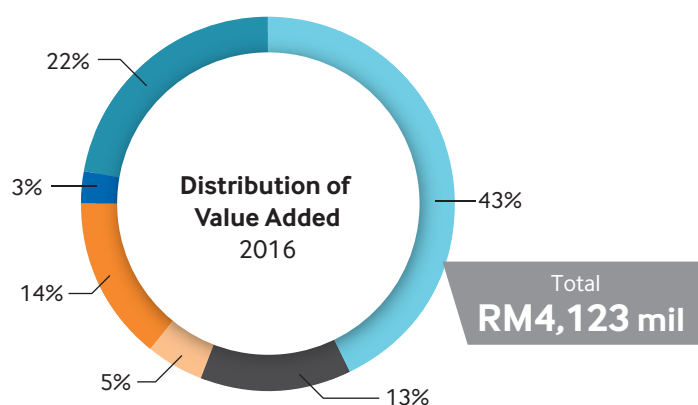
2017	Amount (RM'million)	Effective interest rate (%)	Interest income/ expense (RM'million)
Interest Earning Assets			
Cash and short-term funds & Deposits and placements with banks and other financial institutions	11,113	2.24%	382
Financial assets at fair value through profit or loss	2,564	3.88%	39
Financial investments available-for-sale	25,817	3.53%	905
Financial investments held-to-maturity	19,046	3.86%	719
Gross loans, advances and financing	160,124	5.16%	7,954
Interest Bearing Liabilities			
Deposits from customers & Deposits and placements of banks and other financial institutions	187,945	2.54%	4,872
Borrowings/Subordinated obligations/Hybrid Tier-1 Capital Securities/Senior debt securities	8,757	3.94%	440

2016	Amount (RM'million)	Effective interest rate (%)	Interest income/ expense (RM'million)
Interest Earning Assets			
Cash and short-term funds & Deposits and placements with banks and other financial institutions	16,045	2.06%	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%	7,926
Interest Bearing Liabilities			
Deposits from customers & Deposits and placements of banks and other financial institutions	188,337	2.63%	4,878
Borrowings/Subordinated obligations/Hybrid Tier-1 Capital Securities/Senior debt securities	12,974	3.99%	458

STATEMENT OF VALUE ADDED

	2017 (RM'million)	2016 (RM'million)
Value added		
Net Interest Income	3,522	3,453
Income from Islamic Business	1,079	977
Non-interest income	1,786	1,759
Overheads excluding personnel costs & depreciation	(1,200)	(1,204)
Allowance for impairment losses on loans, advances and financing and other losses	(427)	(595)
Impairment made back on other assets	(216)	(268)
Share of results of joint ventures	-	1
Value added available for distribution	4,544	4,123

DISTRIBUTION OF VALUE ADDED



To employees:

Personnel costs

To the Government:

Taxation

To providers of capital:

Cash dividend paid to shareholders

To reinvest to the Group:

Recapitalisation of dividend paid

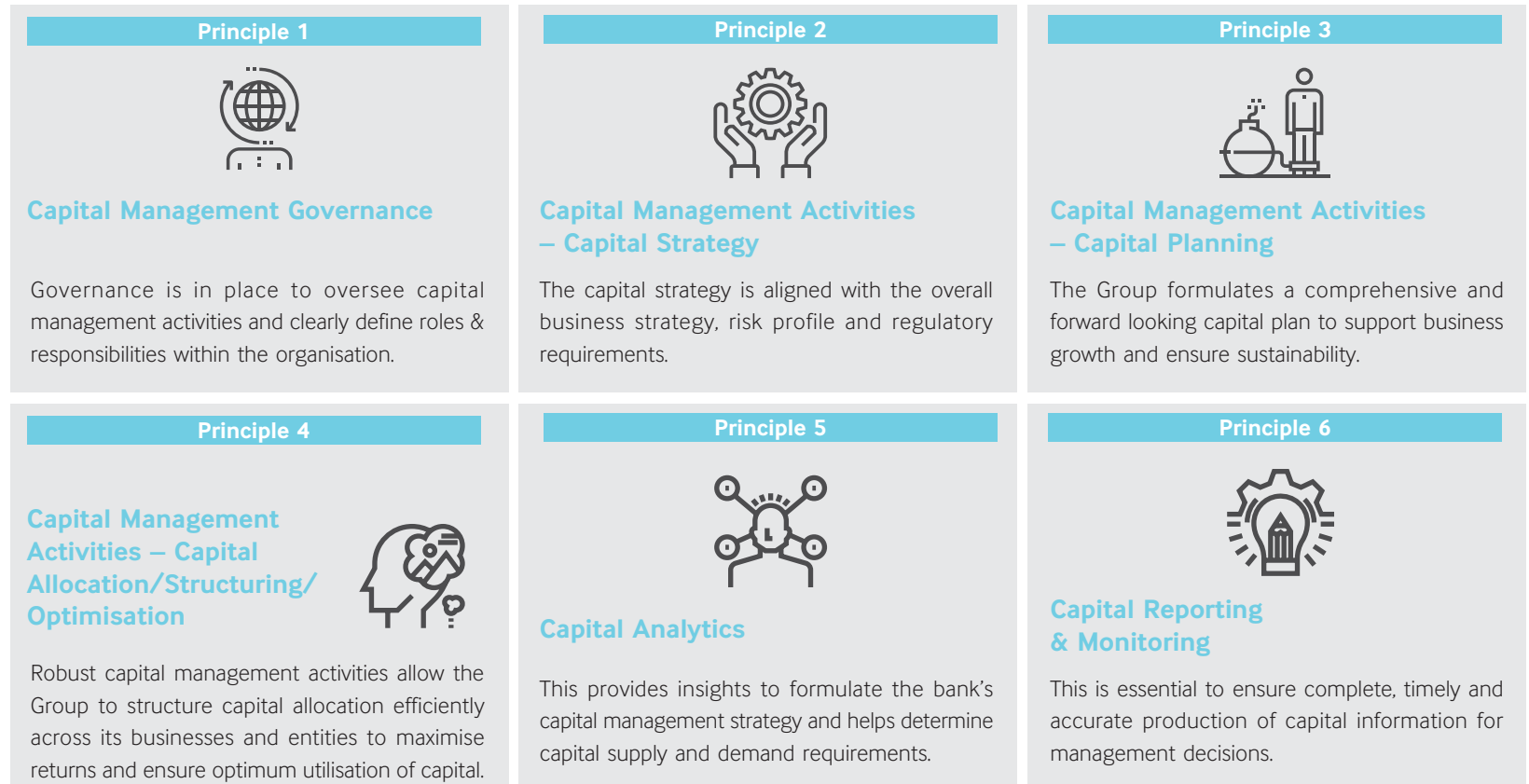
Depreciation

Retained profit

CAPITAL MANAGEMENT

OVERVIEW

The Group's capital management approach focuses on maintaining a healthy capital position to support its business growth whilst 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 and 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:



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 support its strategic business objectives.

The Group achieves these objectives through the annual Internal Capital Adequacy Assessment Process ("ICAAP") in which 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) Determining 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 and quality of capital that is in line with its overall risk profile and business strategy.

CAPITAL MANAGEMENT

CAPITAL INITIATIVES DURING THE YEAR

The key initiatives during 2017 were as follows:

- (i) Basel II Tier 2 Subordinated Obligations of RHB Bank Berhad (“RHB Bank”) amounting to RM750.0 million and RM2.0 billion were redeemed in May 2017 and November 2017 respectively;
- (ii) Basel III-compliant Tier 2 Subordinated Obligations of RM750.0 million was issued by RHB Bank in September 2017;
- (iii) Basel II Tier 2 Subordinated Obligations of RHB Investment Bank Berhad amounting to RM245.0 million was redeemed in December 2017 and replenished by the issuance of Basel III-compliant Tier 2 Subordinated Obligations of RM200.0 million in October 2017; and
- (iv) RHB Islamic Bank Berhad issued a Basel III-compliant Tier 2 Subordinated Sukuk Murabahah of RM250.0 million in April 2017 to further strengthen its capital position.

CAPITAL ADEQUACY RATIOS

Under Bank Negara Malaysia’s (“BNM”) Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), 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, namely, the Capital Conservation Buffer (“CCB”) and the 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 provides the relevant capital ratios of the key regulated banking entities of the Group which are well above the minimum regulatory requirements:

As at 31 December 2017	RHB Bank Group	RHB Bank	RHB Islamic Bank	RHB Investment Group	RHB Investment Bank	Minimum Regulatory Ratio ^{N1}
Before proposed dividends:						
CET 1 Ratio	14.228%	13.523%	10.376%	32.987%	34.995%	5.750%
Tier 1 Ratio	14.485%	13.833%	10.376%	33.409%	34.995%	7.250%
Total Capital Ratio	17.500%	16.266%	14.134%	41.612%	39.878%	9.250%
After proposed dividends:						
CET 1 Ratio	13.907%	13.108%	10.376%	32.987%	34.995%	5.750%
Tier 1 Ratio	14.164%	13.418%	10.376%	33.409%	34.995%	7.250%
Total Capital Ratio	17.179%	15.851%	14.134%	41.612%	39.878%	9.250%

N1: Including Capital Conservation Buffer of 1.250%

BALANCE SHEET MANAGEMENT

OVERVIEW

At the time of increasing regulatory controls on capital and liquidity requirements, the pressure is on banks to optimise returns to shareholders through balance sheet management. However, challenges remain in striking a balance between growing a sizeable balance sheet and maximising returns to shareholders.

Balance sheet management in RHB is a collective responsibility of all business and functional units across the Group. It entails close collaboration especially between Group Treasury & Global Markets, Group Finance and Group Risk Management. Regular monitoring and comprehensive analysis of the balance sheet position are performed for foreign exchange, liquidity and interest rate risk as well as profitability management.

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 improvement of returns 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.

BALANCE SHEET STRUCTURE

The Group's balance sheet is primarily funded through its shareholders' equity, long term debt and core customer deposits. Regular monitoring is performed on our funding sources, including concentration limits, counterparty limits, currency exposures and tenor profiles.

In line with the 5-year strategic plan, the Group will focus on key segments where we can win domestically. This includes the Retail and SME segments, whereby we plan to grow our loans and financing portfolio share from these segments from the current 69% to 75% by 2022. Additionally, we aim to increase our penetration rate and share of wallet from the mid and large caps respectively. We will also focus on increasing the efficiency of capital by applying disciplined capital allocation to businesses to improve the risk-adjusted returns and intensifying loan recovery efforts.

Key Highlights

Net Loans, Advances & Financing

**RM 158.3
BILLION**



Securities Portfolio

**RM 47.4
BILLION**



Total Shareholders' Funds ^{N1}

**RM 23.2
BILLION**



N1: Total Shareholders' Funds including non-controlling interests

Deposits from Customers

**RM 166.2
BILLION**



INVESTOR RELATIONS AND SHARE PERFORMANCE

RHB is committed to cultivating a strong and positive relationship with the investment community and all relevant stakeholders

2017 proved to be an impactful year for Investor Relations. Notwithstanding the fewer corporate developments compared to the previous year, the announcement and the subsequent termination of the merger discussion with Ambank generated a significant amount of interest from the investment community. The continued volatility in the global economy, challenges in the oil and gas industry and its impact on the Group's financials, and the progress in the final year of our IGNITE 2017 programme collectively provided an interesting backdrop to the various engagement sessions conducted.

In addition to updates on the Group's strategy, business developments and financial performance, the investment community was also kept abreast of the regulatory developments, in particular the scope, progress and impact arising from the implementation of MFRS9 effective 1 January 2018.

ANALYST BRIEFING FOR QUARTERLY RESULTS ANNOUNCEMENT

The Group conducted four live briefings for the investment community in 2017 on its quarterly financial results. Conference calls were conducted for 1Q17 and 3Q17, whilst face-to-face briefings which included dial-in conference facility were conducted for 4Q16 and 2Q17 results announcements to ensure that all relevant stakeholders are able to participate.

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 Updates

Date	Event
24 February 2017	RHB Bank 4Q16 Results
23 May 2017	RHB Bank 1Q17 Results
29 August 2017	RHB Bank 2Q17 Results
27 November 2017	RHB Bank 3Q17 Results

WEBSITE

Our corporate website www.rhbgroup.com is maintained with up-to-date information by a dedicated team. In 2017, we included our AGM Presentation to Shareholders and Minority Shareholders Watchdog Group Q&A in our website for the first time.

MEETINGS WITH INVESTMENT COMMUNITY

In 2017, the Investor Relations team, led by the Group CFO, Syed Ahmad Taufik Albar, engaged 297 analysts, fund managers, shareholders and investors from more than 200 companies via 30 meetings and formal events, including face-to-face analyst briefings, tele-conferencing and small group meetings.

	No. of Meetings	No. of Participants
One-On-One/Small Group Meeting and Tele-Conference	26	145
Analysts Briefing	4	152
Special Analyst Briefing	1	53
Total	31	350

After the announcement of merger talks between RHB and AMBank (AMMB), we organised a special analyst briefing session on 1 June 2017 to explain the rationale, key milestones and timeline of the merger discussion.

Overall however, there was a decline in the number of meetings and investors met compared with the previous year mainly arising from a three month black-out period during the RHB-AMMB merger discussion, the overall slower equity market and lower interest from the foreign investors towards the region.

Nevertheless, Investor Relations remains committed to meet as many investors as possible to provide guidance on the overall Group's strategic direction, latest developments and to promote understanding of the financial performance of the Group.

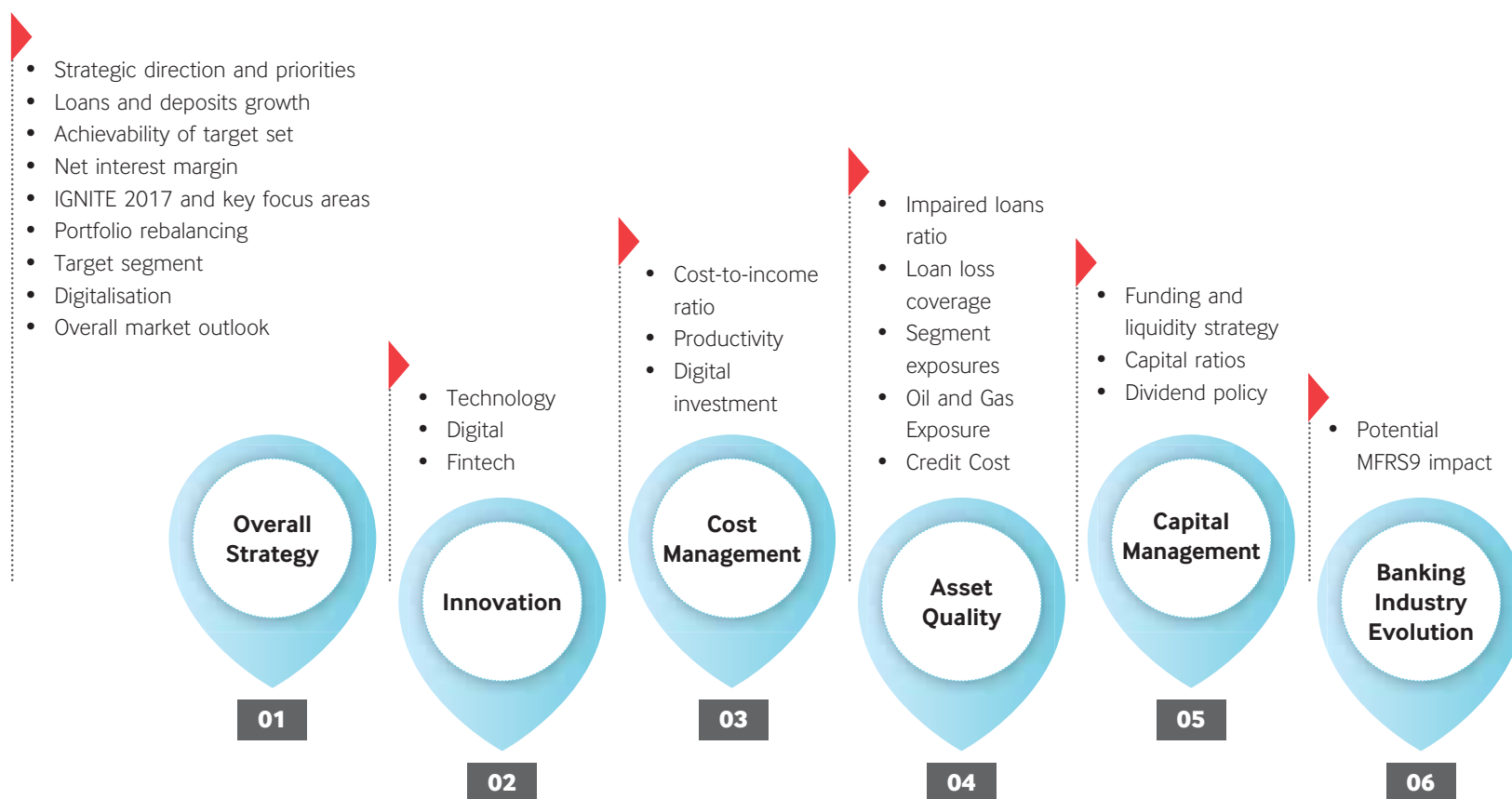
ANALYST COVERAGE

The Group remains a core coverage for the investment community on Bursa Malaysia with 19 analysts and research houses covering the stock as at end of December 2017.

No.	Research House	Analyst	No.	Research House	Analyst
1	Affin Hwang Investment Bank	Tan Ei Leen	11	KAF-Seagroatt & Campbell Securities	Rachel Huang
2	AmResearch	Kelvin Ong	12	Kenanga Investment Bank	Ahmad Ramzani
3	CIMB Investment Bank	Winson Ng	13	Macquarie Research	Anand Pathmakanthan
4	Citi Investment Research	Robert P Kong	14	Maybank Investment Bank	Desmond Ch'ng
5	CLSA Securities	Peter Kong	15	MIDF Amanah Investment Bank	Imran Yassin Yussof
6	Credit Suisse Securities	Danny Goh	16	Nomura Research	Tushar Mohata
7	DBS Vickers Securities	Lim Sue Lin	17	TA Securities	Wong Li Hsia
8	Hong Leong Investment Bank	Sia Ket Ee	18	UBS Securities	Chris Oh
9	HSBC Research	Loo Kar Weng	19	UOB Kay Hian	Keith Wee
10	JP Morgan Securities	Harsh Modi			

FOCUS AREAS

Issues discussed during engagement with investors are broadly categorised as follows:



INVESTOR RELATIONS AND SHARE PERFORMANCE

CREDIT RATINGS

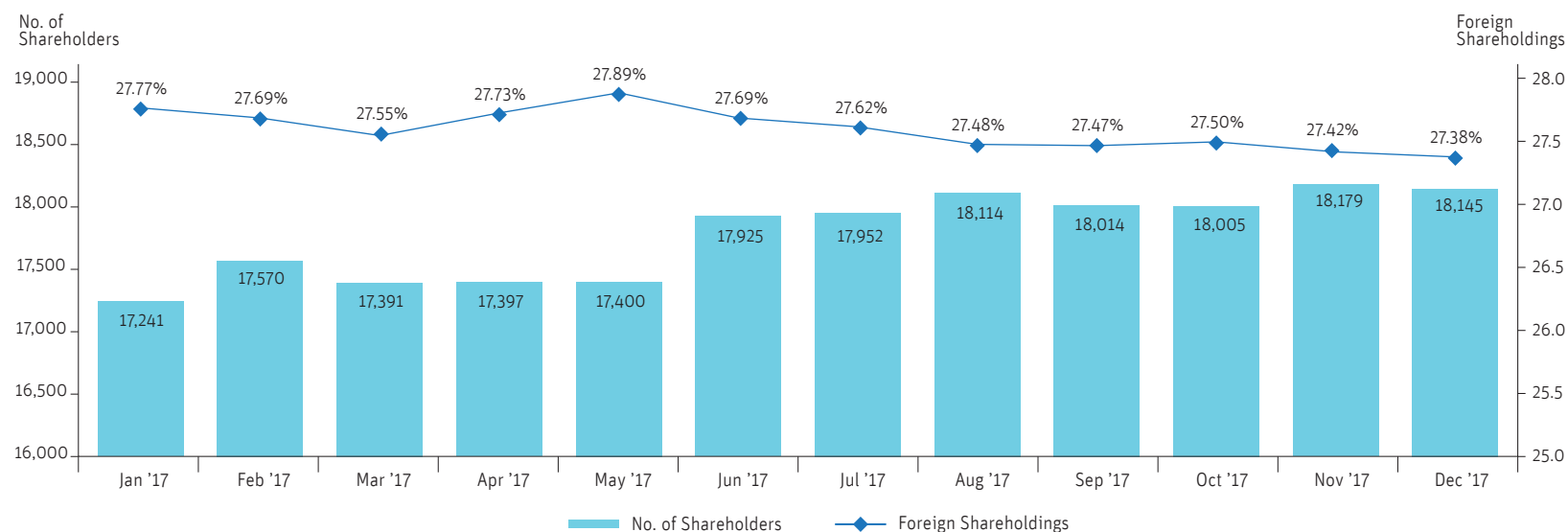
Investor Relations team played an active role in engaging credit rating companies with key ones being RAM Ratings, Standard and Poor's (S&P) and Moody's Investors Services.

Rating Agency	Rating Classification	Ratings		
		RHB Bank Berhad	RHB Investment Bank Berhad	RHB Islamic Bank Berhad
RAM Rating Services Berhad	Long Term Financial Institution	AA2	AA2	AA2
	Short Term Financial Institution	P1	P1	P1
	Outlook	Stable	Stable	Stable
Standard & Poor's Rating Services	Long Term Counterparty	BBB+	BBB+	
	Short Term Counterparty	A-2	A-2	
	Outlook	Stable	Stable	
Moody's Investors Service	Long Term Bank Deposits	A3		
	Short Term Bank Deposits	P-2		
	Baseline Credit Assessment	baa3		
	Outlook	Stable		

OTHER INFORMATIONS

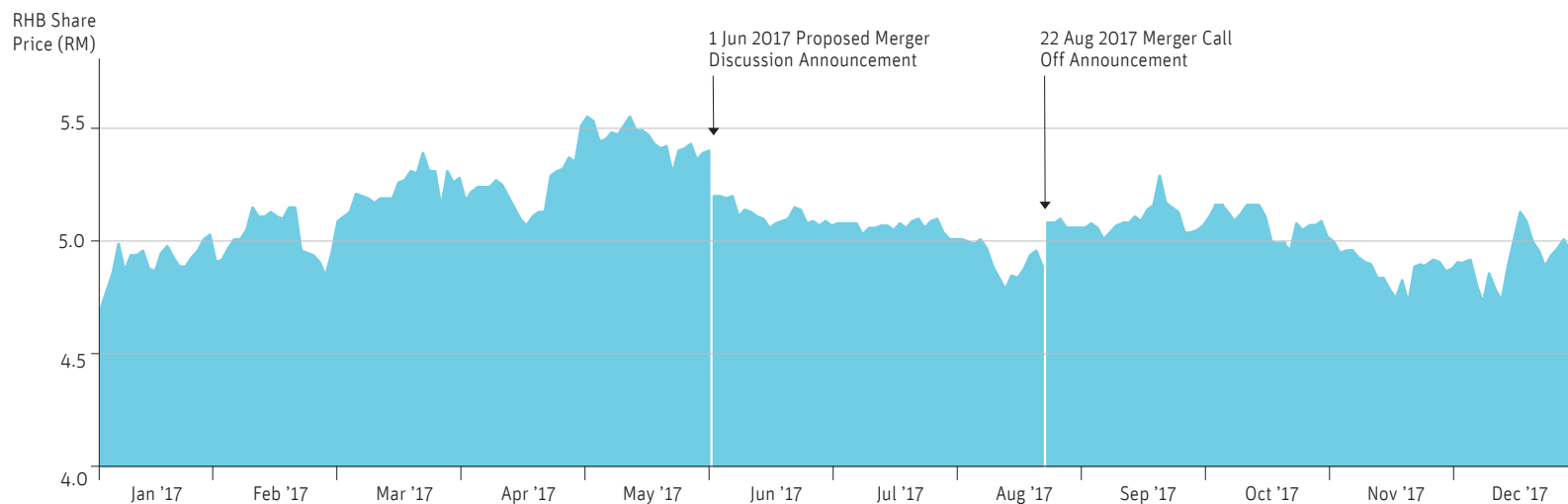
COMPANY NAME : RHB Bank Berhad	TICKER CODE : RHBBANK MK (BLOOMBERG)	RHBC.KL (REUTERS)
STOCK NAME : RHBBANK	FINANCIAL YEAR END : 31 December	
STOCK CODE : 1066 (BURSA MALAYSIA)	SHARE REGISTRAR : Symphony Share Registrars Sdn Bhd	

SHAREHOLDER ANALYSIS

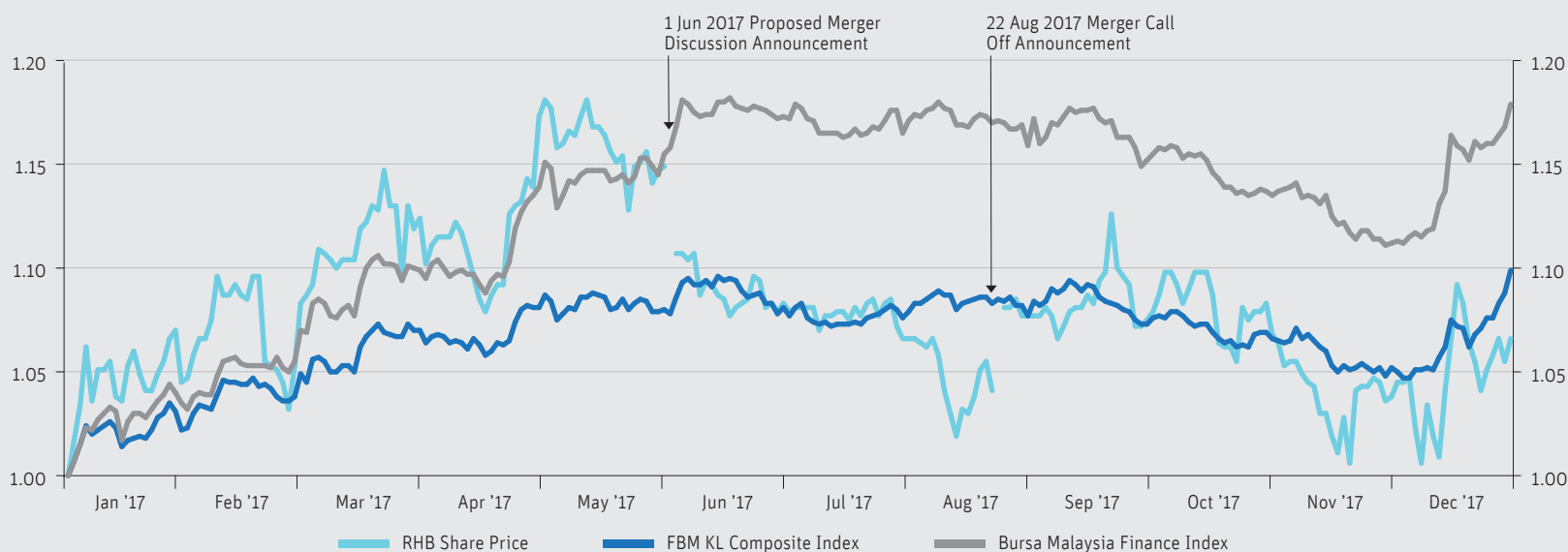


SHARE INFORMATION

RHB Bank Share Price in 2017



Relative Performance of RHB Bank Share Price vs Benchmark Indices



INVESTOR RELATIONS AND SHARE PERFORMANCE

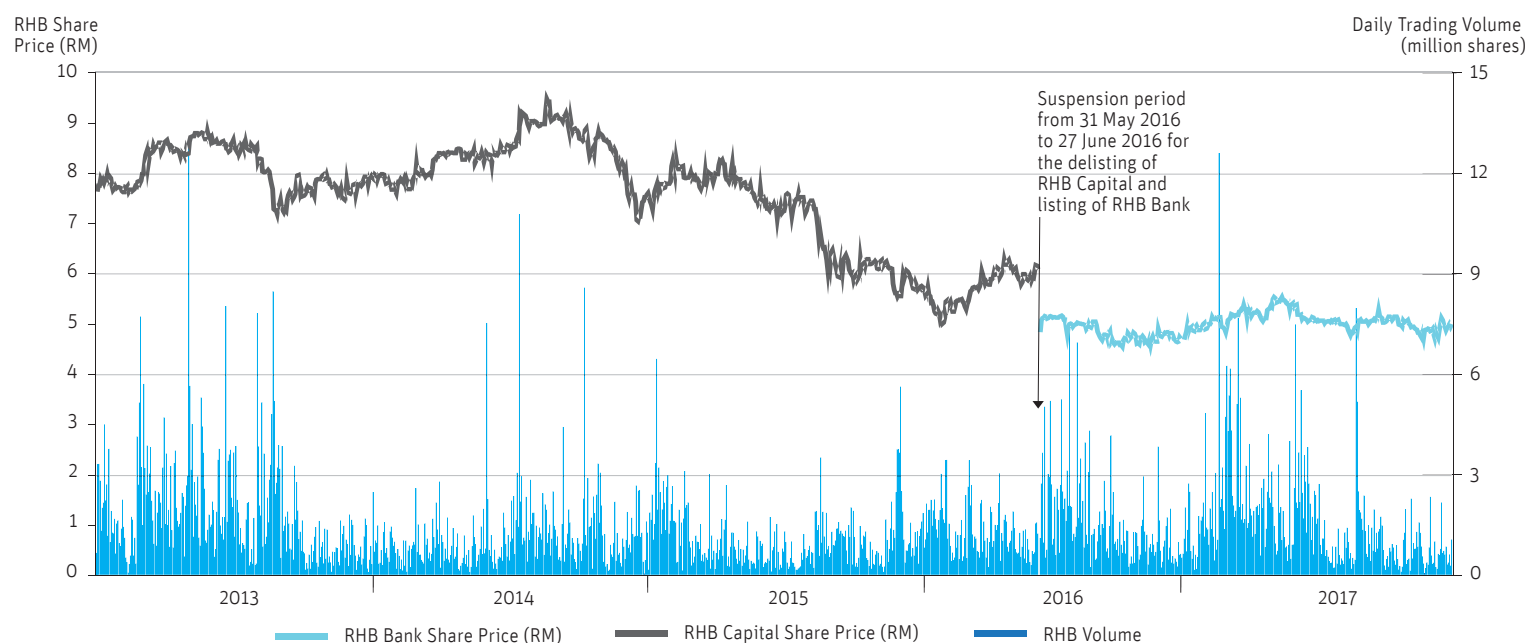
Share Price & Index Performance

	31 December 2016	31 March 2017	30 June 2017	29 September 2017	29 December 2017
RHB (RM)	4.71	5.17	5.06	5.03	5.00
Change (RM)		0.46	(0.11)	(0.03)	(0.03)
Change (%)		9.8	(2.1)	(0.6)	(0.6)
FBMKLCI (pts)	1,641.73	1,740.09	1,763.67	1,755.58	1,796.81
Change (RM)		98.36	23.58	(8.09)	41.23
Change (%)		6.0	1.4	(0.5)	2.3
KLFIN (pts)	14,383.05	15,659.67	16,766.18	16,439.87	16,861.38
Change (RM)		1,276.62	1,106.51	(326.31)	421.51
Change (%)		8.9	7.1	(1.9)	2.6

Share Related Key Highlights

	2017	2016
Market Capitalisation (RM'million)	20,050	18,887
Dividend per share (sen)	15.00	12.00
Dividend yield (%)	3.0	2.5
Basic earnings per share (sen)	48.6	43.6
Total Shareholders Return, TSR (%)	8.6	11.3
Share Price:		
Closing as at 31 December (RM)	5.00	4.71
Average (RM)	5.07	4.65
Highest closing (RM)	5.54	5.17
Lowest closing (RM)	4.69	3.84

Historical Share Price Performance



TOTAL SHAREHOLDER RETURN

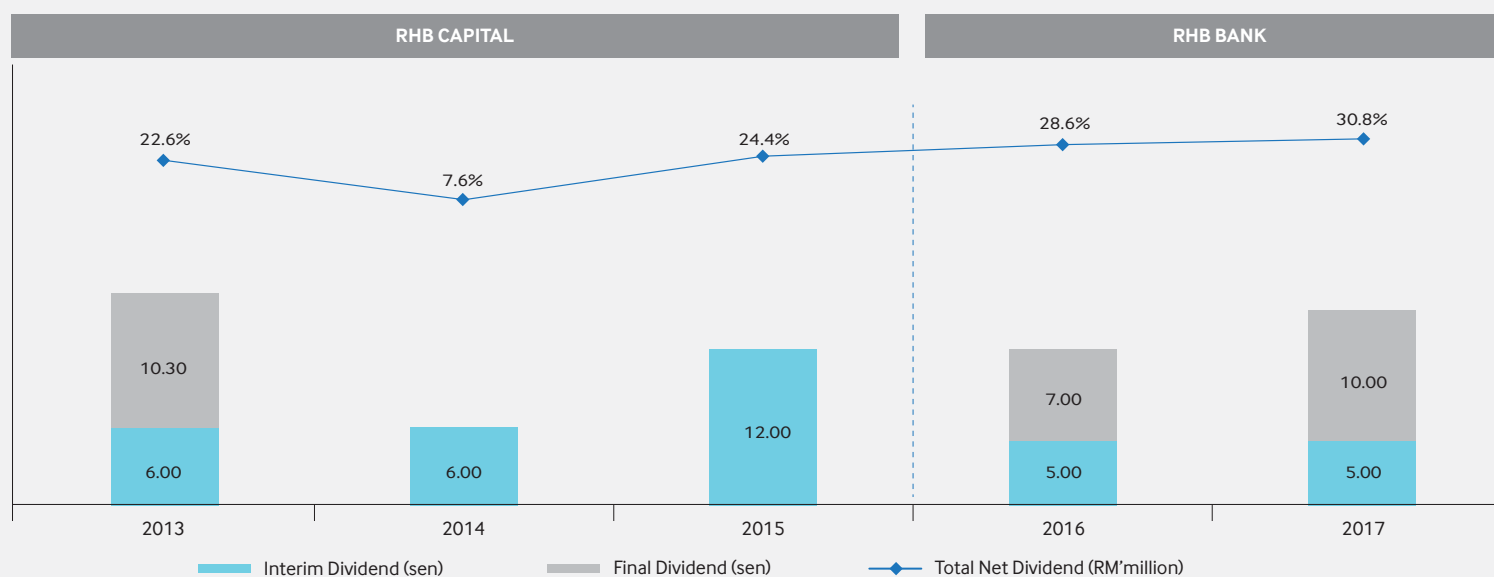
	2017	2016	2015	2014	2013
1 year TSR					
RHB	8.6	11.3	(22.3)	(2.4)	5.5
FBMKLCI INDEX	9.4	(3.0)	(3.9)	(5.7)	10.5
KLFIN INDEX	17.2	5.7	(6.5)	(3.8)	14.8
RHB's Relative Performance					
FBMKLCI INDEX	(0.8)	14.3	(18.4)	3.3	(5.0)
KLFIN INDEX	(8.6)	5.6	(15.8)	1.5	(9.3)

DIVIDEND

The Group pays a sustainable dividend to its shareholders to meet their expectations over time while maintaining prudent capital levels. The Group's dividend payout also takes into consideration the long-term growth requirement of the business.

The Board of Directors proposed a final cash dividend of 10 sen per share for the financial year ended 31 December 2017. Together with the interim cash dividend of 5 sen per share paid in October 2017, the total dividend payout for the financial year ended 31 December 2017 is 15 sen per share, translating into a payout ratio of 30.8%, up from 28.6% in 2016.

Dividend Trend Summary



FINANCIAL CALENDAR

FEBRUARY 2017

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

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

24

APRIL 2017

Announcement of RHB Islamic Bank Berhad issuance of subordinated sukuk murabahah of RM250.0 million in nominal value under a RM1.0 billion subordinated sukuk murabahah programme

27

MAY 2017

Announcement of **RHB Bank** redemption of subordinated notes of RM750.0 million in nominal value under a RM3.0 billion multi-currency medium term note programme

05

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

28

MAY 2017

Announcement of the single-tier final dividend of 7 sen per ordinary share of **RHB Bank** for the financial year ended 31 December 2016

02

MAY 2017

Announcement of **RHB Bank** redemption of senior unsecured notes of USD500.0 million pursuant to USD500.0 million euro medium term note programme

12

APRIL 2017

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

26

MAY 2017

Notice of book closure for determining the entitlement of the single-tier final dividend of 7 sen per ordinary share of **RHB Bank** for the financial year ended 31 December 2016

04

MAY 2017

Announcement of the unaudited financial results of **RHB Bank** for the first quarter of the financial year ended 31 December 2017

23

AUGUST 2017

Announcement of the unaudited financial results of **RHB Bank** for the second quarter of the financial year ended 31 December 2017

29**SEPTEMBER 2017**

Announcement of **RHB Bank** issuance of subordinated notes of RM750.0 million in nominal value under a RM5.0 billion (or its equivalent in other currencies) multi-currency medium term note programme

27**NOVEMBER 2017**

Announcement of **RHB Bank** redemption of subordinated notes of RM2,000.0 million in nominal value

30**SEPTEMBER 2017**

Announcement of the single-tier interim dividend of 5 sen per ordinary share of **RHB Bank** for the financial year ended 31 December 2017

14**OCTOBER 2017**

Announcement of RHB Investment Bank Berhad issuance of subordinated notes of RM200.0 million in nominal value under a RM1.0 billion (or its equivalent in other currencies) multi-currency medium term note programme

11**DECEMBER 2017**

Announcement of RHB Investment Bank Berhad redemption of subordinated notes of RM245.0 million in nominal value

11**SEPTEMBER 2017**

Notice of book closure for determining the entitlement of the single-tier interim dividend of 5 sen per ordinary share of **RHB Bank** for the financial year ended 31 December 2017

18**NOVEMBER 2017**

Announcement of the unaudited financial results of **RHB Bank** for the third quarter of the financial year ended 31 December 2017

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BUSINESS REVIEW

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The year 2017 saw the continuation of a subdued property sector. Nevertheless, the broad economy saw private consumption remaining strong, which fuelled growth in financing. We also saw the fight for deposits intensify in view of implementation of the Basel III Net Stable Fund Ratio (NSFR).

Against this backdrop, Group Retail Banking recorded robust loans and deposits growth of 9.0% and 7.6% respectively which outpaced industry. This was, moreover, achieved without compromising on our asset quality as demonstrated by an improved impaired loan ratio.

FINANCIAL HIGHLIGHTS

Profit Before Tax:
RM960.0 Million

Total Income:
RM2.2 Billion

Total Assets:
RM76.3 Billion

BUSINESS REVIEW

GROUP RETAIL BANKING

WHO WE ARE AND WHAT WE DO

Group Retail Banking offers both conventional and Shariah-approved housing financing, auto financing, ASB financing and other personal financing as well as credit card, payment, current and savings account, fixed deposit, investment and insurance products to individual customers. With more than 3 million customers and total assets of RM76.3 billion, Group Retail Banking is the biggest business division within the Group, and also the largest contributor to the Group's top and bottom lines.

KEY GROWTH DRIVERS

- Strong mortgage contributions
- Growing retail deposits
- Increasing Affluent customer base
- Digital banking
- Focus on fee based income

KEY PRIORITIES

- Digitalisation across the Group
- Grow responsibly while managing asset quality
- Drive a high-performance culture
- Innovate our acquisition and loyalty mechanics, customising products according to the different segments, with particular focus on payroll accounts to ensure growth and constant average balances
- Improve customer service and deepen customer relationships
- Drive productivity and profitability improvement, specifically in Affluent banking

FINANCIAL PERFORMANCE

During the year, Group Retail Banking's total assets grew 9.0% from 2016 to a total of RM76.3 billion while total deposits increased by 7.6% year-on-year (Y-o-Y) to RM47.6 billion. Total income, at RM2.2 billion, was slightly lower Y-o-Y due to higher cost of funds coupled with margin compression. Nevertheless, profit before tax increased by 5.2% Y-o-Y to RM960.0 million.

KEY ACHIEVEMENTS



- Loans and deposit growth outpaced industry, at **9.0%** and **7.6%** respectively, with Residential Mortgages contributing to over **60%** of total loans and registering **16.0%** growth, surpassing the industry
- Growth in retail deposits driven by **9.7%** increase in CASA
- Near doubling in fee income from wealth management business
- Reduced impaired ratio from **1.49%** in 2016 to **1.10%**

- 67.0%** Y-o-Y increase in submissions for Personal and Amanah Saham Bumiputera financing as well as credit card applications via the straight-through process at branches
- Launch in September of Southeast Asia's first chatbot for online personal financing applications

Mortgage: **16.0%** Growth

CASA: **9.7%** Increase

KEY INITIATIVES AND RESULTS

AFFLUENT SEGMENT

Key Initiatives

Growing Customer Base:

- A redefined value proposition and expanded Premier Centre footprint in strategic locations across Malaysia led to growth in RHB Premier Customer Registrations and enhanced its digital capabilities to provide holistic portfolio advice
- Focus on the collaboration with SME and Business Banking of the Group



Results

- RHB Premier's relationship manager productivity registered about 53.0% growth
- 19.0% increase in Affluent Customer Base and 16.0% increase in AUM growth
- Affluent customers, who constitute only 3% of Group Retail Banking's customers, were contributing 67% of total Group Retail Banking's AUM
- Enhanced the competency, skills and knowledge of staff
- 33.0% increase in SME customers



KEY INITIATIVES AND RESULTS

WEALTH & BANCASSURANCE

Key Initiatives

Enlarged investment product suite with customised solutions for SME and Business Banking customers. Launched 19 new unit trust funds, including seven RHB Asset Management Institutional Unit Trust Advisers (RHBAM IUTA) products, comprising 4 income category unit trust products to meet customers' risk appetite and a fixed deposit/unit trust product that provides better pricing options

Launched a series of initiatives to emphasise policy continuity and ensure customers are always protected

Launched RHB Prime Vantage Life in February



Results

Overall, the Unit Trust business grew 115.5% Y-o-Y, while the better priced fixed deposit/unit trust products accounted for 45% of total unit trust sales

RHB Bank won the "Outstanding Achiever – Bancassurance" award from Benchmark Wealth Management

Investment-linked life insurance plan which allows policy holders to secure up to RM1.5 million of financial security without the need for medical check-ups



KEY INITIATIVES AND RESULTS

PRODUCTS & SERVICES

Deposits

Key Initiatives

Various initiatives were undertaken to enhance the accessibility of products for customers' convenience

- Launch of online RHB Smart Account & Smart Account-i in March – Easy 10-minute banking technology where customers can open accounts online in full-service branches, enabling faster turnaround times, paperless processes as well as better customer service
- Launch of RHB Rider Service in October to complement RHB Smart Account opening. Brings RHB to customers for more convenient deposit account opening
- Government's agenda to inculcate a saving culture among the TN50 generation. Continue to innovate acquisition and loyalty mechanics, customising products according to the different customer segments focussing on payroll accounts



Results

- RHB Smart Account rewards customers with additional interest rate by consolidating transactions, be it savings, bill payments, spending or investment with RHB
- Significant increase in market share in both the Savings and Current Accounts sectors. Total deposits grew at almost double the industry rate:
 - 7.6% growth in total deposits compared to 3.8% growth seen in industry
 - CASA grew by 9.7% which is higher than industry's growth of 2.9%
- Growth in fixed income products, especially FDs
- Serve to increase the number of new deposits



KEY INITIATIVES AND RESULTS (CONT.)

Mortgage Loans

Key Initiatives

Focus on Mass Affluent and Affluent segments, expanding our coverage to new growth areas while maintaining strong footprint in Klang Valley and northern and southern corridors

- Launch of the RHB MyHome mobile app, the first of its kind in the industry
- Continued to work on the Loan Origination System Replacement project
- Offer Special PR1MA End Financing for PR1MA homes across the nation



Results

Residential mortgage sales grew by 35.3% Y-o-Y, with growth in targeted areas of Melaka, Perak, Pahang and Negeri Sembilan at 215.7%, 119.1%, 96.6% and 95.8%, respectively. Of our new mortgages, 16% were from the Affluent segment, 61% from Mass Affluent and 23% from the Mass Market. Residential mortgage receivables grew 16.0%

Non-fund based income from mortgage direct bundled products, namely credit life and general insurance, grew by 31.7% and 5.7% respectively

- Customers can apply for home financing, submit documents and check their application status online
- Phase 1 of the system, enabling online instant approval in principle modules, is to be completed by March 2018
- Support home ownership among the lower-income group



KEY INITIATIVES AND RESULTS

Amanah Saham Bumiputera Financing

Key Initiatives

Initiatives include making available a suite of ASNB unit trust products

- Launch of a new Commodity Murabahah product in April. This new Islamic ASB Financing product provides an alternative to Shariah-conscious consumers while allowing them to leverage the difference between the returns from ASNB and the profit they pay on the Commodity Murabahah



Results

ASNB Financing sales disbursement grew more than 87.3% Y-o-Y



KEY INITIATIVES AND RESULTS

Cards & Unsecured Business Financing

Key Initiatives

Accelerate Card Business growth

- Focusing on growing market share with cost efficient distribution channels
- Rolling out additional revenue generating initiatives
- Multiple acquisitions and launch of usage campaigns

Launch of Samsung Pay in May and RHB Justice League Debit Card

Launch of RHB – RinggitPlus Chatbot in September



Results

Credit Card spend grew 7.0%, while Debit Card spend and number of transactions increased by 22.7% and 28.7% respectively

Enables RHB cardholders with Samsung phone to make payments using their mobile. Samsung Pay registered 5k users since its launch in May till year end, while growth of electronic payments in general has accelerated

Real-time messenger-style platform to facilitate online personal loan applications, providing approval in principle quickly without the need to submit full documentation



KEY INITIATIVES AND RESULTS

Group Auto Finance (GAF)

Key Initiatives

Revamped Operating Model for enhanced productivity

- Vehicle Financing-i, where better risk grade customers enjoy better pricing, was introduced in December 2016
- Expanding dealer community coverage via attractive dealer inventory scheme



Results

- The product achieved significant take-up which enabled GAF to increase its disbursement by 98.1% Y-o-Y to RM1.9 billion
- Increased market share



KEY INITIATIVES AND RESULTS

DISTRIBUTION CHANNELS & PLATFORMS

Network

Key Initiatives

- Relocation and expansion of branches
- Established a new Premier Banking Centre in Penang
- Continue to provide customers with banking convenience at 318 Pos Malaysia outlets nationwide under the RHB-Pos Shared Banking Services initiative



Results

- Better customer access and convenience
- Growing affluent market
- Mass market convenience



KEY INITIATIVES AND RESULTS

e-Channel

Key Initiatives

Increased the functions on RHB Now Mobile Banking app

- Enhanced the RHB Now Pay Anyone™ service with Siri iPhone voice command
- Launched e-Ang Pow and e-Duit Raya via RHB Now Pay Anyone™ to facilitate gift giving during festive seasons
- Made available eStatements for up to 13-month periods from 6 months previously

Expand self-service ATM fleet



Results

Number of RHB Now Mobile Banking app users grew by 60% to 0.6 million customers, making up 6% of total mobile banking users nationwide with 5 million internet banking users, approximately 10% of the market

- iPhone users can instruct Siri to transfer funds verbally – a first in the local banking industry

- Added to customer convenience and lowered cost to serve

993 ATM units at year end, accounting for 9% of all ATMs nationwide



CHALLENGES/RISKS

CHALLENGES/RISKS

Intense deposits battle in view of implementation of Basel III Net Stable Funding Ratio standard which increases the pressure on funding costs

ACTION PLANS

- Continuous improvement in the customer experience with focus on digitalisation
- Initiatives to enhance accessibility of products & customer convenience, optimising of branch network

Soft property market

- Focus on the Mass Affluent and Affluent segments
- Expanding coverage to new growth areas
- Capitalise on digital initiatives, such as RHB MyHome mobile app, enabling online instant approval in principle

2018 OUTLOOK

Although we expect a further squeeze on margins arising from intense competition and higher costs of compliance, we remain optimistic and expect to maintain decent growth from the strong momentum achieved in 2017. This will be supplemented by service enhancement to meet customers' financial needs and focus on collaboration with our SME team. We are also optimistic of further improving our deposits as we continue to enhance the customer experience with an emphasis on digitalisation.

To mitigate the effects of soft market conditions and rising competition the Affluent segment will:

- Prioritise new wealth products and services covering not only retail customers but also SME and Business Banking customers.
- Introduce RHB Premier via business networking events through a series of lifestyle privileges.
- Accelerate Premier Banking sales force recruitment.

A key focus area in 2018 for Wealth Management will be to enlarge its investment product suite with customised solutions for SME and Business Banking customers. There are plans to launch eight unit trust funds, various structured investment products, foreign currency products as well as wealth financing products to drive higher Wealth sales and AUM growth.

Group Retail Banking will maintain a cautious stance on mortgages in 2018, its segment-led approach mitigating any unforeseen adverse market conditions. It is also prepared for the potential impact of the impending MFRS9 standard on provisions, ready to bank on any opportunity for a pricing advantage.

The focus in the Cards & Unsecured Business is to continue growing our market share with cost-efficient distribution channels while rolling out additional revenue generating initiatives. We are also keeping a keen eye on balancing our personal financing portfolio with equal weightage on deduction at source and non-deduction at source to protect our asset quality. We foresee a fair degree of uplift across key performance indicators as we maintain our momentum of growth and continuously develop innovative payment capabilities to expand our value proposition to customers.

Meanwhile, Group Auto Finance plans to increase its market share by expanding its dealer community coverage; introducing new products such as Commodity Murabahah; and facilitating quicker turnaround times via approval in principle (AIP).

Despite the challenging macroeconomic environment in 2017, Group Business & Transaction Banking continued to perform well. Group Business Banking's financing assets surged 8.6%, driven by higher productivity from the SME segment which continued to outpace the SME industry loan growth.

Meanwhile, continued focus on our financial supply chain saw more than RM100 million new facilities added in the year, with positive traction from the motor vehicle, fast-moving consumer goods, manufacturing and construction sectors. To top it all, we were named the "Best Trade Finance Bank in Malaysia for Year 2017" at the Alpha Southeast Asia Best Financial Institution Awards.

FINANCIAL HIGHLIGHTS

Profit Before Tax:
RM392.5 Million

Total Income:
RM1,016.6 Million

Total Assets:
RM23.9 Billion

BUSINESS REVIEW

GROUP BUSINESS & TRANSACTION BANKING

WHO WE ARE AND WHAT WE DO

Group Business and Transaction Banking comprises the Business Banking segment and Transaction Banking segment. The former provides financing solutions to SMEs and family-owned enterprises, while the latter caters to trade and cash management needs of local SMEs, large corporates and financial institutions. Our comprehensive transaction banking solutions include an online platform for supply chain financing to support the end-to-end working capital needs of customers as well as cash management activities with complete payment and collection solutions.

KEY GROWTH DRIVERS

- Growing SME market
- Demand for financial supply chain (FSC) solutions
- Customer expectations for enhanced services

KEY PRIORITIES

- Continue to focus on the Small Business segment to drive growth
- Leverage on SME Digital Journey to build a winning operating model that prioritises customer journeys, agility, analytics and digital enablement to drive top line growth
- Rebalance the Trade portfolio mix by scaling up the financial supply chain (FSC) ecosystem, shifting the focus towards export-related deals
- Reinforce superior customer experience as a differentiator through the 'RHB Way'

FINANCIAL PERFORMANCE

Group Business Banking's total income crossed the RM1 billion mark for the first time with a 4.8% Y-o-Y increase to RM1,016.6 million, driven by strong growth in the SME segment.

Group Transaction Banking, meanwhile, registered a 4.8% increase in total income to RM723.0 million on the back of strong Y-o-Y CASA growth of 28.9% (or RM4.0 billion). This also resulted in Group Transaction Banking turning in a 5.2% increase in operating profits amounting to RM660.6 million.

KEY ACHIEVEMENTS



GROUP BUSINESS BANKING

- Outpaced SME industry loan growth with our SME market share improving to **9.0%** in 2017 from **8.8%** in 2016
- Strong financing asset growth of **8.6%** on the back of higher productivity from the SME segment which grew **8.7%** Y-o-Y
- Deposit base increased by **2.3%**, driven by strong CASA growth of **5.9%**

GROUP TRANSACTION BUSINESS

- Trade business increased its market share from **8.1%** as at December 2016 to **8.3%** (Dec'17)
- Total trade asset increased **2.2%** Y-o-Y
- Cash Management subscription grew **17.4%** Y-o-Y

Total Income:
RM723.0 Million

Operating Profit:
RM660.6 Million

Total Income:
RM1,016.6 Million

AWARDS & RECOGNITION

"Digital Banking Initiative of the Year – Malaysia" at the 12th Asian Banking & Finance (ABF) Retail Banking Awards 2017



Best Trade Finance Bank in Malaysia for Year 2017 at the Alpha Southeast Asia Best Financial Institution Awards



Highly Commended "Excellence in SME Banking" at the 8th Retail Bankers International (RBI) Asia Trailblazer Awards 2017



Top 2 banks in acquiring merchants for JOMPAY - awarded by PayNet (formerly known as MyClear)



KEY INITIATIVES AND RESULTS

Key Initiatives

SME

- Provide innovative products and solutions tailor-made for the SME market. Embarked on an SME Digital Journey including leveraging on big data and analytics
- Enhance resource allocation by optimising and repositioning the distribution network
- Launched the iSMART digital sales tool including innovative features such as “Customer Needs Discovery”, “Product Simulator” and “Product Eligibility Check” to drive sales productivity
- Launched SME Web Portal, the first online portal with features including online account application, online loan/financing application, product information, an SME Knowledge Centre and business tools
- Expanded active management of delinquent accounts and early alert mechanism of potential high-risk accounts while enhancing our field collection capabilities in key regions
- Organised a trade mission to Cambodia for 41 Malaysian SMEs that included meetings with local businesses, trade associations, regulators and government authorities such as the Advisor to the Royal Government of Cambodia, Cambodia Investment Board and Malaysia Business Council of Cambodia

Transaction Banking

- Enhanced Reflex Cash Management to Support straight-through Account Receivables and Account-Payables processes by way of direct interface with Financial Accounting and ERP systems.
Rolled out Reflex online banking platform in RHB Singapore.
- Greater focus and a more coordinated approach to FSC solutions



Results

- Delivering simple, fast and seamless experience to customers and enhance cross-selling for deeper share of wallet
- Overall SME sales productivity increased 11.3% Y-o-Y
- Offers guidance on selecting the right products; shows customers how a product works; and enables quick pre-screening of customers’ eligibility. Also increases sales productivity and improves the overall customer experience
- Provides SMEs quick access to information and products relevant to their business, which helps make informed decisions
- Overall non-performing loan (NPL) ratio of 2.23%, below that for the SME industry (2.64%)
- Facilitate SME cross-border trade and business expansion regionally
- Facilitate auto account reconciliation for customers
- Expand and strengthen the SME ecosystem. FSC financing grew by more than RM100 million in 2017. Great traction was seen from the motor vehicle, fast-moving consumer goods, manufacturing and construction sectors



CHALLENGES/RISKS

CHALLENGES/RISKS

Greater competition among financial institutions in SME segment.

ACTION PLANS

Optimised distribution network to focus on high-growth areas within the small business segment and enhancing customer experience through the SME Digital Journey.

Implementation of MFRS9 in 2018 will see higher credit cost for banks in general. Adoption of the new standard would require banks to put up appropriate provisions in anticipation of future potential losses, resulting in higher overall impairment loss provision.

Putting in place systems that will reduce delinquent accounts, hence future potential loss.

Intense deposit competition among local banks is expected to continue into 2018 with increasing deposit volatility and higher cost of deposit.

Making it easier and more convenient for SMEs to bank with RHB through the SME Digital Journey and building a connected SME ecosystem for end-to-end financial services.

2018 OUTLOOK

Group Business & Transaction Banking will continue to focus on the Small Business segment, leveraging our SME Digital Journey to build a winning operating model that prioritises customer journeys, agility, analytics and digital enablement to drive top line growth. We also aim to build a connected SME ecosystem for comprehensive financial services, and win a bigger share of our customers' wallet. We expect to drive revenue through rebalancing our Trade portfolio, scaling up the FSC ecosystem and shifting our focus towards export-related deals. Above all, we will reinforce a superior customer experience as our key differentiator through the 'RHB Way'.

2017 represented the first full year of Group Wholesale Banking, which was established to serve our customers in a more holistic and coordinated manner. With closer collaboration among the businesses within the grouping, and synergies from enhanced common functions and capabilities, Group Wholesale Banking pulled together a solid performance, registering double-digit growth in operating profit and profit before tax (PBT) growth of more than 20.0%.

Contributing to this was the development and execution of strategic initiatives, strong performances by the Asset Management, Treasury and Global Markets businesses, market share increases from our Investment Banking franchise, and improvement in the quality of Corporate Banking assets. While we expect a more positive outlook going into 2018, we are also cautious of potential headwinds facing the banking sector, including a more subdued loan growth environment, geo-political uncertainties in the region and globally, emergence of new and disruptive technologies as well as increased competition.

FINANCIAL HIGHLIGHTS

Profit Before Tax:
RM1,735.6 Million

Total Income:
RM2,835.8 Million

Profit Before Tax:
23.3% Growth

BUSINESS REVIEW

GROUP WHOLESALe BANKING

WHO WE ARE AND WHAT WE DO

Group Wholesale Banking (GWB), established in July 2016, is a leading financial advisory and solutions partner for corporates in the region. We have deep local knowledge, presence and network in eight countries – Malaysia, Singapore, Indonesia, Thailand, Hong Kong, China, Cambodia and Vietnam – with an extensive network of partners in North Asia and the US.

We provide a full range of bespoke business solutions to partners and help our customers win and grow 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 foreign exchange (FX), remittances to interbank transactions. Finally, we help our customers grow their own investments and enable them to gain from participating in the capital markets through our trading platform and winning insights as well as ideas through our asset management, private equity and award-winning research team.

FINANCIAL PERFORMANCE

In 2017, GWB registered an 8.2% increase in total income to RM2,835.8 million and 23.3% increase in profit before tax (PBT) to RM1,735.6 million. While improved asset quality due to enhanced risk management was one of the contributing factors to the solid performance, the business as a whole experienced robust operating profit growth of 11.9%. This was driven primarily by market share increases in a number of our businesses, improved operational efficiency and solid cost controls, closer collaboration of businesses under the grouping and the enhancement and digitalisation of our systems resulting from a number of key initiatives implemented end 2016 onwards.

GROUP INVESTMENT BANKING

RHB Investment Bank (RHBIB) is the investment banking arm of RHB Banking Group with key business pillars in capital markets, mergers & acquisitions broking (institutional and retail) and research. It has 41 branches throughout Peninsular Malaysia, Sabah and Sarawak and footprints in Singapore, Indonesia, Hong Kong/China, Thailand, Cambodia and Vietnam.

KEY PRIORITIES

- Increase share of customers' wallet by leveraging on healthy deal pipelines, strong relationships across large and mid-cap customer segments and variety of tailor-made solutions
- Grow international franchise within current markets
- Uphold strong origination and quality execution capabilities for which RHBIB is known
- Become a trusted adviser to a larger customer universe

KEY GROWTH DRIVERS

- Infrastructure development with large debt funding requirements
- Large cap/unicorn IPOs
- Share Margin Financing business growth balanced with restructured portfolio with less risky accounts
- Efficient platform for Malaysian institutional investors in pursuit of investment opportunities in the regional market
- Robust trading platform for Malaysian retail investors

KEY ACHIEVEMENTS



Largest Rights Issue:
RM2.254 Billion

Largest Debt Issuance:
RM5.085 Billion

- Played a lead role in landmark transactions in 2017:
 - Largest rights issues which raised **RM2.254 billion** for Malaysian Resources Corporation Berhad and **RM2.22 billion** for S P Setia Berhad
 - Largest debt issuances – **RM5.085 billion** by Edra Energy Sdn Bhd and **RM4.5 billion** by Danalnfra Nasional Berhad
 - 3rd largest IPO and high performing IPO post-listing – Serba Dinamik Holdings Berhad – **RM671.7 million** Main Market IPO
 - 3rd largest M&A transaction – acquisition of equity interest in Sarawak Hidro Sdn Bhd by Sarawak Energy Berhad – **RM8.1 billion**
- Advisory business also increased its market share from **6.9% to 7.7%**.

KEY INITIATIVES AND RESULTS

Key Initiatives

Retail Equities in Malaysia

- Consolidation of branches & processing hubs
- Implementation of the "Asset Lite Model" and TR Mobility Strategy

Retail Equities in Singapore

Cost rationalisation initiatives including relocating back office functions to Changi and introducing e-statements to customers

Results

- Number of branches reduced from 51 to 41, processing hubs from 9 to 6
- Significant increase in profitability (>100%) and broking market share (from 7.7% to 8.5%)
- Cost reductions delivered solid increase in profitability

More than RM2 million in saving and narrowed losses due to lacklustre market conditions

KEY INITIATIVES AND RESULTS (CONT.D)

Key Initiatives

Institutional Equities (IE)

Re-organisation of IE pillar and business model to better serve customers

Capital Markets

- Effective regional account planning exercise
- Upskilling regional capabilities and selective hiring of high performing talent
- Aligning standards in regional offices with those at the head office



Results

Significant PBT uplift of 81.4% and improved relationships with key customers

- Improved productivity and market share (from 6.9% to 7.7%)
- Ability to compete with overseas peers in deal execution
- Enhanced operational effectiveness in the back office



CHALLENGES/RISKS

CHALLENGES/RISKS

ACTION PLANS

Increasing margin compression due to intense competition

- Benchmark pricing against competitors
- Focus on high yielding products with speedier turnaround times

Tightening regulatory controls

- Ensure compliance with regulatory requirements

Operational efficiency in overseas operations

- Appointed Country COOs with clear accountabilities for back office functions including credit, operations and risk management
- Established a Regional Credit Centre at head office to support all regional IB offices
- Established guidelines on controls and close monitoring of credit portfolio in regional offices

AWARDS & RECOGNITION

Won more than 50 awards in 2016/2017 across all business areas and research.

Among the key awards were:

Capital Markets

- Best Small to Mid Cap Corporate Finance House in Malaysia and Singapore
- Best Secondary Deal of the Year in Southeast Asia
- Best RTO M&A Deal of the Year in Southeast Asia
- Project Finance Deal of the Year
- Most Innovative Deal of the Year
- Best Government-Guaranteed Sukuk

Equities Broking

- Best Retail Broker in Malaysia
- Best Retail Derivatives Trading Participant – 1st runner up

Research

- Malaysia – ranked Top 3 in 8 categories
 - Best Economist
 - Best Analyst (Insurance)
 - Best Analyst (Real Estate)
 - Best Local Brokerage
 - Best Economics Research Team
 - Best Small Cap Team
 - Best Diversified Financials Team
 - Best Insurance Team
- Singapore – ranked No. 1 in 10 categories
 - Best Analyst (Healthcare)
 - Best Analyst (Semiconductors & Semiconductor Equipment)
 - Best Analyst (Small Cap)
 - Best Analyst (Software, Internet & Services)
 - Best Analyst (Technology Hardware & Equipment)
 - Best Analyst (Consumer Staples)
 - Best Analyst (Utilities)
 - Best Healthcare Team
 - Best Semiconductors & Semiconductor Equipment Team
 - Best Software, Internet & Services Team

2018 OUTLOOK

We are optimistic about the investment banking business in 2018 given the robust pipeline of capital market deals. With global economies riding firmly on a growth wave, we believe the current economic cycle – 2018 is the ninth year – has a strong chance of being extended. Malaysia's economic performance is also responding well to the pick-up in global trade and our economic research team is forecasting 2018 GDP growth to remain robust at 5.2% as per the announcement, against 5.9% in 2017. Stronger external demand is expected to spill over to lift domestic demand, which will gradually take centre stage to drive growth going forward.

Amid robust domestic liquidity, more stable oil prices and an undervalued Ringgit, we expect corporate earnings to rebound next year. The improved market sentiment would help to drive corporate restructuring, M&A and capital-raising activities especially in sectors that are highly geared, capital intensive or that have bottomed out. We also anticipate more corporate activities arising from government-led initiatives in the digital economy, infrastructure and finance.

GROUP CORPORATE BANKING

Group Corporate Banking provides a comprehensive range of Conventional and Shariah-compliant financing to fulfil the funding requirements of corporations. This includes funding for working capital requirements, trade financing, foreign currency conversion and hedging, project financing as well as funding corporate exercises. Its reach extends across Southeast Asia and Hong Kong to support our customers' growth regionally. The business provides bespoke structured financing to cater to the specific needs of our customers.

KEY GROWTH DRIVERS

- Project financing and large cap asset growth
- Government deposits

KEY PRIORITIES

- Deepen customer relationship within large cap & mid cap segments
- Shariah-compliant financing

KEY ACHIEVEMENTS



Total Deposits:
6.4% Growth

Shariah-compliant Financing:
43.3% Growth

- Maintained a strong position in the corporate lending space by virtue of having significant market share
- Shariah-compliant financing grew further to **43.3%** from **36.1%** in 2016
- Significant growth in CASA of 25.6% over the year
- Enhanced risk management leading to a **82.8%** decrease in provisions and impairments compared to 2016

KEY INITIATIVES AND RESULTS

Key Initiatives

Reorganisation of business structure

Sharpen capabilities in cash management and financial supply chain offerings

Embarked on a digitalisation programme to enhance our loan origination capabilities



Results

Facilitated the provision of more personalised services, capitalising on collaboration with Group Transactional Banking and Customer Coverage

Successful implementation and roll-out of solutions for our key customers and penetration into new sectors

Advance stages of rolling-out an automated process flow for Credit Processing and Evaluation



CHALLENGES/RISKS

CHALLENGES/RISKS

Margin compression due to intense competition

ACTION PLANS

- Product bundling to protect returns

Soft market outlook for property and oil & gas sectors

- Proactive and constant engagement with customers

AWARDS & RECOGNITION

Most Outstanding Islamic Corporate Banking and Islamic Project Finance Product 2017 – by Centre for Research and Training (CERT)

Project & Infrastructure Deal of the Year 2017 and Malaysia Deal of the Year 2017 for Term Financing-i-Facility – by REDMoney

2018 OUTLOOK

Group Corporate Banking's primary focus in 2018 will be to achieve responsible growth in the targeted segments with improved returns while maintaining asset quality. Internally the business will continue to improve efficiency with its mid-office capability by streamlining administrative functions in order to focus on developing and deepening customer relationships. In addition, process re-engineering initiatives, which include automation of the credit application process, will be implemented in order to improve productivity and enhance customer service delivery.

TREASURY AND GLOBAL MARKETS

Group Treasury offers a comprehensive suite of treasury products and solutions including foreign exchange (FX), derivatives and fixed income catering for the hedging and investment requirements of a diverse customer base in Malaysia, Singapore, Thailand and Indonesia. The function enables FX trade in 19 global currencies supported by foreign currency settlement facilities via RHB's Multi-Currency Account (MCA).

KEY GROWTH DRIVERS

- Staff force optimisation from restructuring of FX and derivatives sales into one Treasury Solution team
- Improved customer coverage, especially for regions beyond Klang Valley and overseas
- Implementation of Murex treasury system in Malaysia in 2016 and Singapore in 2017

KEY PRIORITIES

- Digitalisation initiatives to improve seamless customer experience and process efficiency
- Regional fixed income coverage and distribution
- Diversify sources, increase volume and simplify process of cross-border customer FX transactions in tandem with regulatory changes, eg Appointed Overseas Office (AOO) and Appointed Cross Currency Dealers (ACCD)
- Optimise funding structure in tandem with bank-wide asset and liability mix

KEY ACHIEVEMENTS



Profit Before Tax:
32.1% Growth

Total Income:
26.6% Growth

- Sustained double-digit sales growth with Y-o-Y revenue in Malaysia improving **18.7%** due to focus on higher margin businesses
- PBT increased **32.1%** Y-o-Y due to higher net interest income, higher non-interest income and higher write-back of impairment in 2017
- Y-o-Y funding centre revenue in Malaysia improved **125.2%** due to cost-saving initiatives and borrowing source diversification
- Continued to win various awards and sustained league table position

FINANCIAL PERFORMANCE

Total income from Group Treasury and Global Markets increased 26.6% Y-o-Y mainly due to 18.7% growth in customer revenue and 99.2% growth in trading income. Segment PBT, meanwhile, increased 32.1% Y-o-Y due to higher net interest income, higher non-interest income and higher write-back of impairment in 2017.

KEY INITIATIVES AND RESULTS

Key Initiatives

Implementation of a single consolidated Murex treasury system for FX and derivatives in Malaysia (November 2016) and Singapore (August 2017)

Cost saving initiatives of funding centre to lower funding costs

Efficient management of liquidity ratios to minimise compliance wastage

Results

Enabling stronger warehousing and structuring capabilities for various new treasury products and solutions

125.2% Y-o-Y improvement in funding centre profits



CHALLENGES/RISKS

CHALLENGES/RISKS

Geopolitical risks and uncertainty due to US policy direction, Brexit and threats from North Korea may result in flip-flopping of market direction

ACTION PLANS

- Constant adjustment to trading position, diversify range of traded asset classes and countries

New and stricter global and domestic regulatory requirements resulting in higher cost of doing business and compliance

- Process automation to minimise risk of human error.
- Adherence to professional code of conduct and regulatory requirements. Regular updates and training in regulatory developments

Expectations of 2017/2018 Fed rate hikes adversely affected fixed income business volume in 2017

- Optimised the bearish market sentiment to rebalance our investment portfolio with higher yields to improve our long-term net interest income

Thinner spread during period of low FX rate volatility, especially during first half of 2017

- Diversification into cross-market and interest rate derivatives delivered a 99.2% Y-o-Y increase in trading income, due to favourable market prices and the strengthening of Ringgit nearing the end of 2017

2018 OUTLOOK

In line with FIT22, Group Treasury will digitise more transactions to further enhance the customer experience, especially within the affluent and SME segments. We expect market volatilities and a stronger Ringgit in 2018 to stimulate greater trading and sales opportunities, while the rollout of new phases of the Murex system covering fixed income and money markets in Malaysia and Singapore in the second half of 2018 will further elevate our operational efficiencies. This will be supplemented by the implementation of an enhanced asset and liability management system by end December 2018, aimed at streamlining the liquidity management process.

GROUP ASSET MANAGEMENT

RHB's Group Asset Management has expertise in managing a full range of financial solutions spanning across investment management advisory, product development and trustee services. It offers customised solutions across conventional and Shariah-compliant products to address the needs of institutional, corporate, wholesale and retail investors across the Asian region. Solutions provided cover equities, fixed income, mixed assets, cash management and alternative investments tailor-made in structures covering discretionary and non-discretionary mandates, private retirement schemes, private funds and structured investments.

Its trustee business offers products and services covering estate planning, will writing, private trust, REITS, corporate trust services and escrow account management.

KEY GROWTH DRIVERS

- Improved contribution from retail business and better management of cost-to-Income Ratio (CIR)
- Strong growth of unit trust funds in Malaysia and Singapore

KEY PRIORITIES

Islamic agenda

- Strengthen Islamic presence in Malaysia while expanding offshore
- Improve Islamic ranking to top 4 position in Malaysia

Regional offices

- Improve PBT contribution from Asset Management Pillar to 14.3% from 2.5% currently

Trustees

- Maintain top position as leading trustee for corporate trust services

KEY ACHIEVEMENTS



- PBT grew by **20.5%** for Group Asset Management
- Retail Funds Asset Under Management (AUM) increased by **16.4%** Y-o-Y
- **19 fund** launches and **15 awards** received in 2017

FINANCIAL PERFORMANCE

PBT for the asset management pillar grew 20.5% to record another all-time high. PBT for the trustee business grew by 29.0% while retail AUM increased by 16.4% compared to the previous year.

KEY INITIATIVES AND RESULTS

Key Initiatives

Continuously ramp up the Agency business

Expand distribution channels and global platforms

Strengthen RHB Banking Group collaboration

Trustees

Digital Initiatives



Results

- Grew the Agency force by 47.8% and AUM by 44.2%
- Successfully on-boarded four global platforms in Singapore providing gateway to more than 500 sub-distributors
- On-boarded two Malaysian distributors and three Indonesian distributors to drive the Islamic business
- RHB Banking Group continues to rank no. 1 among all distributors by sales, contributed to 40% of total sales
- Sales growth through estate planning business
- Business collaboration with insurance and banks
- Business expansion through wider coverage and reach in the East Coast of Peninsular Malaysia, East Malaysia and Singapore
- Develop e-channels to provide higher level of accessibility to investors and internal sales personnel. In 2018, to embark on the second phase of the My Success Portal enabling agent-assisted transaction executions via online platform
- To commence the Portfolio Management System re-platform which is targeted to roll out in Malaysia in 2018 and regionally by 2019



CHALLENGES/RISKS

CHALLENGES/RISKS

Lack of Islamic AUM contribution from regional offices due to lack of awareness, hence growth concentration in Malaysia

Intense competition resulting in lower fees and margin

ACTION PLANS

- Grow regional fund offerings
- Offshore business expansion covering Indonesia, HK, Middle East, Singapore & Brunei
- Continuous on-boarding of local and global distributors
- Expand product offering with focus on growing high-margin business

Funds launched across the region in 2017

Country	Fund	Country	Fund
Malaysia	1 RHB Focus Income Bond 8 – Series 8	Indonesia	10 RHB Capital Protected Fund 36
Malaysia	2 RHB Emerging Income Fund	Indonesia	11 RHB Capital Protected Fund 37
Malaysia	3 Islamic Income Plus Fund 6	Indonesia	12 RHB Capital Protected Fund 38
Malaysia	4 RHB Global Sukuk Fund 2	Indonesia	13 RHB Capital Protected Fund 39
Malaysia	5 RHB Dana Maher	Indonesia	14 RHB Capital Protected Fund 40
Malaysia	6 RHB Global Sukuk Fund	Indonesia	15 RHB Sri-Kehati Fund
Malaysia	7 RHB Global Real Estate Equity Fund	Indonesia	16 RHB TM Indo Bond Fund
Indonesia	8 RHB TM Indo-Asia Equity Fund	Indonesia	17 RHB Indo Fixed Income Fund
Indonesia	9 KPD Mandiri Healthcare	Indonesia	18 RHB USD Capital Protected Fund 5
		Singapore	19 RHB Money Market Fund

AWARDS & RECOGNITION

Thomson Reuters Lipper Fund Awards 2017, Malaysia

- **RHB Islamic Bond: Best Bond MYR** – Malaysia Islamic (3, 5 & 10 Years)
- **RHB Smart Income:** Best Mixed Asset MYR Conservative – Malaysia Provident (10 Years)
- **RHB Asset Management Sdn Bhd:** Best Bond Award – Malaysia Provident (3 Years)



Asset Benchmark Research – Top five investment houses in Asia local currency bonds for 2017

- **RHB Asset Management:** 2017 – 2nd Position



Investor-Infovesta Best Mutual Fund Awards 2017

- **RHB Alpha Sector Rotation:** Best Equity Mutual Fund for Asset IDR250 billion – IDR1.5 trillion (5 years Category)



Asia Asset Management – 2017 Best of the Best Awards

- **RHB Private Equity Fund 1:** Singapore: Most Innovative Product
- **RHB Private Equity Opportunity Fund 1:** Malaysia: Most Innovative Product



Warta Ekonomi Indonesia Top Mutual Fund Awards 2017

- **RHB Alpha Sector Rotation:** Best Performance in Equity Mutual Fund (5 years Category)



FundsUPERMART Recommended Unit Trust 2017/18

- **RHB Asian Income Fund:** Asia ex-Japan – Balanced
- **RHB Bond Fund:** Malaysia – Fixed Income
- **RHB Asian Total Return Fund:** Asia – Fixed Income
- **RHB Emerging Markets Bond Fund:** Emerging Markets – Fixed Income



iFAST Awards Malaysia 2017

- **RHB Asset Management:** Top Fund House



2018 OUTLOOK

In response to an expected tightening in monetary policy across Asia, Group Asset Management continues to be more dynamic in identifying opportunities for growth while maintaining a customer-centric focus as it seeks to achieve sustainable growth in becoming a leading Asian fund house with ASEAN expertise.

RHB Banking Group remains committed to expand its Shariah business and be a top player in the country. During the year, Islamic Financing contributed about 30% of total domestic financing to the Group.

RHB Islamic Bank (RHB Islamic or the Bank) performed commendably, maintaining strong profit before tax (PBT) and return on equity (ROE) growth contributed by earnings from its financing and non-funding businesses.

FINANCIAL HIGHLIGHTS

Profit Before Tax:
RM479.9 Million

Total Income:
RM868.9 Million

Total Assets:
RM55.7 Billion

BUSINESS REVIEW

GROUP SHARIAH BUSINESS

WHO WE ARE AND WHAT WE DO

RHB Islamic, established in 2005, offers the full suite of Shariah-based banking and financial products and services under five business units, namely Retail Banking, Corporate Banking & Investment Banking, Business Banking, Islamic Treasury and Transaction Banking. The Bank leverages the larger RHB Banking Group's network and resources to ensure customers enjoy a reliable, convenient and efficient banking experience.

In Malaysia, its services are available at over 200 RHB Islamic Bank and RHB Bank branches and over 998 ATMs nationwide, as well as through mobile and Internet Banking. During the third quarter of 2016, RHB Islamic expanded the RHB Group's Shariah Business in Singapore through RHB Bank's Singapore Branch.

KEY GROWTH DRIVERS

- Growth in Islamic banking
- Increased demand for Shariah-compliant business financing
- Growing acceptance by retail investors of risk-sharing investment account
- Bank Negara Malaysia (BNM)'s Financial Sector Blueprint 2020 target

KEY PRIORITY

- To contribute 40% to RHB Group's total financing by 2020

FINANCIAL PERFORMANCE

In 2017, RHB Islamic's Retail, Business and Corporate Banking financing grew by 26.8%, 30.5% and 24.6% year-on-year respectively, leading to total financing as at 31 December 2017 of RM42.9 billion, which contributed to 29.7% of total RHB Group financing domestically. This was supported by improved asset quality, with impaired financing well below the industry average.

KEY ACHIEVEMENTS



- Since implementing its Leveraged Business Model in 2014, the Bank has seen consistent double-digit growth in financing. In 2017, its gross financing grew by **26.1%** to **RM42.9 billion**, more than twice the industry growth rate
- RHB Islamic managed to improve its impaired financing ratio from **1.15%** in 2016 to less than **1.0%** by end of 2017, well below the industry average of **1.23%**

- The Islamic banking business contributed **29.7%** to the Group's total domestic gross loans and financing assets, in accordance with the trajectory set as per its Strategic Business Direction 2014 – 2020. The targeted **40%** contribution to the Group, as per BNM's aspiration, is well within reach by 2020

Gross Financing:
RM42.9 Billion

Contribution to Group
Total Gross Loans and
Financing Assets:
29.7%

KEY INITIATIVES AND RESULTS

Key Initiatives

RHB Islamic Bank has been working towards becoming one of the leading Islamic banks in Malaysia through the following initiatives:

- Continuous efforts to improve on the implementation of the Leverage Model
- Ensuring it has a comprehensive range of product offerings for customers
- Enhance the competency, skills and knowledge of staff in Islamic Banking



Results

- Islamic Banking continued to register double-digit growth outpacing conventional banking's growth performance
 - Increased demand for Shariah-compliant business
 - Growing and increased acceptance by retail investors of risk-sharing investment accounts
- Launch of 5 new products in 2017 approved by BNM:
 - Term Financing-i collateralised by ASB
 - Commodity Murabahah CASA – Savings Account-i
 - Commodity Murabahah CASA – Children Account-i
 - CMTF-i for Commitment Home/My First Home Cagamas (Plain)
 - RHB Smart Account-i
- Introduction of in-house Associate Qualification in Islamic Finance (AQIF) programme, with the aim of certifying all staff within the RHB Banking Group



AWARDS & RECOGNITION

Project & Infrastructure Deal of the Year: Sime Darby TNBES Renewable Energy Term Financing-i Facility (IFN Awards 2017)



Malaysia Deal of the Year: Sime Darby TNBES Renewable Energy Term Financing-i Facility (IFN Awards 2017)



Most Outstanding Islamic Corporate Banking (KLIFF Awards 2017)



Most Outstanding Islamic Project Finance Product (KLIFF Awards 2017)



Best SME Bank: Islamic Business & Finance Southeast Asia Awards 2017



Best Corporation of the Year: Asia Halal Brand Awards 2017



CHALLENGES/RISKS

CHALLENGES/RISKS

ACTION PLANS

Pressure on Net Profit Margin (NPM) due to high cost of funding

To improve sourcing of funds that are cost effective via:

- Reduced dependence on instruments, namely fixed and term deposits
- Increase in CASA to fund the Bank's financing activities

Managing Cost-to-Income Ratio (CIR)

CIR has various components including overheads, payroll and funding cost. By addressing our funding cost, therefore, we will help manage our CIR

2018 OUTLOOK

The Bank will continue to strengthen its outreach via the Group's network and enhance its productivity and profitability, expanding its top line revenue while managing its asset quality and keeping a firm eye on costs. Focusing on customer experience, it will deepen its customer relationships, especially with government ministries and related agencies.

At the same time, it will place emphasis on nurturing highly engaged employees to cultivate a high-performance culture.

The year was significant for the insurance industry as it marked the beginning of the second phase of liberalisation of motor and fire insurance tariffs. Starting 1 July 2017, premium rates for motor comprehensive, motor third party fire and theft products were liberalised while fire class insurance continued to be regulated with gradual downward adjustments until a review is made in 2019.

In terms of performance, the general insurance industry recorded negative growth of 0.1% year-on-year. Motor insurance continued to be the largest contributor to the general insurance business, accounting for 47.0% of total contributions followed by fire insurance at 19.0% and marine, aviation and transit insurance at 8.0%.

FINANCIAL HIGHLIGHTS

Profit Before Tax:
RM133.0 Million

Gross Written Premium:
RM690.9 Million

Underwriting Profits:
RM76.2 Million

BUSINESS REVIEW

GROUP INSURANCE

WHO WE ARE AND WHAT WE DO

RHB Insurance provides general insurance for our retail and corporate customers. It is the 10th largest insurer in Malaysia with 4.0% market share for Gross Direct Premium and ranks among the Top 10 insurers for fire and Top 5 insurers for medical and health coverage.

KEY GROWTH DRIVERS

- Enhancing and improving customer experience
- Developing multi-channel distribution platform
- Developing long-term digital insurance ecosystem

KEY PRIORITIES

- To improve customer experience and deepen customer relationships through the automation of processes
- To develop a multi-channel distribution platform focusing on agency recruitment, penetration rate for commercial and corporate sectors and developing medical & health insurance as the third major revenue stream
- To roll out individual risk-based pricing in the detariff market
- To develop a long-term digital insurance ecosystem to compete efficiently

FINANCIAL PERFORMANCE

Gross Written Premium (GWP) and earned premiums during the year continued to grow at 7.0% and 4.9% respectively. On the back of strong underwriting and claims management and investment returns, the business delivered its highest ever PBT at RM133.0 million.

Motor insurance remained the business' largest contributor, delivering 33% of total gross premiums, while fire insurance contributed 28%, medical and health insurance contributed 13% and personal accidents insurance 5%. The remaining insurance segments accounted for 21% of total gross premiums.

The business achieved RM76.2 million in underwriting profits, with a net claims ratio of 49.6%, better than the industry's ratio of 57.5% (2017). Its combined ratio remained at a healthy 82.8%, better than the industry's ratio of 91.9% (2017).

KEY ACHIEVEMENTS



- **7.0%** growth in gross written premiums (GWP), amounting to **RM690.9 million** over the year
- Agency distribution transformation gained traction with **15.5%** growth of the agency channel
- Brokers channel registered **19.7%** growth over the year
- Medical and health insurance performed above expectation, with **65.9%** growth in premiums

Medical Insurance:
65.9% Growth

Brokers Channel:
19.7% Growth

KEY INITIATIVES AND RESULTS

Key Initiatives

- Group Insurance deployed mobile apps for claims and continued to enhance its workflow system
- Deployment of enhanced functions for Point of Sales system used in Agency and Bancassurance channels.
- Launch of individual risk-based pricing in the detariff market in May 2017
- Collaboration with BookDoc to promote an active lifestyle among customers
- Build strong sales distribution capabilities for medical and health insurance through Agency, Bancassurance and Brokers

Digital Initiatives

- Mobile App squad was set up
- Electronic policies developed for Agency channel



Results

- Simplifying processes via automation
- Boost healthy lifestyle to manage/reduce claims and improve retention via value proposition

Results

- Making good progress in the development of customer apps towards targeted deployment in April 2018
- Migrated the Agency channel to electronic policies



CHALLENGES/RISKS

CHALLENGES/RISKS

Uncertainty in the detariff market environment

ACTION PLANS

Application of actuarial/risk-based pricing model, strategic risk selection and product innovation

Emergence of financial technology (FinTech) players in the industry

Enhance collaboration with business partners in the digital insurance ecosystem

2018 OUTLOOK

Customers can expect to see more new products and service delivery in the liberalised market, while the tariff rates for fire insurance products in particular will continue to be adjusted along with phased liberalisation of the segment as of 1 July 2016.

2017 continued to be challenging for our Singapore operations due to exposure to the oil and gas industry. Total assets reduced by 15.0% as a result of active management of asset quality and portfolio re-balancing. While re-adjusting its corporate risk appetite, RHB Singapore saw healthy 11.6% loans growth year-on-year (Y-o-Y) from the middle market segment.

Campaigns and new product launches created new revenue pools, particularly for the wealth management and retail equities business. With a 25.0% increase in premier banking customer base, wealth income contribution doubled in 2017, bringing scale for future expansion and providing greater efficiency in capital utilisation as the Bank continues to generate more non-interest income. Compared to 2016, a marginal increase of 5.0% was seen in gross retail brokerage on the back of an 8.0% increase in average daily retail traded value.

FINANCIAL HIGHLIGHTS

Loss Before Tax:
SGD **(104.7)** Million

Total Income:
SGD **153.4** Million

Total Assets:
SGD **6.7** Billion

BUSINESS REVIEW

SINGAPORE OPERATIONS

WHO WE ARE AND WHAT WE DO

Since RHB Bank Singapore was established in 1961, we have built formidable ties with customers and are today one of the Republic's most trusted financial institutions. The Bank's core businesses are streamlined into nine pillars, namely Personal Financial Services and Wealth Management, Commercial and Transaction Banking, Corporate & Islamic Banking, Treasury, Structured Finance, Government and Institutional Coverage as well as Investment Banking, Brokerage and Asset Management.

KEY GROWTH DRIVERS

- The Monetary Authority of Singapore's aim to grow the financial sector by more than 4% a year
- Gradual roll-back of quantitative easing

KEY PRIORITIES

- The Bank has outlined a multi-year roadmap to implement strategies for a profitable 2018
- Manage exposure in the oil and gas sector
- Build new private wealth business

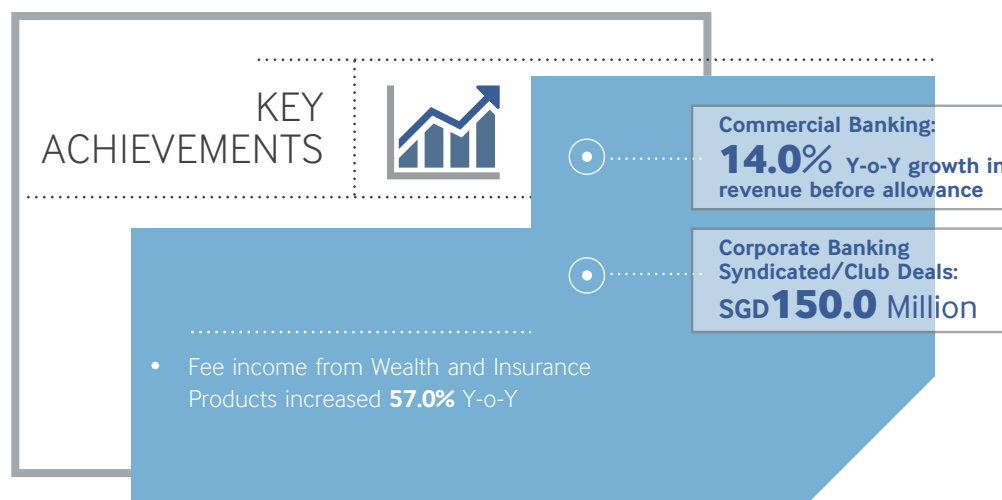
FINANCIAL PERFORMANCE

Personal Financial Services and Wealth Management grew the premier banking customer base by 25.0% through new product offerings. This included new partnerships with insurers, expansion in unit trust funds, enhancement of deposit products, i.e. the Premier Plus and High-Yield Savings accounts, as well as financing.

In 2017, fee income from wealth and insurance products increased 57.0% Y-o-Y. This was the result of a strategic focus on building the premier wealth banking segment with new products and 50.0% growth of the premier relationship manager platform.

Commercial Banking achieved 14.0% Y-o-Y growth in revenue to SGD35.3 million, driven by an increase in new-to-bank customers and growth in deposit net interest income of SGD5.0 million, an 18.0% growth Y-o-Y. The business maintained a strong funding position with the BizPower Quad/Quad+ current account attracting a 26.0% Y-o-Y increase in deposits to total SGD835.0 million. Commercial Property Loans grew 25.0%, contributed at least in part by a cross-border team to support customers with overseas expansion plans.

Corporate Banking participated in syndicated/club deals totaling SGD150.0 million in 2017. However, the overall 2017 business performance was impacted by exposure to the oil and gas sector as experienced by other banks in Singapore. Due to this, the business reported a 28.6% decline in loans to SGD1.4 billion attributed to repayment or prepayment on a few substantial loans. With active portfolio management and rebalancing strategy, the Corporate Banking business will have better control of our asset quality going forward. The Islamic Banking business successfully closed its first Islamic deal. This marks a milestone for RHB in Singapore in providing a full suite of financial solutions to customers from all segments.



Treasury revenue dropped by 30.0% compared to the previous year due to declining net interest income. The replacement of maturing higher-yielding assets with higher quality but lower-yielding assets impacted the net interest income. Trading income remained challenging due to a volatile trading environment, while we retained ample liquidity with strong holdings of high-quality liquid assets. The team also successfully completed a first-in-Singapore derivative deal for corporate hedging.

The **Financial Institutions Group**, renamed Government and Institutional Coverage, was involved in a number of capital market and advisory mandates and successfully closed and funded various syndicated loans in 2017. With the momentum built in the last 12 months, the team is well placed to continue to find success in procuring and servicing new customers.

Asset Management business grew its fund asset under management (AUM) by 4.0% in 2017. Moving forward, RHBAM Singapore plans to expand its range of product offerings and on-board more local and global distributors.

RHB Securities recorded a loss before tax of SGD14.5 million in 2017, primarily due to the absence of large transactions and rationalisation of non-core Futures business. Moving forward, the focus will be on regional mergers and acquisitions and high-grade bond origination. Institutional Equities and ECM are also being strengthened to support the capital markets business. Retail Equities will see a targeted review by our Trading Representative groups with the aim of increasing market share and higher brokerage income.

KEY INITIATIVES AND RESULTS

Key Initiatives

Established New Business Segments

- Government and Institutional Coverage
- Islamic Banking
- Regional Sales Department

Formation of Partnerships

- Entered into partnerships with Singapore Manufacturing Federation (SMF) & Association of Small Medium Enterprise (ASME)
- The capital markets team applied for a Full Sponsor Licence on Singapore Exchange's Catalist

Campaigns & Product Launches

- Launched the Commercial Property Loan Campaign
- Set up a regional cross-border team to provide one-stop banking solutions to support customers in their regional expansion.
- Retail Equities ramped up account acquisition campaigns, including a referral scheme from the Bank
- Expanded the number of distributors and fund platforms

Results

- Collaborative partnerships with regional financial institutions will enable access to new global customers
- Greater access into untapped markets
- Improved customer experience at business centres (branches), with reduction in customer complaints
- Created a 'Service to Sales' culture at the branches
- Over 800 referrals to RHB Securities for new accounts over a 2-month period

- Gain better access to SMEs while leveraging on RHB Bank's regional footprint and capabilities to bring customers on business mission trips
- To obtain Full Sponsor License by 2Q2018 paving the way for new opportunities in advisory and equity mandates in the mid-cap and growth-focused company space

- Successfully improved secured assets loan by SGD154 million
- Successfully obtained 50 outbound and inbound referrals to and from regional countries including Malaysia, Cambodia, Thailand, Laos and Indonesia
- Over 800 new trading accounts opened in the fourth quarter
- 12 new distribution touchpoints and 3 new fund platforms

KEY INITIATIVES AND RESULTS (CONT.D)

Key Initiatives

Enhancing Digital Capabilities

- Launched Phase 1 of RHB Reflex – a business Internet Banking Platform
- Successful rollout of a new Front Office system (Murex)
- Implementation of post-trade equities engine (NOVA) which will come on-stream in the first quarter of 2018
- Launched Workplace by Facebook, an interactive platform for employee engagement, Booking Bot, FAQ Bot and Survey Bot



Results

- Obtained 600 SME customer sign-ups for REFLEX
- Expansion of product offering capabilities and better warehousing of risks
- Improved retail equities operational efficiency
- Booking Bot enables employees to reserve meeting rooms and company cars; while FAQ Bot enables access to HR guidelines and policies; and Survey Bot enables survey completion. These bots help to increase employee efficiency.



CHALLENGES/RISKS

CHALLENGES/RISKS

The oil & gas, construction, commodities & retail sectors remain under stress.

Emergence of FinTech disrupting traditional banking.

Intense competition, potential headwinds from capital markets from tighter monetary policies and new regulations, eg Markets in Financial Instruments Directive II (European Union Law).

ACTION PLANS

Strategy to actively manage asset quality, re-balance our portfolio and conduct frequent portfolio reviews.

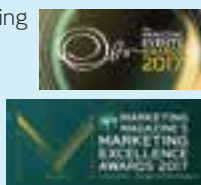
High-risk portfolios are subject to more vigorous credit approval process which includes establishing several committees or working groups to deliberate over the quality of our assets and recommend actions needed at the earliest possible times in containing the credit charge/costs.

Explore the possibility of leveraging on or collaborating with FinTechs to help RHB in Singapore improve efficiency and customer experience.

Expand our scale efficiently to bring back profitability.

AWARDS & RECOGNITION

RHB-the Straits Times National Spelling Championship, a corporate social responsibility initiative, received recognition at the Marketing Events Award 2017 and the Marketing Excellence Awards 2017



56 employees obtained the Excellent Service Award (EXSA) 2017 from SPRING Singapore



The securities business was named the 'Best Small to Mid-Cap Corporate Finance House in Singapore' at Alpha Southeast Asia's 11th Annual Best Financial Institution Awards



Equity Research team won 10 awards at the Asiamoney Brokers Poll 2017 including 'Best Small Cap Analyst'



2018 OUTLOOK

Our robust efforts to manage asset quality will mitigate further deterioration. Hence, the focus a going forward is to turnaround into profitability, invest in areas where we are able to build competitiveness and grow revenue and profitability.

2017 proved to be a fruitful year for Group International Business (GIB), excluding Singapore. Against a backdrop of increasing regional connectivity and integration on the back of the ASEAN Economic Community (AEC), Regional Comprehensive Economic Partnership (RCEP) and China's One Belt, One Road (OBOR), the Group set its sight on tapping the opportunities underlying the ASEAN growth story, focusing on the Indochina region. This proved to be effective as 2017 saw the entire portfolio continue on its high-growth trajectory, registering double-digit profit before tax growth of 74.8% to RM58.2 million.

Contributing to this was the successful execution of country-specific strategic initiatives, which included the launch of internet and mobile banking in Cambodia and introduction of trade product and services in Laos. Worth highlighting is the standout performance from Laos, with the newly opened Sithan Neua branch in Vientiane breaking even within just 12 months of operations.

Looking ahead, the 2018 outlook for the ASEAN region is mixed. Taking cognizance of both potential opportunities and headwinds faced in the individual countries, the Group will continue to focus on serving our customers' needs while growing our business responsibly to adapt to the unique local operating environment of each country.

FINANCIAL HIGHLIGHTS

Profit Before Tax:
RM58.2 Million

Total Income:
RM162.4 Million

Total Loans:
RM3.3 Billion

BUSINESS REVIEW

GROUP INTERNATIONAL BUSINESS

WHO WE ARE AND WHAT WE DO

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 – from loans and deposits to trade finance and other services such as foreign exchange and remittance – that cater to retail, commercial and corporate customers. We have also set up representative offices in Vietnam and Myanmar to build rapport with prospective customers and regulators, while deepening our understanding of the local operating environments.

FINANCIAL PERFORMANCE

In 2017, Group International Business achieved a 74.8% increase in overall profit before tax (PBT) to RM58.2 million. This came mainly on the back of 8.5% net-interest income growth to RM136.8 million, largely from Laos, Cambodia and Thailand. Meanwhile, non-interest income registered 44.9% growth to RM25.7 million, predominantly contributed by Thailand and Cambodia.

Our international business portfolio was further buoyed by strong loan and deposit growth of 5.3% to RM3.3 billion and 15.7% to RM3.1 billion, respectively. CASA composition improved from 31.5% to 37.4%, largely as the result of a successful deposit strategy in Cambodia to achieve self-sufficiency.

Also noteworthy was the improvement in the overall cost-to-income ratio from 51.9% to 51.2% in 2017. This was due to focused efforts to improve profitability through revenue and cost management initiatives.

As we move into 2018, Group International Business will be placing greater focus on Cambodia and Laos to capture business and growth opportunities in Indochina. In line with the Group's aspiration of becoming a prominent regional player in niche segments, RHB Indochina Bank and RHB Lao will adopt a retail and SME-centric approach, the latter as SMEs form the backbone of these economies and present abundant growth opportunities.

CAMBODIA



It was a challenging year for the banking industry in Cambodia as credit growth continued to ease amid weaker business sentiment and regulatory cooling off measures in the aftermath of rapid credit expansion over the past several years. Banks also faced added pressure to meet more stringent regulatory requirements on liquidity coverage ratio (LCR), minimum capital and the de-dollarisation among others.

KEY ACHIEVEMENTS



Profit Before Tax:
USD11.4 Million

Total Loans:
USD407.8 Million

- RHB Indochina Bank Limited (RHBIBL) recorded loans growth of **13.5%** to **USD407.8 million**
- Operating profit increased by **5.3%** to **USD14.2 million**, largely contributed by growth in non-interest income
- Profit Before Tax grew by **35.6%** to **USD11.4 million** along with prudent credit risk management
- CASA composition improved from **30.4%** to **43.5%** through strategic deposit acquisition campaigns and active portfolio rebalancing to achieve self-sufficiency.
- Total deposits surged **45.5%** to **USD437.4 million**, leading to an improved loan to deposit ratio from **120.3%** to **93.2%**

KEY INITIATIVES AND RESULTS

Key Initiatives

- Launched RHB Now Internet and Mobile Banking platform
- Collaboration with Startupbootcamp Fintech, RHBIBL launched “Fintech Office Hours” and “Fintech Social” in Phnom Penh
- Organised a free 8-week course for budding entrepreneurs together with Impact Hub
- International Banking together with RHB Singapore and Group Business Banking (Malaysia) jointly conducted an inaugural trade mission to Phnom Penh



Results

- Improved customer digital banking experience and reached a wider customer base
- Greater engagement with local start-ups
- Imparted in-depth knowledge of the entire enterprise lifecycle from securing funding to post-investment activities
- Greater visibility of Cambodia as an investment destination



2018 OUTLOOK

The Cambodian economy is expected to grow 6.9% in 2018, driven largely by the tourism and construction sectors and rising consumer spending. To capitalise on this, RHBIBL will continue to scale up its business and increase profit contribution from its retail portfolio. Plans are in place to expand its array of products and services to capture targeted segments, such as debit cards catering to the Mass Affluent segment, Premier Banking and safe deposit box to serve Affluent and High Net-Worth Individuals. To grow the SME segment, the Bank will explore more cross-border opportunities through trade missions, talks and seminars.

RHBIBL will continue to grow its loans responsibly and prudently, targeting resilient sectors of the economy. The challenge will be managing its asset quality in light of higher provisions due to a softer market.

To mark RHBIBL’s 10th anniversary in Cambodia in 2018, a new Corporate Head Office is targeted to be opened in Phnom Penh, featuring a digital sphere to position the Bank as being digital-centric. The new building will house all its Head Office departments under one roof and provide better facilities and a bigger space at the Phnom Penh main branch to serve its customers’ needs better.

LAOS



Despite challenges in garnering deposits due to a strong cash culture and fierce competition among banks, RHB Lao continued to gain momentum in 2017.

KEY ACHIEVEMENTS



- Operating profit grew **55.9%** to **LAK19.2 billion**
- Profit Before Tax increased **49.5%** to **LAK13.5 billion** with just 2 branches
- Total loans expanded **29.7%** to **LAK434.8 billion** leading to net interest income growth of **28.6%** to **LAK32.4 billion**, overcoming an increase in gross impaired loans ratio from **1.5%** to **3.0%**
- The newly opened Sithan Neua branch in Vientiane broke even within 12 months of operations

Profit Before Tax:
LAK13.5 Billion

Total loans:
LAK434.8 Billion

KEY INITIATIVES AND RESULTS

Key Initiatives

- Active cost management
- Launch of trade finance products and services
- Set up a new branch in Vientiane



Results

- Cost-to-income ratio improving from 57.9% to 48.3%
- Servicing corporate customers with import and export business
- Expanded reach to local population



2018 OUTLOOK

Laos is set to remain as one of the fastest growing economies in the region, with GDP anticipated to expand at 6.5% in 2018, supported by strong export growth and robust investment spending. Capitalising on this, RHB Lao will continue to strengthen its foothold by enhancing its customer relationships through networking and engagement activities. 2018 will also see greater collaboration between RHB Lao and other RHB regional offices to support customers with cross-border business activities.

Active monitoring of asset quality will be a top priority, with enhanced monitoring and review of early warning indicators to manage potential delinquent accounts. At the same time, the Bank will continue to improve its bench strength and improve staff competencies through job rotations, attachments and increased training opportunities.

THAILAND



While the government's efforts to revitalise the country's economy since 2014 are showing results, it remained a challenging year for Thailand's banking industry. Gross non-performing loans in the banking system was the highest at 3.08% since 2011, underscoring challenges for lenders from a lacklustre economy, political uncertainty and elevated household debt.

KEY ACHIEVEMENTS



- RHB Thailand registered maintainable operating profit growth of **10.0%** largely stemming from focused efforts to improve profitability through revenue and active cost management initiatives
- Net interest income grew **1.7%** to **THB246.1 million**
- Total loans expanded by **10.5%** to **THB10.4 billion**
- Improvement in non-performing loans ratio from **2.48%** to **2.22%**

Net Interest Income:
THB246.1 Million

Total loans:
THB10.4 Billion

KEY INITIATIVES AND RESULTS

Key Initiatives

- Prudent credit culture focusing on collateralised loans coupled with pro-active monitoring of customers' profiles and delinquent loan accounts



Results

- Improvement in non-performing loans ratio from 2.48% to 2.22%.



2018 OUTLOOK

Thailand's economy is expected to experience a gradual recovery at 3.7% growth in 2018. While the government plans to bolster investor sentiment by accelerating major infrastructure projects, domestic demand for loans may remain moderate as business confidence recovers. Compliance with NSFR requirements by July 2018 is expected to impact profitability while the new accounting rule, IFRS9, will be implemented in 2019.

Against this challenging backdrop, RHB Thailand will continue to focus on its wholesale banking model, centred on close collaboration with RHB Thailand Securities to ensure long-term sustainability. Greater efforts will be channeled to support capital market transactions including the establishment of a dedicated team to serve the credit team, and a fixed-income desk to deliver a seamless customer banking experience.

The Bank also plans to capture the entire value chain of the SME segment by expanding its product offerings, and building its customer base as a pipeline for potential IPO business. Meanwhile, it will continue to invest in building its human capital by upskilling its talent through learning and development to ensure long-term sustainability.

BRUNEI



Brunei's small population of 400,000 people translates to limited growth opportunities for both retail and corporate sectors. Nonetheless, the Group's long-serving presence with only one branch in this kingdom since 1965 has enabled strong relationships to be fostered with customers to remain profitable.

KEY ACHIEVEMENTS



- Strong Y-o-Y growth in profit before tax of **69.2%** to **BND1.0 million** underpinned by higher non-interest income despite lacklustre economic performance
- Greater focus on recovery initiatives yielded higher recovery and improved non-performing loans ratio by 155bps
- CASA composition expanded by over 600bps to **31.9%**

Profit Before Tax:
BND1.0 Million

Total Loans:
BND50.4 Million

KEY INITIATIVES AND RESULTS

Key Initiatives

- Stepping up on recovery initiatives



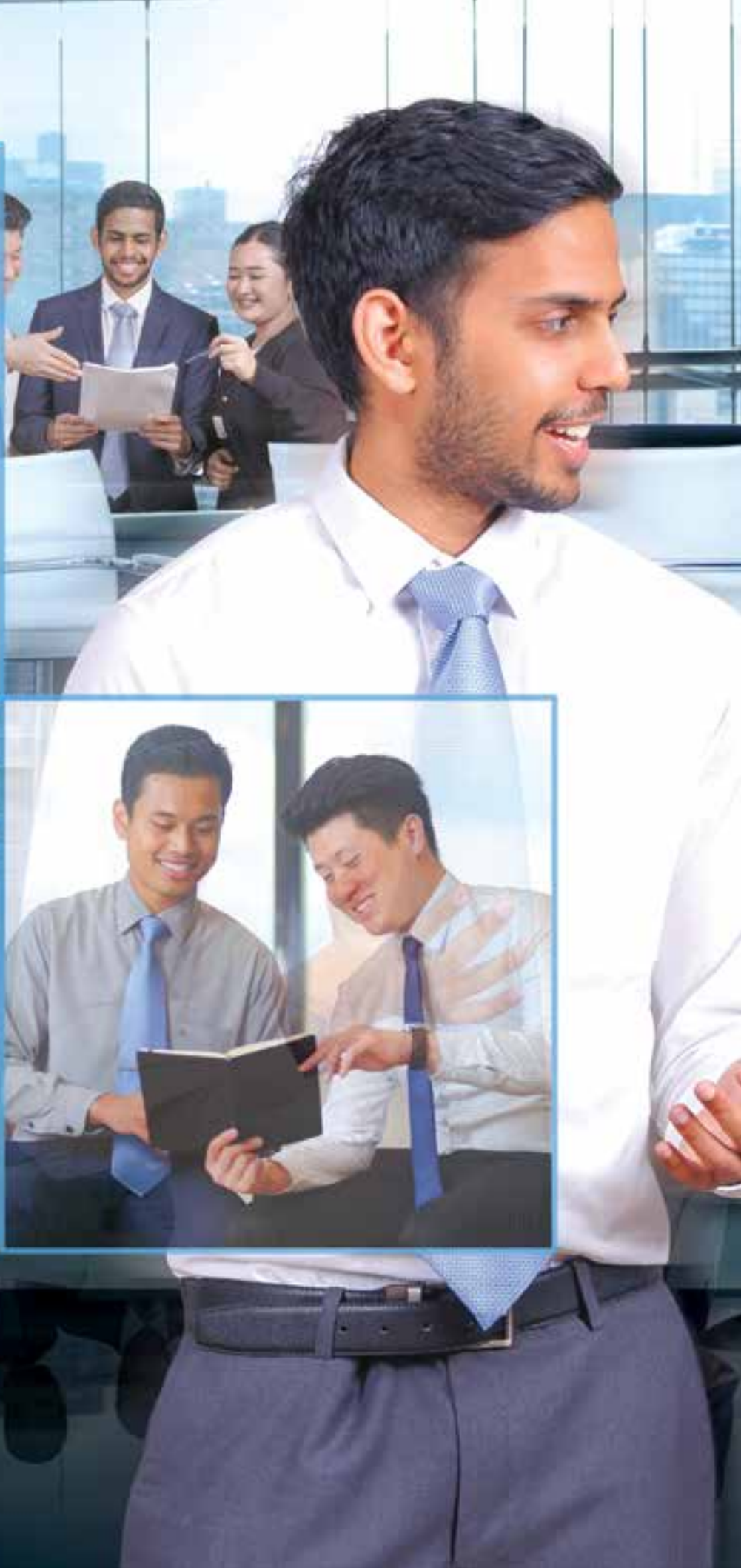
Results

- Higher recovery and improved non-performing loans ratio by 155bps



2018 OUTLOOK

In the year ahead, RHB Brunei will continue to collaborate with the Group to capture cross-border business and support customers' regional expansion. A key strategy to boost non-interest income is to drive asset management, remittance and foreign exchange business targeting corporate customers. RHB Brunei will continue to build strong rapport with strategic partners and corporate customers to expand business opportunities.





EMPLOYEE EMPOWERMENT – TOWARDS A HIGH PERFORMANCE CULTURE

At RHB, we recognise the need for agile thinkers, decision makers and high achieving, performance-driven individuals. We have accordingly created an environment that fosters and nurtures a culture of exploration, adaptation and creativity. Agile employees are aware of emerging customer needs and new technology trends and are ready to meet the changing customer landscape, thus helping optimise business performance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

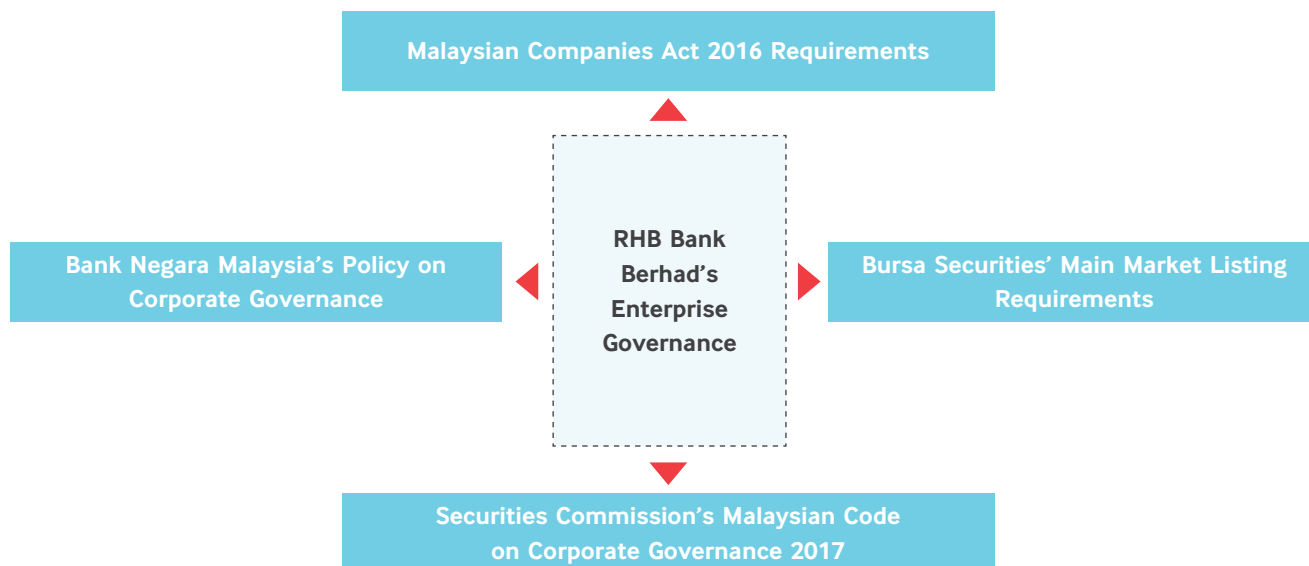
“In these times, moral courage, integrity and transparency will be more important than ever. We must be brave enough to pursue the right course of action, doing the right thing, unpopular as they may be in the short-term. We must also be accountable for our decisions. This requires that we engage and communicate with the public as never before... It is also important that we foster a culture and environment that prioritises these values at the level of the individual... This will require leadership, incentives and structures that will enable individuals to be clear-eyed and independent-minded... Integrity is best demonstrated through the transparency and thoroughness of disclosures. The publication of financial and non-financial information is the central means by which the public can truly hold... institutions to account”.

– Bank Negara Malaysia’s Governor Tan Sri Muhammad Ibrahim’s Remarks
at the National PSA Conference 2017 on 15 August 2017

ENTERPRISE 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 ultimate holding company for RHB Banking Group (“Group”) recognises that enterprise governance, which is a balancing act of steering the Group’s performance while it conforms to best compliance practices, whether in accordance with mandatory or voluntary requirements, is fundamental in strengthening and ensuring long-term sustainability of the Group.

The Company continuously strives to stimulate and sustain value creation by subscribing to the principles set out in the following essential requirements and practices:



CORPORATE GOVERNANCE – *Commitment to Conformance*

RHB Bank is fully committed to protect the interests of all its stakeholders by conforming to good corporate governance practices, including greater transparency and sustainable disclosure. This commitment is translated into a corporate culture and manifested across the Group, from the Board of Directors, to the Senior Management and all the Employees. A dedicated Business Risk and Compliance Officer is appointed in each respective business, functional units and branches to propagate and ensure a high standard of compliance to all regulatory and internal requirements. This control function is part of the Group's enterprise risk management framework.

The continuous enhancement in the Company's corporate governance practices has borne significant results in the way RHB Banking Group operates. 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 from stakeholders and in return, built lasting commercial relationship with the Company's business partners. These efforts were recognised by reputable and independent third parties' assessments which have currently positioned the holding company among the **Top 6** of Malaysian Public Listed Companies ("PLCs") and **Top 50** of Association of Southeast Asian Nations ("ASEAN") Public Listed Companies, in terms of quality disclosures and scope of corporate governance practices.

During 2017, the Group also received the following recognitions:

- Winner of **'Excellence Award for Corporate Governance Disclosure'** in the MSWG-ASEAN Corporate Governance Recognition 2017 hosted by the Minority Shareholder Watchdog Group on 6 December 2017

- **Constituent of the FTSE4Good Bursa Malaysia Index** for good demonstration of Environmental, Social & Governance (E.S.G.) practices as independently assessed by FTSE Russell during 2017 semi-annual reviews
- Winner of **'Merit Award for Board Diversity'** in the MSWG-ASEAN Corporate Governance Recognition 2017 hosted by the Minority Shareholder Watchdog Group on 6 December 2017
- Winner of **'Merit Award: Finalist'** in the National Annual Corporate Report Awards (NACRA) 2017 hosted by the Malaysian Institute of Certified Public Accountants (MICPA), the Malaysian Institute of Accountants (MIA) & Bursa Malaysia on 23 November 2017
- Winner of **'Merit Award for Most Improved Corporate Governance Disclosure'** in the MSWG-ASEAN Corporate Governance Recognition 2017 hosted by the Minority Shareholder Watchdog Group on 6 December 2017
- Joint Gold Winner of **'Best Governed & Most Transparent Award'** in The Global Good Governance Awards 2017 hosted by The Pinnacle Group International on 30 March 2017 (2016: Silver Winner)
- Ranked **11th** among Malaysia's Top 100 Public Listed Companies in terms of **Transparency in Corporate Reporting** as accorded by the Malaysian Institute of Corporate Governance (MICG) on 8 August 2017. The assessment mainly covers on 3 dimensions, namely *Anti-Corruption Programme (40%), Organisational Transparency (30%) and Sustainability (30%)*.

Excellence in **corporate governance** is central to promoting the Company's financial services in the areas where it operates. This compliance culture fosters the Group's Directors, Senior Management and the rest of the Employees to embrace professional business ethics and be self-adherent to internal and external requirements.

MSWG - ASEAN
CORPORATE GOVERNANCE RECOGNITION
2017



FTSE4Good

2016

- Enlisted on the FTSE4Good Bursa Malaysia Index for demonstrating good Environmental, Social and Governance (ESG) practices beyond threshold limit

"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."



MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Action and Protection of Minority Interest

MSWG - ASEAN

CORPORATE GOVERNANCE RECOGNITION

6th DECEMBER 2017
MAJESTIC HALL

- Excellence Award for Corporate Governance Disclosure
- Merit Award for Board Diversity
- Merit Award for Most Improved Corporate Governance Disclosure

ASEAN

Corporate Governance

Scorecard

2015

- Top 50 ASEAN Public Listed Companies

Public listed companies in Southeast Asia were assessed on good governance and transparency practices using the scorecard methodology, based on the Organisation for Economic Co-operation and Development ("OECD")'s Principles of Corporate Governance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BUSINESS GOVERNANCE – *Commitment to Performance*

RHB Bank aspires to become amongst the Top 3 **Multinational Financial Services Group**, in terms of performance by 2022. This vision commits the Company to deliver complete solutions to its customers through differentiated segment offerings and an ecosystem that supports simple, fast and seamless customer experience. This mission intent has been 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, Sustainable Key Performance Indicators and the Group's **I.G.N.I.T.E.** principles, namely **I**nnovative in approach, **G**rowth oriented, **N**imble in action, **I**mpactful in outcomes, **T**eamwork to succeed and **E**xcellence in delivery. A new 5-year strategic plan, known as FIT22 (**F**und our Journey, **I**nvest to Win and **T**ransform for Success 2022) comprising 22 initiatives has now been put in place commencing 2018 to achieve its objectives and aspirations by 2022. The interconnectivity of the Group's objectives, strategies, business operations and creation of the shareholder's value is described in the Management Discussion and Analysis Statement on pages 64 to 159 of this Annual Report.

A key component of the new strategic plan is the Group's brand promise of **Together We Progress**, basically promoting the idea of the Company, walking hand-in-hand with its internal and external stakeholders, towards achieving sustainable operations as the Company runs and manages its business in an orderly fashion. This includes utilisation of the Group's capitals (financial, manufactured, intellectual, human, social relationship and natural) at optimal level to improve its integrated value chain while safeguarding its assets and the environment for future generations.

The Board of RHB Bank has also adopted sustainability principles in 2017 by including Economic, Environment and Social ("EES") considerations into the Company's Board Charter and the Group's business strategies to further emphasise the creation of sustainable business operations and share value. An overview of the Group's and Company's EES considerations matters is laid out in its Sustainability Report 2017.

Excellence in **business governance** is essential towards attaining stakeholders' confidence in the Company's sustainable operations. The Company, through its journey in adopting integrated reporting for the past three years, aims to achieve this goal of communicating effectively to stakeholders matters which are most relevant, material and important to them and to the Group, covering both financial and non-financial information.

ORGANISATIONAL CULTURE

A corporate culture that embraces the correct behaviours to achieve a company's objectives is fundamental in ensuring sustainable long-term growth and success for any organisation. The latest Board Effectiveness Evaluation exercise was designed internally for the first time, specifically to assess the tone at the top in areas such as leadership, decision-making, communication, group dynamics and mindset of the Board as a collective unit and Board members as individuals. Actions will then be taken to address identified gaps to enhance the performance of the Board.

In leading the organisation and ensuring that all the Group's strategic objectives and business scorecards are met within the approved risk appetites, 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. To complement the Charter, various policies and guidelines including the 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 to on the corporate website (www.rhbgroup.com) while the Group's Key Internal Control Policies and Procedures are summarised on pages 253 to 254 of this Annual Report.

KEY GOVERNANCE STRATEGIC FOCUS AREAS

During the financial year ended (FYE) 2017, the Board has prioritised on the following key governance strategic areas:

No.	Focus Area	Description
1	Regional Governance Framework	The Group has recalibrated its reporting structure and enhanced the supervision of its regional offices and overseas entities. All material considerations must be reported back to the head office through proper reporting channels.
2	Succession Planning	Talent management and succession planning have been enhanced to attract, retain and develop required talent to ensure that the Group has a ready supply of talent to meet its current and future needs.
3	Capacity Building	Development of required in-house training programmes, use of e-learning and identification of appropriate third party programmes have been pursued to build a competent and capable workforce. Examples are programmes on Islamic Finance to equip frontliners with adequate knowledge on shariah products and requirements, business ethics and developing future middle management leaders via classroom training and e-courseware learning from the Harvard ManageMentor platform.

In 2018, the Company is planning to design appropriate interventions in its pay-for-performance scheme to motivate and commit the employees to produce quality results and sustainable outcomes. This is part of the Company's new initiatives to include cultural and behavioural aspects in the assessment of the employees' performance with an end game to implement a more robust differentiated rewards system, including adoption of collective appraisal within the same line of reporting.

For capacity building, the Company will be focusing on re-tooling and re-skilling programmes for its employees arising from digital disruptions, which involve medium-term planning and execution, in line with its current digital strategy.

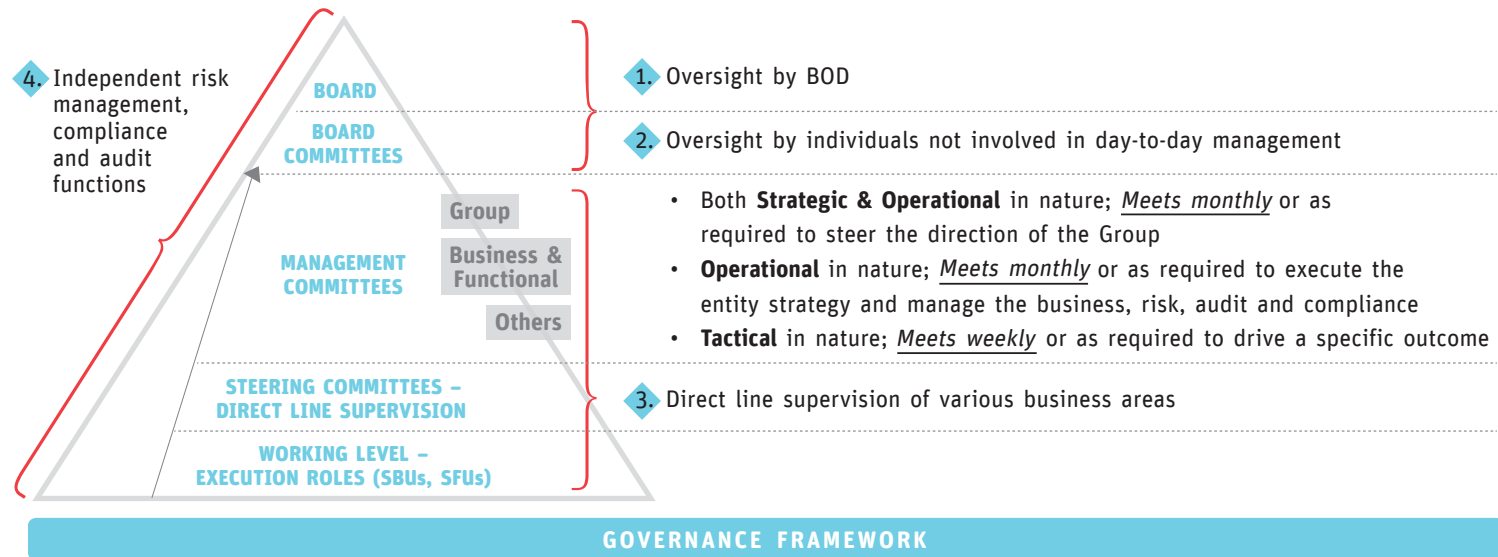
Furthermore the Company will be reviewing its current whistleblowing process in order to enhance its reporting channels and access for external parties to escalate any wrongdoings by its directors and employees, in line with good governance practices.

Moving forward, the Company plans to enhance its Pay-for-Performance scheme for its board of directors and key senior management to be in line with Bank Negara Malaysia's Policy on Corporate Governance, on aspects such as disclosure of fixed and variable rewards, short-term and long-term incentives and deferred and unrestricted remuneration components. A revision exercise on existing 'incentive plan' for the Company's key senior management is expected to be completed by **31 July 2019**. The Company will incorporate the following, where relevant, as part of their comprehensive pay scheme:

- a) Deferral of payment of variable compensation i.e. performance bonus.
- b) An appropriate mix of cash and non-cash remuneration to reflect risk alignment.
- c) A claw back, malus or other reversal mechanism on the performance rewards in the event of bad performance or serious non-compliances.

The revised remuneration package shall also cover other material risk takers in the organisation who can materially commit or contribute significant impact to the Group-wide risk profile.

The Board has also approved and established the **Group Governance Framework** as a basis of an effective governance and oversight to support the overall RHB Banking Group's strategies.



Under this framework, there are various levels of oversight operating 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 has institutionalised the Company as a risk-focused organisation with proper control functions and good corporate governance practice.

BOARD GOVERNANCE MANUAL

The main documents governing the Board are the Company's Memorandum & Articles of Association (*moving forward to be known as the "Constitution"*), the Board Charter and the Code of Ethics and Business Conduct for Directors, all of which are available on the Company's corporate website (www.rhbgroup.com). The Board is also guided by the Approval Framework on Directors' Expenses, the Boardroom Diversity Policy, Policy and Guidelines on Fit and Proper for Key Responsible Persons, Guidelines on Tenure of Non-Executive Directors' Appointment, Procedures for Independent Professional Advice and also Procedures on Directors' In-House Orientation & Continuing Education Programme. All these frameworks, policies, procedures and processes serve as guidance to the Board in discharging their duties effectively, efficiently and responsibly.

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 (HR) strategies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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”), representing the respective entities within the Group. The BNRC is chaired by YBhg Tan Sri Saw Choo Boon, the Senior Independent Non-Executive Director (“SINED”) of RHB Bank. The composition of the BNRC consisting of majority Independent Directors, complies with the Bursa Malaysia Listing Requirements, Malaysian Code on Corporate Governance 2017 and Bank Negara Malaysia’s Policy Document on Corporate Governance 2016. Similar composition was recorded throughout the calendar year of 2017 from 1st January until the retirement of Mr Ong Seng Pheow, an INED of the Company effective 19 November 2017. The vacancy on the BNRC was then filled-in by YBhg Tan Sri Dr Rebecca Fatima Sta Maria, also an INED effective 15 February 2018.

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 187 to 193 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 to safeguard shareholders’ investments as well as the Company’s and the Group’s assets. A Group Risk Management Framework has been established to provide a holistic overview of the risk and control environment of the Group, as well as to set out strategic progression of risk management towards becoming a value creation enterprise. Detailed disclosures on the features, adequacy and effectiveness of this framework are available in the Statement on Risk Management & Internal Control on pages 179 to 186 and also in the Risk Management Report on pages 200 to 210 of this Annual Report.

The Board Risk Committee (“BRC”) provides oversight and governance of risks for the Group to ensure that the Group’s risk management processes are 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 function in accordance with a risk-return performance management framework. Furthermore, the BRC supports and leads the Senior Management in driving the appropriate 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 BRC comprises a **majority** of Independent Directors. The board committee currently comprises four NEDs, of whom three are INEDs and one NINED, representing the respective entities within the Group. The BRC met 12 times during the financial year 2017. The composition of the BRC and the attendance of the members at meetings held in 2017 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)	12/12 (100%)
Mr Chin Yoong Kheong (INED)	11/12 (92%)
Ms Ong Ai Lin (INED)*	1/1 (100%)
Tuan Haji Md Ja’far Abdul Carrim (INED)^	10/10 (100%)

Note:

* Appointed with effect from 1 December 2017.

^ Demised on 19 October 2017.

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 **three INEDs** representing RHB Bank and its major operating subsidiaries. The Chair of the BAC is **not** the Chairman of the Board of the Company. The BAC has policies and procedures to assess the suitability, objectivity and independence of the external auditors engaged. Considerations on the appointment of the external auditors to provide audit and non-audit services would include the expertise, adequacy of knowledge and experience required for the services rendered, the tenure of the engagement partner and also the concurring partner, the competitiveness of the fees quoted and the fees threshold established under the internal Group Policy on Non-Audit Fees Paid/Payable to External Auditors.

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 2016.

The BAC also meets twice a year with the external auditors, without the presence of the Management and the executive Board member, 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 in the BAC Report on pages 194 to 199 of this Annual Report.

Board Credit Committee

The Board Credit Committee ("BCC") comprises three NEDs, of whom one is INED 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 the Group Investment & Underwriting Committee, both comprise of the Company's management. It also endorses and recommends write-offs as well as approves all policy loans/ financing and loans/financing which are required by Bank Negara Malaysia ("BNM") to be approved by the respective Boards.

Common Investment Committee

The Common Investment Committee ("CIC") comprises 4 members namely one NINED and three INEDs, representing the respective business entities within the Group. It mainly oversees the investment aspects of RHB Insurance Berhad, RHB Asset Management Sdn. Bhd. and RHB Islamic International Asset Management Berhad.

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 five (5) 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.
- To perform an oversight role on Shariah matters related to the institution's business operations and activities.

(b) Islamic Risk Management Committee

The Islamic Risk Management Committee ("IRMC") resides at RHB Islamic Bank and comprises three (3) INEDs of RHB Islamic Bank. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

MANAGEMENT COMMITTEES

To ensure effectiveness in discharging the Board's and Board Committees' roles and responsibilities, centralised management committees are being set up to oversee, manage and deliver the outcomes. The following management committees are established to mainly support the Group Managing Director and the Senior Management in managing various activities and operations throughout the Group:

- Group Management Committee
- Group Credit Committee
- Group Investment & Underwriting Committee
- Group Human Capital Committee
- Group Capital & Risk Committee
- Group Assets and Liabilities Committee
- Group Tender Committee
- Group Disciplinary Committee
- Group Talent Review Committee
- Group I.G.N.I.T.E. Steering Committee
- Group Business Continuity Steering Committee
- Digital Transformation Steering Committee
- Group Basel Steering Committee

BOARD TRAINING AND DEVELOPMENT

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 Board Effectiveness Evaluation ("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 Non-Executive Directors ("NED") 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

Only **one** new NED is on board of the Company for the FYE 2017. The newly appointed Company's NED, namely Ms Ong Ai Lin, attended an induction programme organised by the Management of the Group on 19 July 2017 to provide her with in-depth information of the industry as well as an overview of the Group's business operations. During the induction programme, she and another new Group director were briefed by relevant Management on the functions and areas of responsibility of their respective divisions. This enables the new Group 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, she needs to complete the Mandatory Accreditation Programme within 4 months from the date of her respective appointment and to receive a certificate from the Bursa Securities-approved programme organiser.

Apart therefrom, Ms Ong Ai Lin is required to complete the Financial Institutions Directors' Education ("FIDE") programme within one year of her respective appointment. 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.

Director's Training

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	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none">• Alternative Funding Models• Licensed P2P Operators• Licensed Equity Crowdfunding Operators• Regulatory Framework• Market Potential
	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none">• Cryptocurrency including BitCoin• Blockchain Technology• Potential Use Cases in the Financial Services Industry

Name of Director(s)	Training Programme Attended	Training Scope & Description
YBhg Tan Sri Azlan Zainol (continue)	Bank Negara Malaysia (BNM)'s Annual Report 2016/ Financial Stability and Payment Systems Report 2016 by BNM	<ul style="list-style-type: none"> • Global Landscape 2017 • Malaysian economy • Private investment • Malaysia's macroeconomic fundamentals
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> • Digital Economy era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)
	Compliance Conference by Bank Negara Malaysia	<ul style="list-style-type: none"> • Role of Compliance in Supporting the Integrity of Regulatory Frameworks • Social & Economic Consequences from Compliance Lapses • Public Confidence & Trust Nexus
	Exclusive Workshop for Nomination Committee and Members: Board Selection by FIDE Forum	<ul style="list-style-type: none"> • Board Talent Challenges • Engagement with Potential Directors • Leadership Profiling Exercise
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> • The New Approach & Key Features • Board Leadership and Effectiveness • Effective Audit and Risk Management • Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
	Banking Conference – China's Banking Industry: Opportunities for Growth by AICB	<ul style="list-style-type: none"> • The Future of Malaysia and China Relations • The Changing Chinese Economy and Its Global Impact • Accessing Financing for SMEs – The China Experience • Insights from Chinese and Foreign Industry Leaders on Doing Business in China • Impact of Fintech in Banking, with Special Focus on China and Malaysia
	Shariah Awareness Programme by Amanie Group	<ul style="list-style-type: none"> • Global Perspectives in the Islamic Financial Industry • Critical Success Factors and Critical Failure Factors
	Bankruptcy (Amendment) Act 2017 by Messrs. Shook Lin & Bok	<ul style="list-style-type: none"> • Salient Features of the Insolvency Act 1967 • Moratorium under the Bankruptcy Act 1967 & the Insolvency Act 1967 • Protection of Social and Commercial Guarantors • Automatic Discharge of Bankrupt
YBhg Tan Sri Saw Choo Boon	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> • Alternative Funding Models • Licensed P2P Operators • Licensed Equity Crowdfunding Operators • Regulatory Framework • Market Potential
	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> • Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> • Digital Economy era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name of Director(s)	Training Programme Attended	Training Scope & Description
YBhg Tan Sri Saw Choo Boon (continue)	Promoting Prosperity By Improving Women's Rights by The World Bank	<ul style="list-style-type: none"> • Women, Business and the Law • Improving women's economic rights
	Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability by Bursa Malaysia	<ul style="list-style-type: none"> • Environmental, Social and Governance ("ESG") Landscape & Global Institutional Investors' Expectation on the Role of Board • Climate Competency Oversight • Hot Button Issues In Investment Processes
	National Conference: Companies Act – from Policies to Implementation by Companies Commission of Malaysia	<ul style="list-style-type: none"> • Duties & Responsibilities as a Company's Director/Officer under New Act • Understanding of Key Amendments and New Compliance & Disclosure Requirements • Creation of A Conducive Corporate Governance Ecosystem
	Fraud Risk Management Workshop by Bursa Malaysia	<ul style="list-style-type: none"> • Financial Misstatement Fraud • Cybercrimes – Data Analytics & Computer Forensics • The Role of the Board & Board Committees in Risk Management Programme's Design & Implementation • Fraud Control Programme
	Business Ethics and Integrity: Key to Sustainability in the Digital Economy by Federation of Malaysian Manufacturers	<ul style="list-style-type: none"> • Ethics & Integrity in Digital Business • Cybersecurity Challenges • Ransomware Threats & Integrity • Building Business Trusts • Best Practices & ASEAN Perspectives on Corporate Integrity & Ethics
	National Convention on Good Regulatory Practice (GRP) by Malaysia Productivity Corporation	<ul style="list-style-type: none"> • Bringing People Involvement Through Public Engagement • Behavioural Changes Towards GRP Sustainability
	ASEAN Economic Conference	<ul style="list-style-type: none"> • Winning in ASEAN – Turning Diversity into Strength • Finding Your Niche in ASEAN • Digital Connectivity between ASEAN and the World
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> • Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Exclusive Workshop for Nomination Committee and Members: Board Selection by FIDE Forum	<ul style="list-style-type: none"> • Board Talent Challenges • Engagement with Potential Directors • Leadership Profiling Exercise
	Annual Palm & Lauric Oil Conference	<ul style="list-style-type: none"> • Palm oil industry • Crude Palm Oil Future • Options on Crude Palm Oil Futures (OCPO) market
Mr Mohamed Ali Ismaeil Ali Alfahim	Strategic Planning For Boards by Asian World Summit	<ul style="list-style-type: none"> • Strategic Goals & Objectives • Strategic Planning Process • On-going Monitoring Framework
Mr Ong Seng Pheow (retired on 19 November 2017)	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> • Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry

Name of Director(s)	Training Programme Attended	Training Scope & Description
Mr Ong Seng Pheow (continue)	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> Digital Economy era Fintech and its Impact Sustainability & Social Responsibility Investment (SRI)
	Workshop on Forensic Accounting and Digital Forensics by Alliance IFA	<ul style="list-style-type: none"> What Bankers Need to Know Benefits of Forensic Accounting Techniques Understanding of Fraud Schemes Computer Forensic Skills & Digital Evidence
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> The New Approach & Key Features Board Leadership and Effectiveness Effective Audit and Risk Management Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
	Bankruptcy (Amendment) Act 2017 by Messrs. Shook Lin & Bok	<ul style="list-style-type: none"> Salient Features of the Insolvency Act 1967 Moratorium under the Bankruptcy Act 1967 & the Insolvency Act 1967 Protection of Social and Commercial Guarantors Automatic Discharge of Bankrupt
Mr Abdul Aziz Peru Mohamed	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> Alternative Funding Models Licensed P2P Operators Licensed Equity Crowdfunding Operators Regulatory Framework Market Potential
	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> Cryptocurrency including BitCoin Blockchain Technology Potential Use Cases in the Financial Services Industry
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> Digital Economy era Fintech and its Impact Sustainability & Social Responsibility Investment (SRI)
	Fintech Opportunities for the Financial Services Industry in Malaysia by FIDE Forum	<ul style="list-style-type: none"> Current Status & Approach in Fintech Adoption Among Malaysian Financial Institutions (FI) Opportunities for FI-Fintech Collaboration under Regtech Sandbox Key Areas & Issues for Board's Consideration
	Board In The Digital Economy by SIDC	<ul style="list-style-type: none"> The Rise of Globalised Digital Economy Board's navigation in the Digital Economy Wave
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> The New Approach & Key Features Board Leadership and Effectiveness Effective Audit and Risk Management Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
	Shariah Awareness Programme by Amanie Group	<ul style="list-style-type: none"> Global Perspectives in the Islamic Financial Industry Critical Success Factors and Critical Failure Factors

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name of Director(s)	Training Programme Attended	Training Scope & Description
Mr Abdul Aziz Peru Mohamed (continue)	Bankruptcy (Amendment) Act 2017 by Messrs. Shook Lin & Bok	<ul style="list-style-type: none"> • Salient Features of the Insolvency Act 1967 • Moratorium under the Bankruptcy Act 1967 & the Insolvency Act 1967 • Protection of Social and Commercial Guarantors • Automatic Discharge of Bankrupts
	Integrating An Innovation Mindset with Effective Governance by Bursa Malaysia & MINDA	<ul style="list-style-type: none"> • The Nature of Innovation • Biggest Business Risks in Most Enterprise Risk Management Assessment • Enabling Value-Creating Change for Effective Governance
	The Essence of Independence by Bursa Malaysia & ICLIF	<ul style="list-style-type: none"> • The Concept of Director Independence • Roles, Responsibilities & Obligations of Independent Director • 'Conflict of Interest' Situations • Regulator's Role
YBhg Tan Sri Dr Rebecca Fatima Sta Maria	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> • Alternative Funding Models • Licensed P2P Operators • Licensed Equity Crowdfunding Operators • Regulatory Framework Market Potential
	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> • Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> • Digital Economy era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)
	Capital Market Director Programme by SIDC: – Module 1 – Module 3 – Module 2A – Module 4 – Module 2B	<ul style="list-style-type: none"> • Directors as Gatekeepers of Market Participants • Business Challenges and Regulatory Expectations • Risk Oversight and Compliance – Action Plan for Board of Directors • Current and Emerging Regulatory Issues in the Capital Market
	Workshop on Forensic Accounting and Digital Forensics by Alliance IFA	<ul style="list-style-type: none"> • What Bankers Need to Know • Benefits of Forensic Accounting Techniques • Understanding of Fraud Schemes • Computer Forensic Skills & Digital Evidence
Ms Ong Ai Lin	New Directors' In-House Orientation by Group Company Secretary	<ul style="list-style-type: none"> • RHB Banking Group's Governance & Shareholding Structure • Group's Core Businesses • Overview by Head/Representative of Group's Strategic Business and Functional Groups
	Cyber Landscape In The Malaysian Financial Industry by AICB	<ul style="list-style-type: none"> • Paradigm Shift in Mindset in Managing Cyber Threats • Cyber Risks & Threats Landscape • The World Under Siege: Building Effective Cyber Defense • Balancing Act: Cyber Risks and New Technologies • Building Cyber Resilience

Name of Director(s)	Training Programme Attended	Training Scope & Description
Ms Ong Ai Lin (continue)	Mandatory Accreditation Programme for Directors of Public Listed Companies by ICLIF	<ul style="list-style-type: none"> • Understanding the directors' obligation: Board effectiveness & managing risk • Discharging directors' financial reporting responsibility • Demystifying Directors' Key Obligations Under The Listing Requirements of Bursa Malaysia Securities Berhad • Audit Committee Expanded Governance Oversight Role
	Malaysian Institute of Accountants Annual Conference 2017	<ul style="list-style-type: none"> • Post Brexit, Gulf Crisis & Geopolitical Risks: Its Impact on Asian Economy • Public Sector Governance • Impact of MFRS 15 • Tax Opportunities and Challenges in the Digital Economy • Cyber Threat Intelligence: Key Defence Element
	Fundamentals of Blockchain Technology by ICAEW	<ul style="list-style-type: none"> • Blockchain's Role in Managing Bitcoin • Key Features of Blockchain Technology • Potential Applications
YBhg Dato' Khairussaleh Ramli	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> • Alternative Funding Models • Licensed P2P Operators • Licensed Equity Crowdfunding Operators • Regulatory Framework • Market Potential
	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> • Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Compliance Conference by Bank Negara Malaysia	<ul style="list-style-type: none"> • Role of Compliance in Supporting the Integrity of Regulatory Frameworks • Social & Economic Consequences from Compliance Lapses • Public Confidence & Trust Nexus
	Shariah Awareness Programme by Amanie Group	<ul style="list-style-type: none"> • Global Perspectives in the Islamic Financial Industry • Critical Success Factors and Critical Failure Factors
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> • The New Approach & Key Features • Board Leadership and Effectiveness • Effective Audit and Risk Management • Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
	Sustainability Impact Rating by RAM	<ul style="list-style-type: none"> • Sustainable Finance • Green Finance • RAM Sustainability Rating Framework

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD COMPOSITION AND ATTENDANCE

Details on the **independent status** of the Board of Directors, their **roles** in Board Committees and their **attendance** at the aforesaid meetings in 2017 are set out below:

Company's Director	Position/ Independent Status	Date of Board appointment	Attendance of Meetings					
			Board Meeting	BNRC ¹ Meeting	BRC ² Meeting	BAC ³ Meeting	BCC ⁴ Meeting	BTC ⁵ Meeting
YBhg Tan Sri Azlan Zainol	Chairman/Non-Independent Non-Executive Director (NINED)	27 July 2005	14/14 (100%)	6/6 (100%)	NA	NA	NA	NA
YBhg Tan Sri Saw Choo Boon	Senior Independent Non-Executive Director (SINED)	15 June 2016	14/14 (100%)	6/6 (100%) [Chair]	12/12 (100%) [Chair]	12/13 (92%)	NA	NA
YBhg Tan Sri Ong Leong Huat (Q Wong Joo Hwa)	Non-Independent Non-Executive Director (NINED)	20 November 2012	14/14 (100%)	6/6 (100%)	NA	NA	29/31 (93%)	NA
Mr Mohamed Ali Ismaeil Ali AlFahim	Non-Independent Non-Executive Director (NINED)	9 May 2014	13/14 (93%)	NA	NA	NA	NA	NA
Mr Abdul Aziz Peru Mohamed	Independent Non-Executive Director (INED)	7 February 2011	14/14 (100%)	NA	NA	NA	7/7 (100%) [∨]	NA
YBhg Tan Sri Dr Rebecca Fatima Sta Maria	Independent Non-Executive Director (INED)	1 August 2016	14/14 (100%)	NA	NA	13/13 (100%) [Chair]	NA	NA
Ms Ong Ai Lin [^]	Independent Non-Executive Director (INED)	1 July 2017	7/7 (100%) [^]	2/2 (100%) [^]	1/1 (100%) ^{>}	7/7 (100%) [^]	NA	NA
YBhg Dato' Khairussaleh Ramli	Managing Director (MD)/ Chief Executive Officer (CEO)	13 December 2013	14/14 (100%)	NA	NA	NA	NA	NA
Mr Ong Seng Pheow	Independent Non-Executive Director (INED)	20 November 2006 <i>(Retired on 19 November 2017)</i>	11/12 (92%)*	6/6 (100%)*	NA	9/11 (82%)*	NA	2/2 (100%)
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	Independent Non-Executive Director (INED)	6 October 2015 <i>(Resigned with effect from 1 July 2017)</i>	7/7 (100%) [#]	4/4 (100%) [#]	NA	4/6 (67%) [#]	15/19 (78%) [#]	2/2 (100%)

Note:

* Retired on 19 November 2017.

[^] Appointed with effect from 1 July 2017.

[>] Appointed as committee member with effect from 1 December 2017.

[#] Resigned with effect from 1 July 2017.

[∨] Resigned with effect from 28 February 2017.

1-5 Abbreviations used denote various main Board Committees.

5 This Board Technology Committee was dissolved with effect from 1 May 2017.

NA Not Applicable

REMUNERATION GOVERNANCE

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" 2017) 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)
Group MD YBhg Dato' Khairussaleh Ramli	5,400	794	35	6,229
Name of Company's Non-Executive Directors (NEDs)	Directors' Fees ^{>} (RM'000)	Other Emoluments* (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
YBhg Tan Sri Azlan Zainol	429	271	54	754
YBhg Tan Sri Saw Choo Boon	242	181	–	423
YBhg Tan Sri Ong Leong Huat (Q Wong Joo Hwa	384	191	–	575
Mr Mohamed Ali Ismaeil Ali Alfahim	175	20	–	195
Mr Abdul Aziz Peru Mohamed	502	132	–	634
YBhg Tan Sri Dr Rebecca Fatima Sta Maria	310	111	–	421
Ms Ong Ai Lin [#]	133	71	–	204
Mr Ong Seng Pheow ^v	401	211	32	644
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir [^]	182	146	–	328
Sub Total (NEDs)	2,758	1,334	86	4,178
Grand Total (Group MD + NEDs)	8,158	2,128	121	10,407

Appointed with effect from 1 July 2017.

v Retired on 19 November 2017.

^ Resigned with effect from 1 July 2017.

> Based on proposed new fees, subject to shareholders' approval.

* Include Board Committee allowances.

Further information on the total remuneration of the Directors received and/or receivable from the Group and the Company is available in the Board Nominating and Remuneration Committee Report of this Annual Report and also under Note 38 to the Financial Statements on pages 105 to 106 in the Financial Report 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A summary of the Company's Corporate Governance Practices during Financial Year Ended 2017 vis-à-vis the Malaysian Code on Corporate Governance 2017 ("MCCG") is laid out, as follows:

Herewith are snapshots of the Company's corporate governance practices during year 2017 disclosed vis-à-vis the 3 Principles set out in the MCCG namely (i) Board Leadership and Effectiveness, (ii) Effective Audit and Risk Management, and (iii) Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders. This summary should be read together with the Company's Corporate Governance Report¹.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

- The roles and responsibilities of the Board of Directors ("the Board") are incorporated in the Board Charter, including strategy setting, management of the company, risk management and succession planning.
- 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.
- The Company has set its Strategy Statement, Vision, Aspirations and Brand Promise. Its 3-year accelerated programme namely **I.G.N.I.T.E. 2017** has ended and replaced by a 5-year transformation programme called **F.I.T.22** to support its Vision: "To be among the Top 3 Multinational Financial Services Group in terms of performance by **2022**".
- The Board and the senior management have concurred the Company's strategic aims, including its Strategic Priorities, Focus Areas and Strategic Initiatives to be achieved by 2022, and set the organisational core shared Values, namely P.R.I.D.E. and internal Codes of Ethics & Conduct for Directors and Employees in building the right working and behavioural culture among the workforce to ensure that the company's strategic aims and goals are met.
- The Board assumes overall responsibility for promoting sustainable growth and financial soundness of the Company and its subsidiaries. This includes the following:
 - (a) Governing the Company's and the Group's business conduct and operations
 - (b) Risk Management
 - (c) Talent Development and Succession Planning
 - (d) Effective Communication
 - (e) Internal Control

II. Board Composition

As a large company listed on the FTSE Bursa Malaysia Top 100 Index, RHB Bank Berhad's Board is expected to comprise a majority of independent directors per the new Malaysian Code on Corporate Governance ("MCCG") 2017 recommendation:

- For 2017, the Company's Board comprises a majority of independent directors (55.5%) for more than 10.5 months (i.e. 1 January to 19 November 2017) up until the retirement of Mr. Ong Seng Pheow being an Independent Director for more than 9 years of service.
- In addition, the MCCG 2017 also recommends a limit on the tenure of Independent Director i.e. up to a cumulative term of 9 years of service. Accordingly, the Company has amended its existing Internal Guidelines to adhere strictly to the 9 years cap for tenure of its own Independent Directors.
- Per its latest internal guidelines requirement, the only Independent Director who was serving the Company more than 9 years (i.e. Mr Ong Seng Pheow who holds directorship since 20 November 2006) retired effective 19 November 2017.
- Following his departure, Independent Directors of the Company account for half (50.0%) of the Board, exceeding Bursa Securities' requirement of a one-third (33.3%) and meeting Bank Negara Malaysia (BNM)'s existing requirement of at least half (50%).
- Hence, the Company is now actively searching for a new Independent Director candidate from the list of directors on the Boards of the top public listed companies and the FIDE Forum's Directors Register to replace Mr. Ong Seng Pheow in view of complying with BNM's requirement of majority Independent Directors on the Board's membership by 3 August 2021.
- Currently, there is no Independent Director who is serving for more than 9 years tenure on the Board.

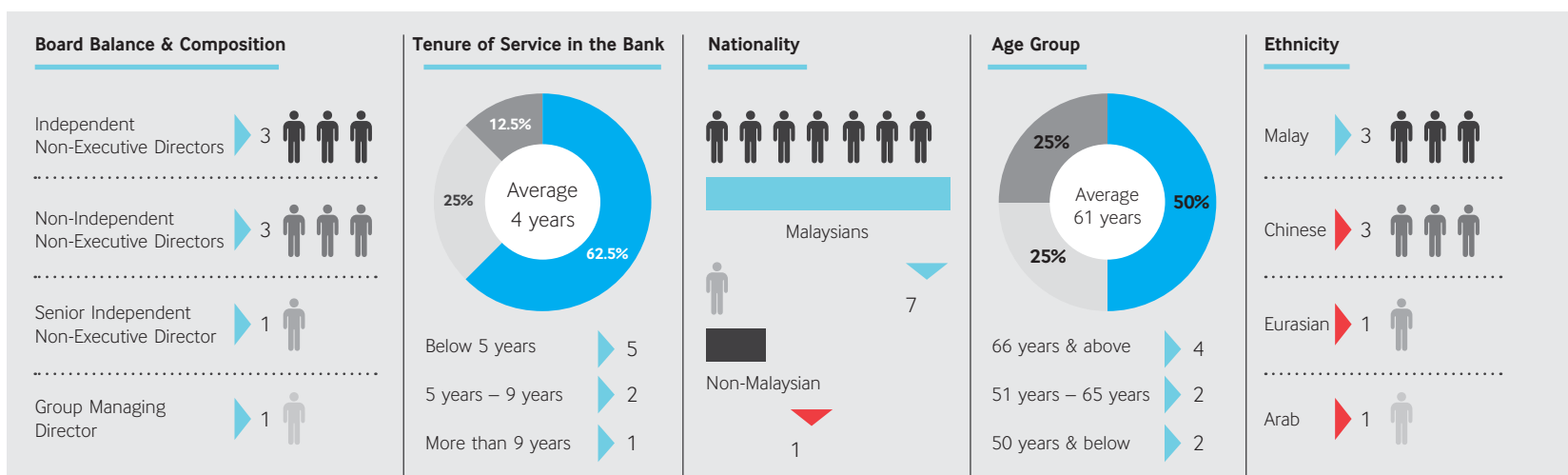


Diagram: Board Composition

Generally the Company comprises 22% women representation on the Board of Directors and 32% among the Senior Management:

- Despite having only 22% women directors' composition of the Board from the 30% national target, the current Board of Directors remains one of the most diverse among the boards of local public listed companies, as recognised by the Minority Shareholder Watchdog Group as a recipient for the **Merit Award for Board Diversity** on 6 December 2017.
- The Company's Board remains vigilant in search for the right talent and suitable skill-set, and succeeded in securing two women directors on the Board within the past 2 years.
- During calendar year 2017, the Company welcomed another **woman director** on the Board, namely Ms Ong Ai Lin who serves as INED effective from 1 July 2017. She joins YBhg Tan Sri Dr Rebecca Fatima Sta Maria, another existing **woman director** on the Board of the Company effective 1 August 2016.
- As a very diverse Board in terms of age, educational background, ethnicity, experience, nationality and so forth, existing Board members are able to offer in-depth deliberation during Board meetings which would be beneficial for the Company's sustainable performance and operation.
- Similarly, the Company expects diversity at senior management level able to provide constructive debates, differing ways of deliberating same ideas and preparing a talent pipeline for future board candidacy, hence reaps the benefits arising from gender diversity agenda.

III. Remuneration

Policies and procedures, including the nomination framework for the directors and senior management are reviewed regularly to ensure the remuneration levels are:

- Commensurate with the responsibilities, risks and time commitment; and
- Market-competitive and sufficient to attract and retain quality people but yet not excessive.

The total remuneration for all the directors, including both executive and non-executive directors, is disclosed in the Company's Annual Report and Financial Report on named basis, with breakdown of each remuneration components (i.e. fees, salary and bonus, benefits in-kind and other emoluments) received and receivable, including remuneration received/receivable at the Company's level and also at the Group's level:

- The remuneration structure and package for the Non-Executive Directors are approved by the shareholders in the Company's annual general meeting and disclosed under the Corporate Governance Report, which can be downloaded from its corporate website (<http://www.rhbgroup.com>).
- The remuneration of the Company's only Executive Director i.e. Group Managing Director (CEO) is determined independently by the Board Nominating & Remuneration Committee ("BNRC") and not decided at the management level.

The Company has 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 their performance and contributions to the organisation:

- Detailed remuneration package for Key Senior Management is disclosed before the Board of Directors of the Company pursuant to BNM Policy on Corporate Governance.
- There is also incorporation of penalty in the final rating of their pay-for-performance scheme for any material non-compliance with legal and regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Company's Board Audit Committee ("BAC") comprises only Independent Directors:

- There is a Senior Independent Director among the three BAC members.
- All members of the Board Audit Committee ("BAC") have diverse skills set and are financially literate. They possess necessary financial background, knowledge and experience to review financial and non-financial reporting processes and matters deliberated before the committee.
- One of the BAC members is currently an associate of the Institute of Chartered Accountants in England and Wales (ICAEW), a member of the Malaysian Institute of Accountants (MIA) and a Certified Information System Auditor (CISA).
- During FYE2017, the BAC members undertook several relevant training programmes per disclosure in the Board Audit Committee Report of this Annual Report, including workshop on Forensic Accounting and Digital Forensics.

II. Risk Management and Internal Control Framework

- The Board has established relevant frameworks and policies to ensure that the risk management and internal controls across the organisation are managed effectively within the risk appetite and risk principles set by the Board.
- The Company's Risk Management Framework put emphasises on 5 fundamental principles based on the risk governance structure, ownership, function, strategy and linkage to capital allocation.
- The Board conducts annual review on the Company's risk management and internal control framework to ensure effective checks and controls in the organisation.
- Details of the features of the Company's risk management and internal control framework, which include the governance, culture, processes and assessment of the risks and controls are disclosed under the Statement on Risk Management and Internal Control ("SORMIC") in the Annual Report.
- The control environment, the control activities and other control aspects implemented within the organisation, are also laid out in the SORMIC, with objectives to achieve operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

- Communication and engagement with the Company's stakeholders are made continuously through various platforms and media other than general meeting(s), including investors' conferences, roadshows, analyst briefings, press conferences and via electronic means such as corporate website, corporate email, Bursa LINK and social media such as the Group's Official Facebook, Corporate Instagram, My1Portal (Intranet), Group Managing Director's Official Blog and the Company's Workplace by Facebook.
- Investor relations enquiries can be directed to the Group Managing Director and Group Chief Financial Officer, while banking & other-related queries can be directed to its customer service and respective parties, as disclosed on the corporate website and in its Annual Report.
- The Company annually discloses three main corporate reporting, namely its Annual Report, Sustainability Report and Financial Report. For financial year ended 31 December 2017, RHB Bank Berhad also published a Corporate Governance Report¹ which is made available on its corporate website.

II. Conduct of General Meetings

- The Company issued ample notice (circulated on 28 March 2017) to the shareholders prior to its previous 51st annual general meeting ("AGM") i.e. more than 28 days, and intends to do the same for its upcoming 52nd AGM in 2018.
- The notice of the AGM contains details of resolutions to be approved by the shareholders during the meeting with accompanying explanatory notes.
- All the Company's directors attended the 51st annual general meeting ("AGM") held last year on 26 April 2017.
- The Company's general meetings have always been held in the same state as its Registered Office for its shareholders' convenience to attend and able to participate.
- All the Company's shareholders are entitled to appoint representatives or proxy/proxies to vote on their behalf in their absence at the general meeting.

Note:

- ¹ A separate Corporate Governance (CG) Report, which entails application of each practice set out in the MCCG 2017, can be downloaded from the Company's corporate website (<https://www.rhbgroup.com/about-us/our-principles/corporate-governance>). This CG Report, made in compliance with Paragraph 15.25(2) of the MMLR of Bursa Securities, also provides insights of the Company's strengths and corporate governance practices, which allow the stakeholders to assess seamlessly and aid the regulators in monitoring the 'CG health' of the Company diligently.
- ² This Corporate Governance Overview Statement and the disclosures in this report have been approved by the Board on 27 February 2018. This statement is to be read together with the abovementioned CG Report.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

Pursuant to 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 risk management and internal control of the listed company as a group.

Additionally, the new Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) requires a listed company to establish an effective audit structure and strong risk management and internal controls framework.

The Board of RHB Bank Berhad 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” (“SORMIC Guidelines”) endorsed by Bursa Securities.

The Statement outlines the key features of the risk management and internal control system of the RHB Banking Group (“Group”) during the year under review.

The Board has also obtained assurance from the Group Managing Director and the Group Chief Financial 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 and internal control system of the Group.

BOARD RESPONSIBILITY

The Board is cognisant of its overall responsibility in establishing a sound risk management and internal control system in the Group as well as reviewing its adequacy, integrity and effectiveness. Such a system is designed to manage the Group’s risk appetite within the established risk tolerance set by the Board and Management rather than total elimination of risks to achieve the Group’s business objectives. The system can therefore only provide reasonable and not absolute assurance against the occurrence of any material misstatement, loss or fraud. Limitations inherent in the system include among others, human error and potential impact of external events beyond Management control.

In acknowledging that having a sound risk management and internal control system is imperative, the Board has established a governance structure that ensures effective oversight of risks and internal controls in the Group at all levels. To this end, 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 remains responsible for the governance of risk and for all the actions of the Board Committees with regard to the execution of the delegated oversight responsibilities.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

MANAGEMENT RESPONSIBILITY

The Management is overall responsible for implementing the Group's policies and processes to identify, evaluate, measure, monitor and report on risks as well as the effectiveness of the internal control systems, taking appropriate and timely remedial actions as required. Its roles include:

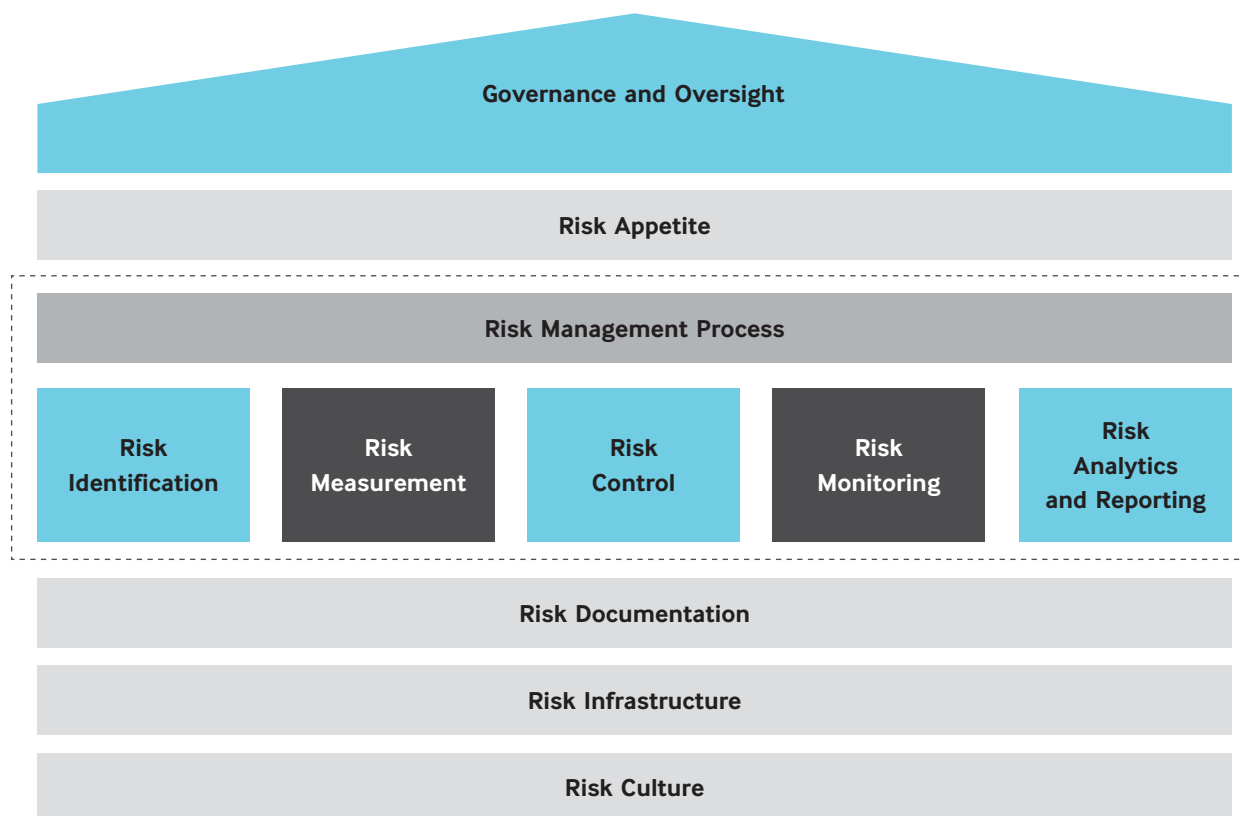
- Identifying and evaluating the risks relevant to the Group's business and achievement of its business objectives and strategies;
- Formulating relevant policies and procedures to manage risks and the conduct of business;
- Designing and implementing the risk management framework and internal control system, and monitoring its effectiveness;

- Implementing policies approved by the Board;
- Implementing remedial actions to address compliance deficiencies as directed by the Board; and
- Reporting in a timely manner to the Board any changes to the risks and the remedial actions taken.

The Management has provided assurance that the Group's risk management and internal control system is operating adequately and effectively and that necessary processes have been implemented.

RISK MANAGEMENT FRAMEWORK

The Group has in place a risk management framework approved by the Board for identifying, measuring, monitoring and reporting of significant risks faced by the Group in the achievement of the Group's business objectives and strategies. The Group's risk management framework ensures that there is an effective on-going process to identify, evaluate and manage risk across the Group and is represented in the following diagram:



Risk Governance and Oversight

The Board, through the BRC, provides oversight over the risk management activities for the Group to ensure that the Group's risk management processes are 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.

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. In order to ensure on-going engagement and assessment of the Group's risk profile and capital adequacy, the ICAAP report is reviewed at least annually and is presented to senior management and relevant Board committees prior to approval by the respective entities' Boards.

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 Group Digital & Technology Committee with their scope of responsibility as defined in their respective terms of reference.

Risk Appetite

Risk appetite for the Group is defined as the amount and the type of risks that the Group is willing to accept in pursuit of its strategic and business objectives. Risk tolerance on the other hand, is the acceptable level of variation relative to the achievement of the Group's strategic and business objectives. It is measured in the same units as the related objectives. It translates risk appetite into operational metrics, and it can be defined at any level of the Group.

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 the 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 Management Processes

The risk management processes within the Group seeks to identify, evaluate, 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 that 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.
- **Controlling and Monitoring:** Controls, triggers and limits are used to manage risk exposures and to facilitate early identification of potential problem on a timely basis.
- **Analytics and Reporting:** Risk analysis and reports prepared at the respective entities and consolidated level as well as business level are regularly escalated to the senior management and relevant Boards to ensure that the risks remain within the established appetite and to support an informed decision-making process.

Risk Documentation and Infrastructure

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation and infrastructure. Towards this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are implemented consistently across the Group.

In terms of risk infrastructure, the Group has organised its resources and talents into specific functions, and invested into technology, including data management to support the Group's risk management activities.

Risk Culture

Risk management is integral to all aspects of the Group's activities and is the responsibility of all employees across the Group. 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.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

Guided by the said principle, the Group has launched a Risk Culture Awareness programme which comprises training, awareness campaigns and roadshows within the Group (including overseas branches and subsidiaries) 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.

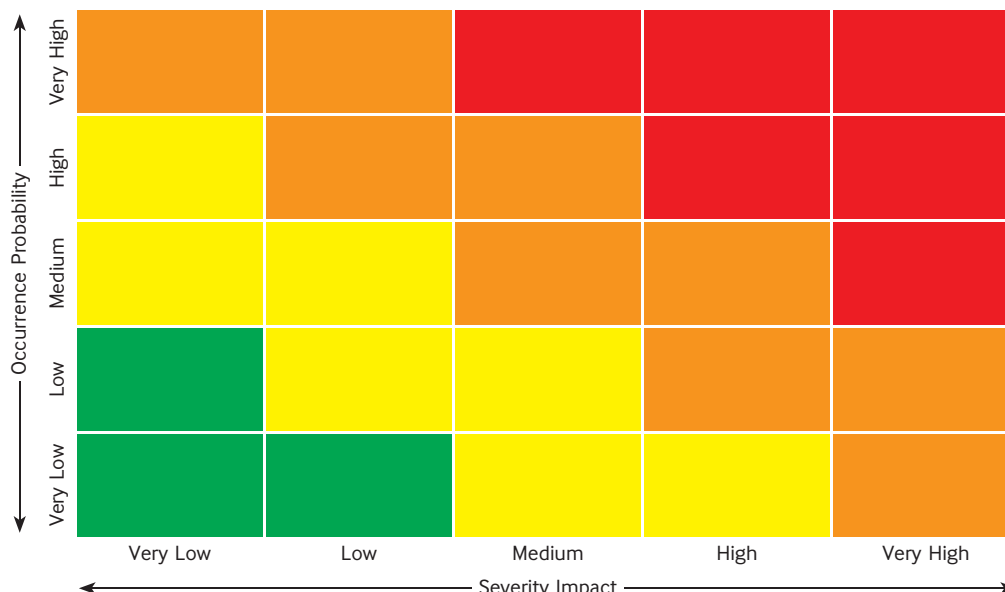
The implementation of the BRCO programme is in line with the 'Three Lines of Defence' model practised globally. There is clear accountability of risk ownership across the Group. The model is depicted in the diagram below:



Risk Assessment

The Group has an established and comprehensive process for risk identification at every stage of the risk taking activities, namely transactional, product and even at the respective entities and Group level. Risks are also identified through Operational Risk Loss Event reporting and Portfolio thematic analysis. As part of the Group's periodic material risk assessment, the Group reviews the types and components of material risks, determines its quantum of materiality and refinement of processes taking into consideration the feedback received, including the independent reviews.

Material risk assessment is measured from the dimension of occurrence probability and severity impact. In addition, risk assessment also considers amongst others, the effectiveness of controls in place, and the impact to financial and non-financial indicators such as reputational risk. These are translated into a heat map matrix to derive the materiality of the risk as shown in the table below:



The use of the above matrix is a simple mechanism to increase visibility of risks and assist in decision making. The Group considers residual risks which fall within the Amber and Red zones are 'Significant' and 'Material', which may have severe impact to the Group's financials and/or reputation. Significant efforts will be taken to manage and mitigate these risks events.

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.

KEY INTERNAL CONTROL PROCESSES

The Group's system of internal control is designed to manage and reduce risks that will hinder the Group from achieving its goals and objectives. It encompasses the policies, procedures, processes, organisational structures and other control aspects that are implemented for assuring the achievement of the Group's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and internal policies.

The key processes established by the Board that provide effective governance and oversight of internal control systems include:

CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

Organisation Structure

The Group has a formal organisational structure with clearly defined lines of accountability and responsibility, authority limits and 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.

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 Group regards IT security as a very high priority to ensure the confidentiality, integrity and availability of the Group's information assets and IT infrastructure.

IT security in the Group is achieved through the implementation of a risk based control approach which includes documented policies, standards, procedures and guidelines as well as organisational structures and, software and hardware controls.

With the increasing number of cyber threats globally as well as locally, the Group has established a Cyber Coordination and Command Centre to ensure that there is a structured process of prompt monitoring and timely response to cyber threats and incidents.

In order to strengthen and enhance the level of information security management, the Group has obtained certifications of ISO/IEC27001:2013 - Information Security Management System and ISO/IEC 20000:2011 - Information Technology Service Management, in addition to complying with various regulatory requirements on managing information technology risk holistically.

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.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

For sustainable growth, the Group places emphasis on human capital development, talent management and succession planning. To enhance employee competencies, structured and technical trainings as well as management and leadership workshops are provided to them 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 Bank Negara Malaysia's Code of Ethics for banking institutions has been adopted and institutionalised within the Group. 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 and 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's standards on AML/CFT. It sets out the high level standards 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 and/or employees within the Group are required to adopt Risk Based Approach ("RBA") to customer acceptance and implement the AML/CFT Compliance Programme framework which includes customer due diligence ("CDD") requirements, monitoring of customer activities/transactions, reporting of suspicious transactions, record keeping, AML/CFT training, protection of 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 establishes 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 and procedures as 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 overall framework is to build organisational resilience with effective response mechanism to safeguard the interests of key stakeholders, reputation and brand.

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 ongoing 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 ensure that in the event of any disruption, critical business processes can continue or be recovered in a timely manner.

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.

The heads of the core businesses and functions in the Group present their respective management reports to the GMC at its monthly meeting, covering areas such as financial performance, key activity results and new business proposal or process for information of and deliberation by the GMC.

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 employees are made aware of the Group's whistle blowing policy and its processes and are accorded the opportunity to report via the whistle-blowing mechanism with the assurance that the report will be dealt with confidentially that the complainant's identity will be protected and that the complainant will be protected from any harassment or victimisation at work due to the disclosure.

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 according to the level of severity. 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 monthly 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 the underlying causes highlighted by the internal and external auditors, and regulators. The status of rectification of all audit findings and the mitigation actions taken by Management to adequately address the underlying causes 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 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. The compliance function forms an integral part of the Group's risk management and internal control framework. Because a strong compliance culture reflects a corporate culture of high integrity and ethics, everyone is expected to promote self-regulation and be accountable for his or her own activities while maintaining ethical principles and behaviour.

In addition to day-to-day monitoring, Group Compliance's commitment towards instilling 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, periodic compliance risk assessment/reviews, 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.

Further, the Boards and Senior Management are also apprised of the Group's state of compliance through the submission of the Group Compliance report on a periodic basis.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

Shariah Compliance

In line with the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia, a comprehensive Shariah Governance 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.

Various activities involving Shariah reviews, control self-assessment, research, trainings and briefings aimed at creating awareness as well as continuous learning programmes were conducted throughout the year to educate employees on the importance of Shariah requirements and compliance surveillance.

INTERNAL AUDIT

Group Internal Audit ("GIA") reports functionally to the BAC and is independent of the operations and activities it audits. The GIA's main responsibility is to provide an objective and independent assessment on the adequacy and effectiveness of the Group's risk management, control and governance processes implemented by the Management.

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 areas to be audited are documented in the internal audit plan that is developed based on a risk-based approach and is approved by the BAC annually. Audit reports which include detailed audit findings, GIA's comments and recommendations, and Management's response 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 Board Audit Committee Report of this Annual Report.

CONCLUSION

The Board, through the BAC, BRC and the Islamic Risk Management Committee, confirms that it has reviewed the adequacy and effectiveness of the Group's risk management and internal control system.

Based on the monthly updates from its Board Committees and the assurance received from the Management, 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 and 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 AND 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.

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 Tan Sri Saw Choo Boon, the Senior INED of RHB Bank. The current composition complies with the requirements of the Main Market Listing Requirements of Bursa Securities, Malaysian Code on Corporate Governance 2017 and Bank Negara Malaysia’s Policy Document on Corporate Governance 2016.

The Board is satisfied with the performance of the BNRC, which continues to contribute valuable advice and make sound recommendations to the Board based on the Group’s Board Effectiveness Evaluation (“BEE”) exercise. The Group has undertaken the BEE exercise for the Boards and Board Committees since 2006, to assess their effectiveness and that of the individual Directors. For the past 11 years, the Group had engaged Messrs PricewaterhouseCoopers Consulting Services Sdn Bhd (PwCCS) as the independent appraiser to collate, interview and tabulate the result of the evaluation.

The BEE is basically designed externally 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.

For the first time, the BEE for 2017 is designed internally, facilitated by the Group Company Secretary office, as a “touch-base” evaluation exercise, mainly to assess the Board members’ performance and training development during the calendar year and also their participation in building up a culture of good governance and ethical behaviour within RHB Banking Group. The outcome of the exercise is expected to be tabled to the BNRC and the Boards by 2nd Quarter 2018.

MEETINGS AND ATTENDANCE

During the financial year 2017, the BNRC convened six meetings. The BNRC also issued seven circular resolutions in respect of matters that required the BNRC’s immediate decisions.

Details of the members’ attendance are as follows:

Current BNRC Composition	Attendance at meetings	
Tan Sri Saw Choo Boon (Chairman/Senior INED)	6/6	(100%)
Tan Sri Azlan Zainol (Member/NINED)	6/6	(100%)
Tan Sri Ong Leong Huat (Q Wong Joo Hwa) (Member/NINED)	6/6	(100%)
Ong Ai Lin (Member/INED)*	2/2	(100%)
Tan Sri Dr Rebecca Fatima Sta Maria (Member/INED)**	N/A	N/A
Former BNRC Members		
Dato’ Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (Member/INED)‡	4/4	(100%)
Ong Seng Pheow (Member/INED)^	6/6	(100%)

Notes:

* Appointed on 1 July 2017

** Appointed on 15 February 2018

‡ Ceased as member on 1 July 2017

^ Ceased as member on 19 November 2017

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 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.

BOARD NOMINATING AND REMUNERATION COMMITTEE REPORT

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, the expectations on time commitment for the board members and protocols for accepting new directorships.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) Establish and recommend for the Boards’ approvals, the criteria to assess independence of independent directors.
- (k) 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.

- (l) Review and recommend for the Boards’ approvals, any significant change in the organisation structure of the Group or/and the major operating subsidiaries.
- (m) Whenever key expatriates at the Group are employed, to ensure there is in place a process for the transfer of expertise and skills from the expatriates to the staff of the Group.
- (n) To recommend to the Boards, a policy regarding the period of service for the executive and non-executive directors.
- (o) To perform any other functions as defined by the Boards.

The duties and responsibilities of the BNRC with regard to its 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.
 - (f) Review and recommend for the Boards’ approvals, any significant change in the organisation structure of the Group or/and the major operating subsidiaries.
 - (g) Perform any other functions as defined by the Boards.

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 or 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.

During the year, the BNRC and Boards have endeavoured to identify and source for potential Board candidates, including female Directors, from the industry's talent pool, available databases on female directors and the Group Directors' existing networks. The BNRC and Boards have also reviewed Board succession plans to ensure that appropriate focus is given to diversity. In addition to pursuing the recommendation of the Securities Commission for women directors to make up 30% of boards, the BNRC and Boards actively searched for qualified and competent candidates (both local and overseas) with broad international business exposure in line with the Group's regional business expansion plan. Ms Ong Ai Lin was appointed as an Independent Non-Executive female Director on the Board of RHB Bank on 1 July 2017 and subsequently, on the Board of RHB Islamic Bank Berhad on 1 September 2017. The Board of RHB Investment Bank Berhad also appointed an Independent Non-Executive female director, Dato' Darawati Hussain on 1 September 2017. The Boards also selected and appointed qualified women directors from among the Senior Management onto the Boards of RHB Bank's subsidiaries. As at to-date, there are 14 women serving as Directors on the Boards of the Group.

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 Bank (Years)*
1.	Tan Sri Azlan Zainol (<i>Chairman</i>)	67	Malaysian/Malay	Corporate Management & Business Finance/Banking, Accounting/Audit	27.07.2005	13
2.	Tan Sri Saw Choo Boon (<i>Senior INED</i>)	71	Malaysian/Chinese	Oil & Gas, Corporate Management	15.06.2016	2 [#]
3.	Abdul Aziz Peru Mohamed	69	Malaysian/Malay	Finance/Banking, Islamic estate planning, Asset Management	07.02.2011	7
4.	Tan Sri Ong Leong Huat (Q. Wong Joo Hwa)	73	Malaysian/Chinese	Capital Market, Finance/Banking, Private Equity Business	20.11.2012	5
5.	Mohamed Ali Ismaeil Ali Alfahim	41	United Arab Emirates	Corporate Finance	09.05.2014	4
6.	Tan Sri Dr Rebecca Fatima Sta Maria	60	Malaysian/Eurasian	Public Administration/International Trade	01.08.2016	2
7.	Ong Ai Lin	62	Malaysian/Chinese	Accounting/Audit, Information System	01.07.2017	7 months
8.	Dato' Khairussaleh Ramli (<i>Group Managing Director</i>)	50	Malaysian/Malay	Finance/Banking, Capital Market	13.12.2013	4

Notes

* round up to the nearest number of years served in the Bank

[#] served as INED of RHB Capital Berhad, the former holding Company for more than 6 years

BOARD NOMINATING AND REMUNERATION COMMITTEE REPORT

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 a new Director for RHB Bank after considering her competency, experience and knowledge in various industries, such as financial services, accounting, audit and information system. The Board of RHB Bank accepted the BNRC's recommendation and approved the following appointment:

- Ms Ong Ai Lin, was appointed as an INED on 1 July 2017. She has over 30 years of experience in providing Business Continuity Management, Governance Risk and Compliance, Information Security, Cyber Security, Technology Risk and Governance, and Data Privacy services in the United Kingdom, Singapore, Indonesia, Thailand, Vietnam, Philippines, Sri Lanka, Cambodia and Malaysia. She possesses the relevant skill sets and extensive experience which includes working with various stakeholders (i.e. regulators, government ministries and agencies, financial services organisations and non-governmental organisations) to complement the Board from fresh perspective in managing the Group and uphold the highest standard in terms of business continuity management and information security/Fintech.

In addition, the BNRC also recommended the appointment of five new INEDs 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.

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.

All Directors are also subjected 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.

ASSESSMENT OF INDIVIDUAL DIRECTORS FOR RE-ELECTION AND/OR RE-APPOINTMENT

(a) **Encik Abdul Aziz Peru Mohamed** ("Encik Aziz Peru") was first appointed as an INED in the Group in 2011 and has served the Group for 7 years. He actively contributes to discussions on various issues especially on products, strategy and operations and provides suggestions and recommendations to the Management in improving business, operational and control efficiencies. He is able to exercise independent judgement and provides independent opinion on the Management's proposal as well as issues concerning RHB Bank and the Group as a whole. He continuously shares his thoughts on weaknesses/areas for improvements for attention of the management in the business performance of RHB Bank. Encik Aziz Peru evaluates all issues pertaining to RHB Bank to ensure that the interests of the Bank are safeguarded.

(b) **Mr Mohamed Ali Ismaeil Ali Alfahim** ("Mr Alfahim") was first appointed as a NINED in the Group in 2014 and has served the Group for nearly 4 years. Being a NINED of RHB Bank (representing Aabar Investments PJS), Mr Alfahim actively participates in the deliberation of the Board, sharing his views and opinions from the shareholder as well as stakeholders' perspectives. He continuously shares his thoughts on weaknesses/areas for improvements for attention of the Management in the business performance of RHB Bank. Mr Alfahim evaluates all issues pertaining to RHB Bank to ensure that the interests of the Bank are safeguarded.

Both Encik Aziz Peru and Mr Alfahim shall retire by rotation at the forthcoming 52nd Annual General Meeting ("AGM") of the Company pursuant to Article 92 of the Company's Articles of Association, and being eligible, offer themselves for re-election.

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, **Ms Ong Ai Lin** retires at the forthcoming AGM and being eligible, offers herself for re-election upon the BNRC's and Board's recommendation. Being a newly appointed Director, Ms Ong Ai Lin 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 ensure the interest of the Company is protected and issues are resolved in a timely and effective manner. After considering her commitment and contribution, the BNRC and Board of RHB Bank recommended Ms Ong Ai Lin's re-election as a Director of the Company, for shareholders' approval.

Pursuant to the enforcement of the new Companies Act 2016 effective 31 January 2017, the provision of age limitation of 70 years old for appointment of Directors under Section 129 of the Companies Act 1965 has been removed. Hence, the Internal Guidelines have been amended to reflect the same and no director is required to retire pursuant to age limit at the forthcoming 52nd AGM.

After considering the continued commitment, contribution, support and capabilities of the above Directors, the BNRC and Board of RHB Bank recommend the re-appointment/re-election of Encik Aziz Peru, Mr Mohamed Ali Ismaeil Ali Alfahim and Ms Ong Ai Lin as Directors of the Company.

BOARD NOMINATING AND REMUNERATION COMMITTEE REPORT

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 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 per annum for NED. As part of a periodical review to ensure the Group remains competitive against its peers and with the heightened responsibilities and accountabilities required for Directors

per the current requirements under the Companies Act 2016, the Financial Services Act 2013, the Islamic Financial Services Act 2013, the Capital Markets & Services Act 2007 and the Malaysian Code on Corporate Governance 2017, the BNRC and Board had on 10 November 2017 and 29 November 2017 respectively recommended to revise Directors' Fixed Fees at Board level only within the main operating entities in the Group. The baseline for the Boards' fixed fees are proposed at RM200,000 per annum for Non-Executive Chairman and RM175,000.00 per annum for NED, an increase of 11.1% and 16.6% of the existing fees, respectively subject to shareholders' approval at the 52nd AGM. In addition, NEDs are entitled to receive Board Committee 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 golf & recreational club membership.

The aggregate remuneration of the Group Managing Director and NEDs of RHB Bank received and/or receivable from RHB Bank and the Group for the financial year ended 31 December 2017 are as follows:-

Group	Directors' Fees ⁺ RM'000	Salary and bonus RM'000	Meeting Attendance Allowance* RM'000	Committee Yearly Fee ⁺ RM'000	Benefits-in-kind* RM'000	Other emoluments* RM'000	Total RM'000
NEDs							
Tan Sri Azlan Zainol	429.4	–	54.0	30.0	53.5	186.7	753.6
Tan Sri Saw Choo Boon	242.2	–	71.0	110.0	–	–	423.2
Tan Sri Ong Leong Huat @ Wong Joo Hwa	384.4	–	97.5	63.5	–	30.0	575.4
Mohamed Ali Ismaeil Ali Alfahim	175.0	–	19.5	–	–	–	194.5
Abdul Aziz Peru Mohamed	501.5	–	96.2	31.7	–	4.5	633.9
Tan Sri Dr Rebecca Fatima Sta Maria	310.0	–	71.2	40.0	–	–	421.2
Ong Ai Lin [#]	133.3	–	33.5	36.8	–	–	203.6
Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir [^]	181.4	–	62.0	72.1	–	12.4	327.9
Ong Seng Pheow ^{^^}	401.1	–	87.0	105.0	32.4	18.8	644.3
ED							
Dato' Khairussaleh Ramli	–	5,400.00	–	–	35.2	793.3	6,228.5

RHB Bank	Directors' Fees ⁺ RM'000	Salary and bonus RM'000	Meeting Attendance Allowance* RM'000	Committee Yearly Fee ⁺ RM'000	Benefits-in-kind* RM'000	Other emoluments* RM'000	Total RM'000
NEDs							
Tan Sri Azlan Zainol	200.0	–	24.8	15.0	29.6	186.7	456.1
Tan Sri Saw Choo Boon	175.0	–	60.7	101.2	–	–	336.9
Tan Sri Ong Leong Huat Q Wong Joo Hwa	175.0	–	46.5	31.8	–	–	253.3
Mohamed Ali Ismaeil Ali Alfahim	175.0	–	19.5	–	–	–	194.5
Abdul Aziz Peru Mohamed	175.0	–	31.5	6.5	–	–	213.0
Tan Sri Dr Rebecca Fatima Sta Maria	175.0	–	30.7	20.0	–	–	225.7
Ong Ai Lin [#]	88.2	–	20.2	21.5	–	–	129.9
Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir [^]	86.8	–	24.7	26.4	–	–	137.9
Ong Seng Pheow ^{^^}	154.9	–	28.5	31.5	–	–	214.9
ED							
Dato' Khairussaleh Ramli	–	5,400.0	–	–	35.2	793.3	6,228.5

Notes:

+ Subject to shareholders' approval.

* Shareholders' approval was obtained from last AGM.

Appointed with effect from 1 July 2017

[^] Resigned with effect from 1 July 2017

^{^^} Retired on 19 November 2017

SUMMARY OF THE BNRC'S ACTIVITIES IN THE FINANCIAL YEAR 2017

During the financial year ended 2017, the BNRC considered and made recommendations to the Boards (wherever applicable) on the following matters:

- | | |
|--|---|
| (a) Appointment of Directors and Board Committee members of RHB Bank and its subsidiaries | (i) BNRC Report for inclusion into Annual Report 2016 of RHB Bank Berhad |
| (b) Appointment of Managing Director ("MD")/Chief Executive Officer ("CEO") of subsidiaries and key Senior Management officers | (j) Renewal of the Directors & Officers' Liability Insurance |
| (c) Review of Board and Board Committee compositions of RHB Banking Group | (k) Review of existing NEDs' remuneration scheme |
| (d) Re-appointment and re-designation of INEDs and NINEDs of RHB Bank and its major operating subsidiaries | (l) Remuneration proposal for Group MD/Group CEO and MDs |
| (e) Re-appointment of GSC members | (m) Performance rewards and salary increments for staff |
| (f) Implication arising from the resignation and re-designation of Directors and action plans pertaining thereto | (n) Review of utilisation of staff training expenditures |
| (g) Annual assessment of independence status of the INEDs | (o) Review of Internal Guidelines on tenure of appointment/re-appointment of NEDs for RHB Banking Group |
| (h) Updates on Group Human Resource and talent management | (p) Review of TOR of BNRC |
| | (q) Updates on cash retention scheme for key senior management |
| | (r) Establishment of internal Board Effectiveness Evaluation |
| | (s) Renewal of the contract for Group MD/CEO and MD of subsidiaries |

BOARD AUDIT COMMITTEE REPORT

The Board Audit Committee (“BAC”) of RHB Bank Berhad (“RHB Bank” or “the Bank”) is pleased to present the BAC Report for the financial year ended 31 December 2017 (“year”) pursuant to Paragraph 15:15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

COMPOSITION AND ATTENDANCE OF MEETINGS

During the year, a total of thirteen (13) BAC meetings were held. The BAC comprises the following members who are all independent directors and the details of attendance of each member at the BAC meetings held during the year are as follows:

Composition of BAC	Attendance at Meetings
1. Tan Sri Dr Rebecca Fatima Sta Maria (Chairperson/Independent Non-Executive Director)	13/13 (100%)
2. Tan Sri Saw Choo Boon (Member/Senior Independent Non-Executive Director)	12/13 (92%)
3. Ms Ong Ai Lin (Member/Independent Non-Executive Director) – Appointed on 1 July 2017	7/7 (100%)
4. Mr Ong Seng Pheow (Member/Independent Non-Executive Director) – Retired on 19 November 2017	9/11 (82%)
5. Dato’ Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (Member/Independent Non-Executive Director) – Resigned on 1 July 2017	4/6 (67%)

The BAC meetings were also attended by the Group Chief Financial Officer, being the Chairman of the Management Audit Committee (“MAC”) of RHB Bank and the Group Chief Internal Auditor while the attendance of other Senior Management is by invitation, depending on the matters deliberated by the BAC.

The BAC undertakes the functions of the Audit Committee of the major operating entities within the Group encompassing RHB Bank, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.

Key matters deliberated at the BAC meetings together with the BAC’s recommendations and decisions are summarised and presented to the relevant Boards, in the same month, by the Chairperson or representative of the BAC. This allows the respective Boards to be timely apprised of significant matters deliberated by the BAC and for the Boards to provide direction, if necessary. Extracts of the minutes of the BAC meetings held were provided to the respective Boards for their information.

AUTHORITY

The BAC is authorised by the Board to, among others, review and investigate any matters within its terms of reference; have direct communication channels with the external and internal auditors; obtain independent professional advice, if necessary, at the Company's expense; and access to Management as well as resources to enable effective discharge of its functions. The full terms of reference, including the authority, duties and responsibilities of the BAC are published in the Bank's website.

SUMMARY OF BAC ACTIVITIES IN 2017

The work carried out by the BAC in the discharge of its duties and responsibilities 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 and the Group as well as the draft announcements before recommending them for the Board's approval. The review process encompassed the following:
 - Reviewed changes in accounting policy and adoption of new or updated accounting standards, and its impact to the financial statements.
 - Reviewed the financial statements and sought explanations from the Senior Management including the Group Chief Financial Officer on any significant changes between the current and corresponding quarter/period to assess their reasonableness.
- b) Discussed with the external auditors the following matters identified during the statutory audit for the financial year ended 31 December 2017 as highlighted in their Audit Committee Report:
 - Significant audit and accounting matters including credit, impairment assessment and taxation related matters;
 - Summary of uncorrected misstatements; and
 - Updates on the extended audit procedures on MFRS9 implementation.

2. Internal Audit

- a) Reviewed and approved the Group Internal Audit ("GIA")'s annual audit plan for the financial year 2017 in November 2016 to ensure adequacy of scope, coverage and resources for the identified auditable areas.
- b) Reviewed GIA's risk-based methodology in assessing the risk levels of the Group's various business and functional areas for the audit planning purpose with emphasis on high and above average risk areas which are required to be audited annually whilst moderate and low risk areas are subject to a cycle audit.
- c) 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.
- d) Reviewed the GIA's audit activities undertaken for the financial year covering the planned audit assignments, ad-hoc audit projects, review of policies, processes and procedures, and IT project participation.
- e) Reviewed and appraised the performance of the Group Chief Internal Auditor and assessed the effectiveness of the internal audit function.
- f) Reviewed and deliberated on the minutes of all 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.
- g) 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.
- h) 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.
- i) 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.

BOARD AUDIT COMMITTEE REPORT

3. External Audit

- a) Reviewed the 2017 audit plan of the external auditors for RHB Banking Group at the BAC meeting held on 17 October 2017 covering the audit strategy, risk assessment, areas of audit emphasis for the year.
- 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 2017	Date tabled to BAC
Final Audit Committee Report for the financial year 2016	20 January 2017
Internal Control Report for the financial year 2016	23 March 2017
Limited review of the unaudited financial statements of RHB Bank and RHB Islamic Bank for the financial period ended 30 June 2017	21 July 2017

The BAC further directed the respective MACs to track the audit findings highlighted by the external auditors in their Internal Control Report to ensure timely resolution of all matters by Management.

- c) Met twice with the external auditors on 20 January 2017 and 17 October 2017 without the presence of Management and Executive Directors to enable the external auditors to discuss on matters with the BAC privately.
- d) Reviewed the appointment of the external auditors for the provision of non-audit services before recommending them for the Board's approval. Areas that are considered include the external auditors' expertise, adequacy of knowledge and experience required for the services rendered, competitiveness of fees quoted and whether its independence and objectivity would be impaired.
- 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 2017 audit plan, which was tabled to the BAC in October 2017, 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.
- The annual assessment on the external auditors covering the key areas of performance, independence and objectivity in accordance with the BNM Guidelines on External Auditor.
- The performance of the external auditors was also assessed through a survey completed by the Management personnel of the Group based on their dealings with the external auditors covering areas such as the quality of audit work, coordination during planning and execution of audit work, technical accounting and business knowledge, timeliness and staff continuity.

Reviewed on a quarterly basis, the non-audit services rendered by the external auditors and the related fees taking into consideration the fee threshold established under the Group policy to ensure that the external auditors' independence and objectivity were 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 2017 for RHB Banking Group was 57.41% which is within the policy threshold.

For the financial year 2017, the main non-audit services rendered by the external auditors are as follows:

- Conducted validation of impairment models for the purpose of Malaysian Financial Reporting Standard ("MFRS") 9 implementation;
- Provided services in relation to the proposed merger (the merger discussion subsequently ceased); and
- Performed statutory requirement of Perbadanan Insurans Deposit Malaysia ("PIDM") validation program for assessment year 2017.

- A comprehensive review was also conducted in December 2017 prior to the reappointment of the external auditors to assess its independence and the potential risk of familiarity threat at all the banking entities within the Group. The comprehensive review covered the following three main categories:

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; and nature of non-audit services provided by the external auditors to the Group.
(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.
(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; and responded timely to issues.

The comprehensive review was conducted by Group Finance and independently verified by GIA prior to tabling to the BAC for deliberation.

4. Related Party Transactions and Conflict of Interest

- 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 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 keep abreast of latest developments as well as to enhance their knowledge for the discharge of their duties and responsibilities.

Details of the trainings attended by BAC members are as follows:

Name of Director(s)	Training Programmes Attended
Tan Sri Dr Rebecca Fatima Sta Maria	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer
	Cryptocurrency and Blockchain Technology by Neuoware
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE
	Capital Market Director Programme by SIDC: – Module 1 – Module 2A – Module 2B – Module 3 – Module 4
	Workshop on Forensic Accounting and Digital Forensics by Alliance IFA

BOARD AUDIT COMMITTEE REPORT

Name of Director(s)	Training Programmes Attended
Tan Sri Saw Choo Boon	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer
	Cryptocurrency and Blockchain Technology by Neuoware
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE
	Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability by Bursa Malaysia
	Promoting Prosperity by Improving Women's Rights by The World Bank
	National Conference: Companies Act - From Policies to Implementation by Companies Commission of Malaysia
	Fraud Risk Management Workshop by Bursa Malaysia
	Business Ethics and Integrity: Key to Sustainability in the Digital Economy by Federation of Malaysian Manufacturers
	National Convention on Good Regulatory Practice by Malaysia Productivity Corporation
ASEAN Economic Conference	
Ms Ong Ai Lin	New Directors' In-House Orientation by Group Company Secretary
	Cyber Landscape In The Malaysian Financial Industry by AICB
	Mandatory Accreditation Programme for Directors of Public Listed Companies by ICLIF
	Malaysian Institute of Accountants Annual Conference 2017
Mr Ong Seng Pheow	Cryptocurrency and Blockchain Technology by Neuoware
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE
	Workshop on Forensic Accounting and Digital Forensics by Alliance IFA
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC
	Bankruptcy (Amendment) Act 2017 by Messrs Shook Lin & Bok
	Fintech Opportunities for the Financial Services Industry in Malaysia by FIDE Forum
	Board In The Digital Economy by SIDC
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC

INTERNAL AUDIT FUNCTION

RHB Banking 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/RH/GL 013-4) and the Institute of Internal Auditors' latest International Professional Practices Framework. GIA's main responsibility is to provide an objective and independent assessment on the adequacy and effectiveness of the Group's risk management, internal control and governance processes implemented by the Management.

The GIA is headed by Mr Alex Tan Aun Aun who has more than 25 years of multifaceted experience in the banking business, with 10 years' experience in internal auditing. He holds a Bachelor of Commerce (Finance) degree from the University of Toronto and is a member of The Institute of Internal Auditors Malaysia.

The Group Chief Internal Auditor ("Group CIA") reports functionally to the BAC and administratively to the Group Managing Director. To further preserve the independence of the GIA function, the Group CIA's appointment and performance appraisal, as well as the GIA's scope of work and resources, are approved 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.

Summary of GIA's Activities

The main activities undertaken by GIA during the financial year are summarised as follows:

- Prepared the annual risk-based audit plan for RHB Banking Group which includes the audit objectives and scope, and manpower requirements for each planned auditable unit.
- Conducted audits as per the approved audit plan as well as ad-hoc reviews and investigations requested by Management or regulators during the year.
- Audited key areas during the financial year which included the Branches, Credit Underwriting, Business Centres, Treasury Operations, IT Security, Head Office functions, Shariah Compliance, Investment Banking Business, Asset Management, Insurance Business and Overseas Operations.

- d) 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, Outsourcing, Product Transparency & Disclosure and PayNet's applicable rules, procedures and manual for payment and debt securities systems.
- e) Carried out ad-hoc compliance and validation reviews as requested by regulators.
- f) Monitored and followed up through the respective MACs on the timely rectification of any reported audit findings and the underlying causes highlighted by the internal and external auditors, and regulators. The status of any outstanding audit findings is summarised and reported to the BAC on a monthly basis.
- g) Reviewed new or updated policies, procedures and processes as requested by Management to provide feedback on the adequacy of internal control systems.
- h) Participated in system or product development activities to provide recommendations upfront on the relevant control features to be considered by Management.
- i) Assisted the BAC in the annual exercise on the reappointment of external auditors by assessing its independence and potential risk of familiarity threat at all the banking entities within the Group.
- j) Attended Management meetings as permanent invitee on a consultative and advisory capacity to provide independent feedback where necessary on internal control related matters.
- k) Organised the MACs meetings, preparing meeting materials and preparing minutes of meetings for submission to BAC.
- l) Prepared the BAC Report and the Statement on Risk Management and Internal Control for the Bank's Annual Report for the year 2017.

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 2017, GIA has 153 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 2017 amounted to RM24.3 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.

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.

Based on each staff's Individual Development Plan for the year 2017, 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 2017, the internal auditors attended a total of 1,163 days of training, which translates to approximately 7.5 days per auditor.

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 every three years by qualified professionals. The appointment of independent reviewer is subject to the Group's established procurement process and endorsed by the BAC.

The review covered 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 ("IIA") and BNM guidelines.

In end 2016, a leading consulting firm was engaged to conduct an external quality assurance review on GIA. Based on the QAR report issued, GIA's activities conformed with the International Standards for the Professional Practice of Internal Auditing and IIA's Code of Ethics as well as its Definition of Internal Auditing, Internal Audit Charter, Policies, Manual and Procedures. There were also opportunities for improvement recommended which GIA had implemented accordingly.

RISK MANAGEMENT REPORT

OVERVIEW OF 2017

The financial industry continues to operate in a challenging economic environment, as a result of domestic and external headwinds such as political uncertainties and commodity price slump. Although the domestic economy in 2017 has improved, there were still uncertainties on impending implications on global economy stemming from Trump's policies and further rate hikes, both in US and locally.

The financial industry has also seen rapid expansion of digitalisation of banking services, increasing cyber related risks, and the rise of cryptocurrencies such as Bitcoin and Ethereum may present other unexpected risks. The Group remains vigilant and continues to invest in technology platforms, processes and controls to manage the key risks from digitalisation. In order to keep pace with the speed of technologically advanced setting, the Group has also piloted the Agile way of work on selected digital transformation programmes.

On the regulatory development front, 2017 saw continued tightening through issuance of exposure drafts for outsourcing and credit risk, as well as revised guidelines on capital adequacy framework. The Group stepped up efforts towards the adoption of MFRS9 in 2018, and the full Basel III framework in 2019.

KEY HIGHLIGHTS IN 2017

- 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.
- Continued risk culture awareness through introduction of "CURE – Combating Unexpected Risk Events" programme for the Group and its overseas operations including training and awareness campaigns to promote a healthy risk culture.
- Received approval from Bank Negara Malaysia (BNM) to treat the Corporate and Specialised Lending/Financing portfolios of RHB Bank Berhad (RHB Bank) and RHB Islamic Bank Berhad (RHB Islamic Bank) under the Foundation Internal Ratings Based approach for consolidated reporting of regulatory capital requirement at RHB Bank Group level.
- Received approval from BNM to treat the Islamic Term Financing-i Collateralised by ASB portfolio of RHB Islamic Bank under the Advanced Internal Ratings Based approach for consolidated reporting of regulatory capital requirement at RHB Bank Group level.

OUR PRIORITIES IN 2018

Group Risk and Credit Management will focus on:

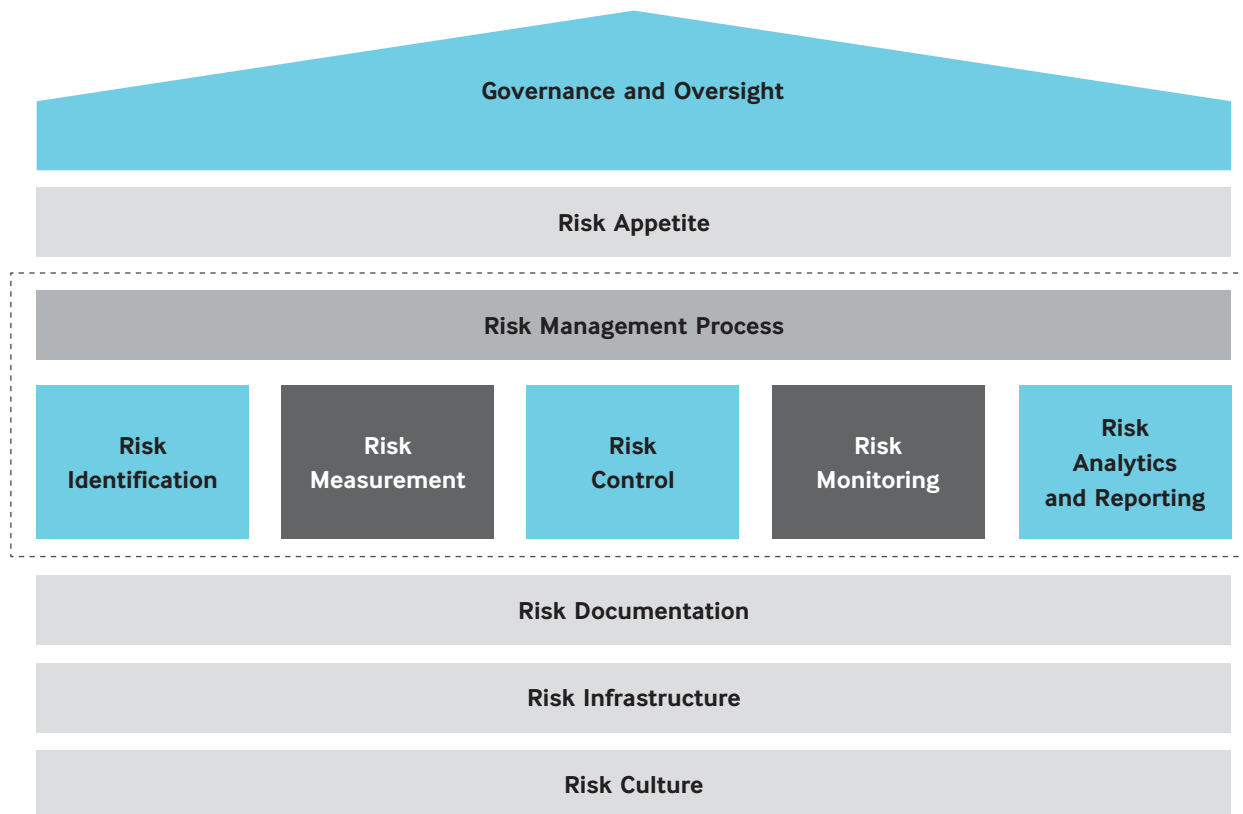
- Strengthening risk controls and infrastructure, focusing on information secrecy, technology risk management and regulatory compliance.
- Inculcating a robust risk culture within the Group, where all staff uphold the right risk values and principles when running daily operation or making a decision.
- Improving the Group's asset quality and enhancing portfolio diversification.

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.

The Group Risk Management Framework is represented in the following diagram:



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

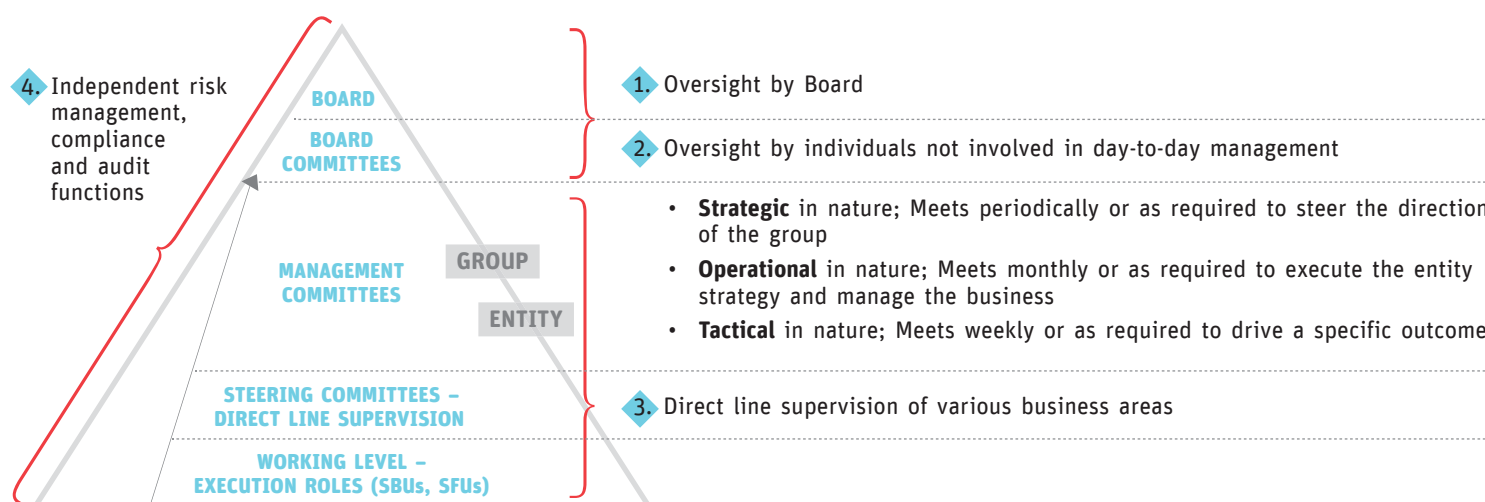
The ultimate responsibility of the Boards of Directors in the Group is to ensure that an effective risk management process is in place which is uniformly understood across the Group. The Group has a structured framework to support the Board's oversight responsibilities.

RISK MANAGEMENT REPORT

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 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 GCRC 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:



RISK CULTURE

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 adopts 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:

Business/Functional Level	<ul style="list-style-type: none"> • Responsible for managing day-to-day risks and compliance issues • Business Risk and Compliance Officer is to assist business/functional unit in day-to-day risks and compliance matters
Group Risk Management & Group Compliance	<ul style="list-style-type: none"> • Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters
Group Internal Audit	<ul style="list-style-type: none"> • Provide independent assurance to the Board that risk and compliance management functions effectively as designed

RISK ENVIRONMENT AND INFRASTRUCTURE

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. 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.

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.

The risk management processes within the Group seek 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.
- **Controlling and Monitoring:** Controls, triggers and limits are used to manage risk exposures and to facilitate early identification of potential problem on a timely basis.
- **Analytics and Reporting:** Risk analysis and reports are prepared at the respective entities and consolidated level as well as business level are regularly escalated to the Senior Management and relevant Boards to ensure that the risks remain within the established appetite and to support an informed decision-making process.

RISK MANAGEMENT REPORT

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation and infrastructure. Towards this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are implemented consistently across the Group.

In terms of risk infrastructure, the Group has organised its resources and talents into specific functions, and invested into the technology, including data management to support the Group's risk management activities.

RISK APPETITE

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 trade finance and its funding, underwritings, investment and trading activities from both on- and off-balance sheet transactions.

Highlights

	2017	2016	Trend
Gross Loans, Advances and Financing (RM'million)	160,124	154,469	↑
Gross Impaired Loans Ratio (%)	2.23%	2.43%	↓
Average Credit Risk Weight (%)	42.7%	43.6%	↓

- Overall, the Group registered an improvement in asset quality, with the Gross Impaired Loans Ratio improving from 2.43% in 2016 to 2.23% in 2017.
- Loans, advances and financing grew by 3.7% year-on-year. This is mainly attributed by the growth of the mortgages and SME loans and financing.
- Average Credit Risk Weight has improved for year 2017.

Moving Forward

Non-Retail:

- Intensive focus on portfolio credit quality to proactively address emerging risks.
- Active management of industry risks through more robust Risk Acceptance Criteria, refinement of Risk Postures and Sectorial Limit.

Retail:

- Periodic review of established limit frameworks and consistent monitoring of credit risk initiatives.
- Regular identification of irregularities and potential process gaps to strengthen the risk policy framework.
- Continue to focus on the enhancement of MIS capability and credit risk measurement tools.

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.

Group Credit Committee ('GCC') is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. GCC is the senior management committee empowered to approve or reject all financial investments, counterparty credit and lending/financing up to the defined threshold limits. Group Investment Underwriting Committee (GIUC) deliberates, approves and rejects stockbroking/equities/futures business related proposals such as equity underwriting, equity derivatives and structured products, and share margin financing.

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 GCC and/or GIUC, (ii) overseeing the management of impaired and high risk accounts, and (iii) approving credit transactions to connected parties up to the defined threshold limits. BCC also endorses policy loans/financing and loans/financing required by BNM to be referred to the respective Boards for approval.

The Group and the Bank also ensure that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units prior to submission to the relevant committees for approval. With the exception of credit applications for consumer and approved products under program lending/financing which can be approved by business units' supervisors, all other credit facilities are subject to independent assessment by a team of dedicated and experienced credit evaluators in Head Office. For proper checks and controls, joint approval is required for all discretionary lending between business and independent credit underwriters. Loans/financing which are beyond the delegated lending authority limits will be escalated to the relevant committees for approval.

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/financing 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/customer 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	2017	2016	Trend
Market RWA (RM'Million)	4,960	4,847	

- Market RWA has increased marginally by 2% on a year on year change.

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.

RISK MANAGEMENT REPORT

Market Risk Management Approach

The Group Asset and Liability Committee (Group ALCO) and GCRC perform a critical role in the oversight of the management of market risk and supports the IRMC and BRC in the overall market risk management. Both committees meet 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

	2017	2016	Trend
Gross HQLA (RM'Billion)	42.43	47.50	↓
Loan-to-Deposit Ratio (%)	96.4%	93.2%	↑
Liquidity Coverage Ratio (%)	117.5%	107.5%	↑

- The decrease in Gross High-Quality Liquid Assets (HQLA) is from better management of 30 days liquidity needs under stress scenario. Despite the reduction in HQLA, Liquidity Coverage Ratio (LCR) improved as compared to prior year.
- Loan-to-deposit ratio (LDR) increased primarily due to increase in loans/ financings. The LDR is maintained at an acceptable level with adequate customer deposits to support loan/financing growth.

- The Group's LCR is at a healthy level, well above BNM's regulatory requirement of 80% and 70% for 2017 and 2016 respectively. The LCR position improved in 2017 due to better liquidity management.

Moving Forward

- Ensure adequate liquidity level is maintained well above BNM compliance requirements and Board-approved liquidity risk appetite.
- Ensure optimal balance sheet structure for complying with LCR and net stable funding ratio respectively.
- 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

	2017	2016	Trend
Operational RWA (RM'Million)	11,517	10,828	↑

- The increase in Operational RWA is driven by higher gross income for the year.

Moving Forward

- Continue Risk Culture awareness training to staff within the Group to enhance their understanding in managing and mitigating risks pro-actively and effectively.
- Strengthen the Business Risk and Compliance Officers (BRCO) 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 to focus in addressing cybersecurity threats and implementing the required mitigations and information security controls.
- Increase attention to infrastructure readiness, compatibility, capacity, security and resiliency to support the increased digitalisation projects and engagement on FinTech initiatives in 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 and Technology 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 Control Testing, 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 MANAGEMENT REPORT

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 211 to 215 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 BNM'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.
- Continue to enhance reporting process in terms of Shariah non-compliance incidents.

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 Division 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 Division, Group Shariah Risk Management, Group Shariah Business 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/benchmark 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 defined as 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 policy. The key elements in the management of reputational risk include:

- Practicing good corporate governance and culture of integrity to promote execution and achievement of corporate strategies and business objective.
- Manage reputational risk within a very low risk appetite with zero tolerance level reporting approach incident that affects the Group's reputation.
- Adopt sound risk management practices that include the practice of building "reputation capital" and earning the goodwill of key stakeholder.
- Maintaining proper mechanisms to monitor and escalate material lapses/breaches of internal and regulatory policies/guidelines that may place the Group's reputation at risk.
- Maintaining proper channels of communication in dealing with internal and external stakeholders.

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.

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.

RISK MANAGEMENT REPORT

Stress Testing

The Group conducts stress testing 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, profitability and liquidity under such scenarios.

Stress testing is conducted at least twice yearly, and additional stress tests may be carried out whenever required. The stress scenarios are regularly reviewed and enhanced to ensure they remain relevant to the nature of the Group's business.

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		
RHB Islamic Bank Berhad	Standardised Approach	Standardised Approach	Basic Indicator 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).

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 phased-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.

COMPLIANCE STATEMENT

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 prudent 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.

The Group's compliance function, which acts as a second line of defense, 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 further 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 vis-à-vis compliance with the Group's standards as well as relevant local laws, regulations and best practices.

COMPLIANCE STATEMENT

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, 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 employed 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, including regional offices, 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 program ("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, undertaking compliance reviews as well as facilitating their respective business units in managing their compliance risk.

KEY INITIATIVES IN 2017

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;
- All employees of the Group are continuously trained and aware of the changes in the regulatory requirements; and
- Where relevant and required, processes are automated to increase efficiency and facilitate a more simplified and effective review process.

The following are some of the key initiatives undertaken by Group Compliance for 2017.

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 has established the AML/CFT risk assessment model which covers the review on AML framework. Our AML/CFT policies and procedures, which establish minimum standards, guidance and direction to our Group to detect and deter ML/TF activities, are constantly reviewed and revised to ensure consistency in managing AML/CFT compliance. Some of the revisions consists of:
 - improved measures and controls with regards to Sanctions on Iran and Democratic Republic of Korea/North Korea
 - improved processes and action plans to deter and detect illegal financial schemes and mule accounts
 - embarking on de-risking of existing customers as a proactive approach to mitigate risk of exposing our Group to ML/TF activities
- ii. The Group continues its effort in recruiting the best talent for AML/CFT roles to ensure successful implementation and continuous enhancement for AML/CFT programmes. At the same time, the Group is focusing on building capacity of its AML/CFT team by increasing the number of staff who possesses AML/CFT professional certifications.
- iii. Continuous awareness and specialised training programmes are provided via e-learning, classroom training, refresher courses and publications for employees of the Group to enrich their knowledge in AML/CFT.

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 2017, various activities involving Shariah reviews, control self-assessment, research, trainings and briefings aimed at creating awareness as well as continuous learning programs were conducted throughout the year with a view to enhance Shariah awareness and compliance surveillance.

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 implemented or enhanced in 2017 were in relation to the Foreign Exchange Administration Rules, conflicts of interest assessment and disclosure requirements, customer on-boarding/KYC processes, conduct of connected party assessment, secrecy and information protection, sales and marketing activities as well as strengthening the control measures in relation to director/employee trading requirements pursuant to 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 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 2017, in addition to focusing on the compliance monitoring activities of the regional offices, Group Compliance has conducted its reviews and assessments on various activities of the Group including but not limited to treasury activities, prohibited business conduct, cross trades and employee trading activities, investment activities conducted for portfolio/funds, underwriting activities, issuance of structured warrants, research activities, transaction monitoring, insurance products developments, insurance underwriting, claims and reinsurance activities and disclosure requirements.

Engagement Sessions with Business Units

As part of its monitoring function, Group Compliance continues to actively engage with the 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 STATEMENT

Compliance Competencies Management

As regulatory requirements evolve and constantly change, knowledge refreshments and enhancements become imperative. Employees of the Group need to continuously be aware and keep abreast of the existing as well as the latest regulatory requirements.

For 2017, the Group has continued with its commitment to inculcate a strong and effective compliance culture across the Group through various initiatives as follows:

(a) Compliance Awareness Programmes

In line with its vision to instill on compliance matters awareness through knowledge sharing and not just through reinforcement of rules, Group Compliance had developed and/or implemented the following programmes for all employees across the Group:

i. Focused training programmes on compliance matters

As per the previous year's practice, various in-house compliance training programmes were organised for the employees of the Group. These programmes were designed upon assessing the training needs of its employees and were more focused towards reducing employee knowledge gaps in certain regulatory requirements. The trainings were conducted both as classroom as well as workshop based sessions to encourage active participation and discussion by employees in relation to compliance related issues and concerns. Some of the training sessions that were conducted in 2017 were in relation to Prohibited Business Conduct, Secrecy Provisions and Permitted Disclosures, Foreign Account Tax Compliance Act, Statistical Reporting Enforcement Framework requirements, Group Chinese Wall and Insider Trading Policy requirements, Common Reporting Standards and Foreign Exchange Administration Rules.

ii. Development of e-learning programmes

In line with its effort to facilitate a more flexible learning environment, Group Compliance also develops e-learning programmes for its employees. These programmes, which are subject-centric, are developed with a view to enrich employees' knowledge in selected areas of concern. Depending on the criticality of the subject matter as well as regulatory requirements, certain e-learning programmes would be made mandatory to ensure that the targeted groups of employees are aware of the requirements and their role in ensuring compliance of the same. The e-learning programmes will also be accompanied with assessments for employees to test their level of understanding of the subject matter. Some of the e-learning programmes that have been implemented and/or being developed include the e-learning in respect of the Group Chinese Wall and Insider Trading Policy requirements, AML/CFT as well as secrecy provisions of the FSA/IFSA 2013 and other applicable regulations in relation to information protection.

iii. Knowledge sharing sessions with Regional Offices

The initiative to promote compliance culture was also extended to the regional offices of the Group. As part of the Risk Culture and Awareness Programme, various sharing sessions were arranged with the regional offices to highlight, amongst others, the importance of compliance risks management, the challenges pertaining to the same as well as the compliance monitoring framework (including policies and processes) that is currently adopted by the Malaysia operations to address those issues. The sessions were also intended to be a platform for the regional offices to raise and discuss the compliance issues faced by them in undertaking their function. The awareness programmes which were successfully conducted for the Hong Kong, Thailand, Cambodia, Laos and Indonesia regional offices also covered various compliance related topics, including the Group Chinese Wall and Insider Trading Policy requirements and AML/CFT.

(b) BRCO boot camp

Following the implementation of the BRCO Programme in 2016, Group Compliance, as part of its effort to assist and train the BRCOs in undertaking their function as the first line of defense, had organised a two day workshop for the BRCOs, focusing on, amongst others, managing conflicts and relationship with the management as well as applying risk and compliance value in undertaking their respective daily business activities.

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 (Malaysia Operations). The project was initiated to accede to the regulatory expectation of Bank Negara Malaysia for a Management Information System that would enable, timely and regular information to detect irregularity and/or any suspicious activity relating to money laundering and terrorism financing.

The system, which has been effectively implemented since 2017, has contributed towards a more cohesive and systematic AML/CFT governance throughout the RHB Investment Banking Group (Malaysia Operations).

Similarly, the AML system has also been extended to the Group's regional offices, namely Cambodia, Labuan and Thailand offices. The AML system will be implemented to the rest of the regional offices commencing from 2018 onwards upon assessing the local regulations of the respective regional offices vis-à-vis AML requirements.

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. With the recent Bank Negara Malaysia's announcement to "name and shame" errant financial institutions and intermediaries by January 2018, it has become even more crucial for the Group to strengthen its existing controls and measures to avoid any breaches and maintain its reputation as well as the orderly conduct of the Bank.

Group Compliance will continue to play its role to further increase its oversight responsibilities 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, had leveraged on the findings of the independent party's review of the Group's compliance risk and AML, which was completed in 2017. 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

As the Group embarks on a journey towards digital transformation and becomes more dependent on online channels, the threats posed by cyber scams, malware attacks as well as risk to information security continues to escalate. Cybercrime is increasing and becoming more sophisticated, more frequent and widespread. To address this, Group Compliance is further strengthening its IT Compliance team and will continuously engage with the business units/IT team of the Group to evaluate, advise and ensure compliance with regulatory requirements in relation to technology and cyber threats/risks.

OUR PRIORITIES IN 2018

- More compliance-focused training and awareness programmes are planned in 2018 to enrich the employee's, 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 compliance monitoring activities for the Group, including regional offices. The initiative will assist the Group in identifying any shortcomings or gaps in the current practices adopted by the business units and regional offices and propose solutions to address as well as streamline the same with the compliance monitoring framework implemented by Group Compliance.

SHARIAH COMMITTEE REPORT

INTRODUCTION

The Shariah Committee is established under RHB Islamic Bank Berhad (“the Bank” or “RHB Islamic 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 Compliance 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.	Assoc. Prof. Dr. Amir bin Shahrudin	Malaysian	Member
3.	En. Mohd Fadhly bin Md. Yusoff	Malaysian	Member
4.	En. Wan Abdul Rahim Kamil bin Wan Mohamed Ali	Malaysian	Member
5.	Pn. Shabnam binti Mohamad Mokhtar	Malaysian	Member
6.	Prof. Dr. Joni Tamkin bin Borhan	Malaysian	Member

Note: Due to the demise of Prof. Dr. Joni Tamkin on 19 May 2017, the Shariah Committee of RHB Islamic Bank has been functioning with five (5) members.

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.

MEETINGS

A total of ten (10) meetings were held during the financial year ended 31 December 2017 which consist of eight (8) regular meetings and two (2) special meetings. All existing 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	10	10
Assoc. Prof. Dr. Amir Shaharuddin	10	10
En. Mohd Fadhly Md. Yusoff	10	10
En. Wan Abdul Rahim Kamil	10	9
Pn. Shabnam Mohamad Mokhtar	10	10
Prof. Dr. Joni Tamkin Borhan**	4	4

** Deceased on 19 May 2017

SHARIAH COMMITTEE REPORT

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 2017:

1. Talk on "Impact of Digital Economy, FinTech & Sustainability as Force of Change"
2. Talk on "Global Perspective on Critical Success & Failure Factors in Islamic Financial Industry in 21st Century Banking"

In addition, the Shariah Committee members have actively participated in conferences and courses held locally and internationally as follows:

- a. 38th Al-Barakah Annual Symposium on Islamic Economics, Jeddah, Saudi Arabia
- b. 1st Salalah International Forum on Islamic Finance, Salalah, Sultanate of Oman
- c. 17th Muzakarah Cendekiawan Syariah Nusantara 2017, Kuala Lumpur, Malaysia
- d. 12th Muzakarah Penasihat Syariah Kewangan Islam 2017 (in conjunction with 14th Kuala Lumpur Islamic Finance Forum (KLIFF) 2017), Kuala Lumpur, Malaysia
- e. Muzakarah Ahli Majlis Penasihat Syariah Institusi Kewangan di Malaysia ke-13, Jabatan Kemajuan Islam Malaysia, Kuala Lumpur, Malaysia
- f. Shariah Investing Forum 2017, Kuala Lumpur, Malaysia

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 REPORT

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 including data and safeguard the interest of its key stakeholders that collectively ensure the viability of the organisation. The Group's Business Continuity Management (BCM) programmes are based on good business continuity practices and guidelines which are in line with 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 plan within the Group. To mitigate the impact of unforeseen operational risk events, the Group has ongoing and actively managed BCM programmes, which include crisis management planning, disaster recovery planning, human resource planning and business continuity planning (BCP) for its major critical business operations and activities at Head Office, data centre and branches. The BCM programmes are subject to regular testing/exercising to ensure efficacy, reliability and functionality, and are the responsibility of the Group Business Continuity Management (Group BCM).

As a precautionary measure, the Group conducts periodic assessments on potential threats, identifies significant threats and implements 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 have been established at Head Office and regional levels, with a clear understanding of their roles and responsibilities, maintaining clear lines of reporting and communication in the event of crisis.

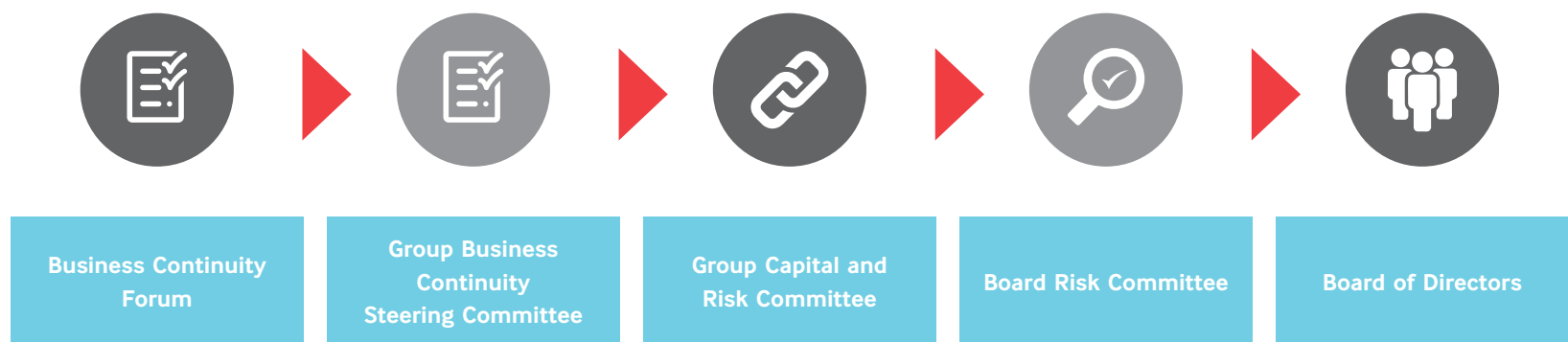
In line with efforts to continuously improve BCM, past incident reviews are carried out to identify lessons learned and take corrective actions or enhancement on crisis management.

Initiatives to establish greater BCM awareness and training including simulation exercises and drills conducted for RHB staff, to familiarise and equip themselves with the skills and techniques required to identify, assess, respond and cope with serious situations especially from the onset and triggering the activation of recovery procedures till returning to normalcy.

We have visited our regional offices in Singapore, Thailand, Indonesia, Hong Kong and Indochina as part of our BCM awareness and training programme in 2017. We conducted BCM briefings, simulation exercises on temperature screening and desktop business continuity simulation exercises. We have also undertaken a Group-wide table-top simulation exercise on crisis communication and crisis management in September 2017. In August 2017, our regional office in Singapore participated in the industry-wide exercise for the financial sector involving simulated terrorist and cyber-attacks (code-named Exercise Raffles) to test its business continuity preparedness.

RHB will continue to strengthen its BCM programmes 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



CORPORATE INTEGRITY STATEMENT

“At the heart of every corporate scandal is the failure of the people at different levels of the institution to uphold the highest standards of ethical behaviour and integrity. This is the reason why organisations need to do more than just comply with rules and regulations.”

– Bank Negara Malaysia’s Assistant Governor Encik Donald Joshua Jaganathan’s Opening Remarks at the IERP Annual Conference 2017 on 23 May 2017

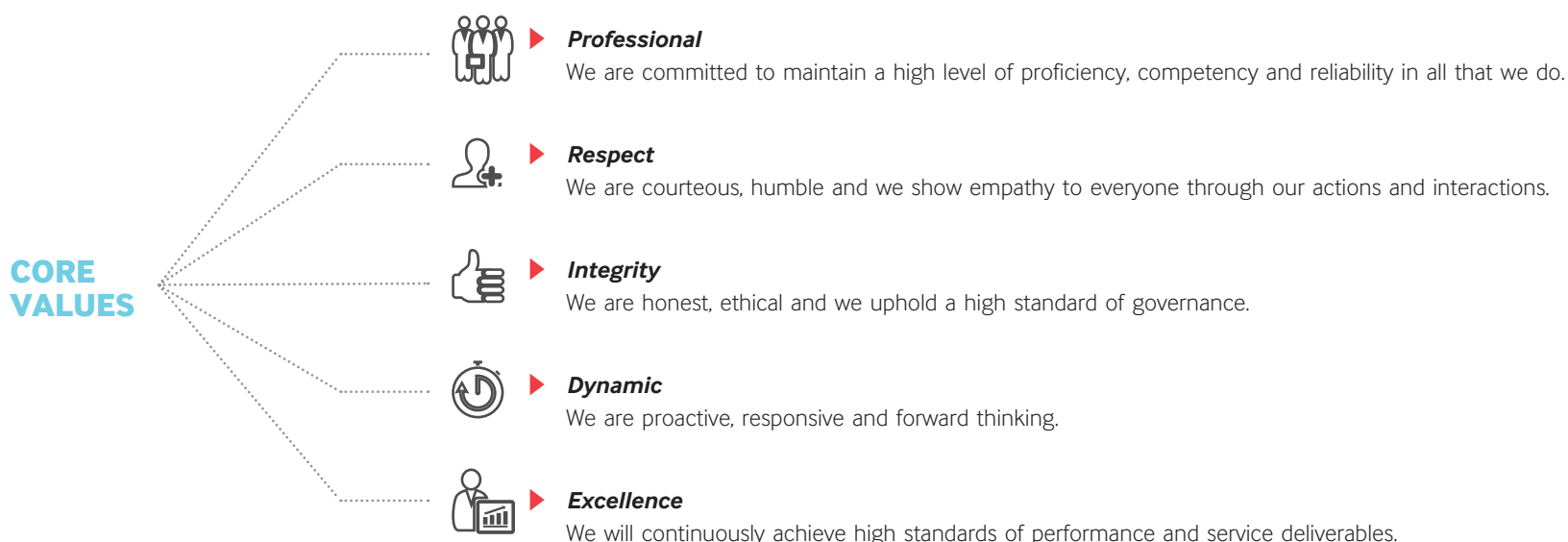
RHB Banking Group (“Group”) firmly supports the anti-corruption efforts of the Government and the Malaysian Anti-Corruption Commission by strengthening its corporate governance and continuously inculcating good ethical business practices among its directors, employees, customers, vendors and other business partners, and in compliance with all relevant laws, inclusive of anti-corruption laws and anti-competition laws. 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 also carries out periodic monitoring on its anti-corruption and anti-fraud programmes to ensure the existing programmes are relevant, effective and efficient to combat such illegal activities. 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:

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 253 to 254 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, Group Legal & Secretariat for update in the main register.

Employees are expected to exercise good judgement when accepting gifts and hospitality from customers, 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.

Corporate sponsorships and donations are allowed as long as the internal guidelines are strictly followed. The sponsorships are financial or other forms of assistance by the Company to eligible organisations, societies or groups to further its corporate responsibility or enhance its business rapport and business relationship with the recipients, while donations are contributions in kind or money for charity or social responsibility programmes. Activities which, and organisations who promote unhealthy lifestyle and discriminate on the basis of gender, race or religion, and those involving political contributions in nature, however are **ineligible** for these corporate sponsorships and donations.

CORPORATE INTEGRITY STATEMENT

PROCUREMENT STATEMENT

RHB Banking Group is committed to conduct business with P.R.I.D.E. 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. The Group 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 organisation.

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

- Ensure all staff have a good understanding of the Group procurement governance spirit and intent
- Ensure all staff have a good understanding of the Group 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 the Group 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, among others, 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 functional units 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 AND TRAINING

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.

The Group via its RHB Academy offers "Ethics at Work" courseware under Harvard ManageMentor platform and "Introduction to Ethics in Banking" classroom training by Asian Banking School to all its employees.

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 distance 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 courseware, 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 & hospitality and whistleblowing policy & escalation channels, including briefing and training sessions to the new on-boarding employees and directors, 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 2017, Group Human Resources, Group Compliance, Group Operational & Technology Risk Management and Group IT Security from time to time also issued 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 and to safeguard those data from phishing and intrusion activities from malware and threats from other cyber-attacks, especially on 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 were shared through morning briefing sessions and e-mails. What the employees should do or done differently when encounters such fraud incidences were also illustrated to them as part of the guidance and awareness initiatives. Knowledge sharing with the employees on **red flags** of possible mule bank account activities enabled them to understand and identify certain patterns of alarming transactions, while guidance on how to deal with potential suspects or suspicious transactions enabled them to avoid and prevent unintentional tipping-off incidents.

In addition, external experts were brought in to create awareness and share most recent trends and modus operandi on 'Anti-Bribery & Corruption' (in May 2017) and 'Cyber-Threat: Latest Trends & Preventive Measures' (in September 2017) as part of the continuous awareness initiatives. The abovementioned periodic communications and awareness programmes 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 "Excellence Award for Corporate Governance Disclosures" at the Minority Shareholder Watchdog Group ("MSWG")-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2017 in Kuala Lumpur, Malaysia and being ranked Top 6 among the Malaysian Public Listed Companies for three consecutive years since 2015. 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 BUSINESS ETHICS AND CONDUCT

“Business ethics has become a popular topic in the world of finance. We must be careful not to pay lip service to the hype. We must be careful not to pretend that it can be addressed with simplistic solutions. We must instead take a holistic, thoughtful and realistic approach in building a culture of professionalism and ethics.”

– Bank Negara Malaysia’s Deputy Governor Datuk Shaik Abdul Rasheed Abdul Ghaffour’s
Remarks at the AIF-FSBP Business Ethics Conference 2017 on 24 April 2017

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+ 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:

- i. Avoid Conflicts of Interest, or potential Conflicts, between personal interests and the interests of the Group, its shareholders or Customers;
- ii. Avoid misuse of position by Employees;
- iii. Keep Material Non-Public and Price Sensitive Information confidential and secure;
- iv. Avoid misuse of Material Non-Public and Price Sensitive Information relating to securities or other financial instruments;
- v. Ensure completeness and accuracy of the relevant records;
- vi. Properly caring for and protecting the Group’s property and assets; and
- vii. Prompt reporting of any knowledge or information about unethical business conduct and suspected commission of crimes.

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 core shared 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 should be escalated to appropriate channels, namely **grievance** channel or **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 behaviours 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



CREATING SUSTAINABLE VALUE

We take our responsibility to act with integrity and give back to our communities seriously. By engaging with our many stakeholders, we are able to respond to their different expectations, meet their changing needs and strengthen our ties with them. We will carry out our business in a socially responsible and holistic manner to ensure continued growth and success for the benefit of present and future generations wherever we operate.



SUSTAINABILITY STATEMENT

SUSTAINABILITY AT RHB

SUSTAINABILITY IS AN INTEGRAL PART OF OUR TENETS; WE BELIEVE IN CREATING ENDURING VALUE FOR OUR SHAREHOLDERS, CUSTOMERS, EMPLOYEES AND ALL OTHER STAKEHOLDERS WHILE CONTRIBUTING TO THE THREE PILLARS: ECONOMIC, ENVIRONMENT AND SOCIAL.

INTEGRATED INTO OUR BUSINESS OPERATIONS, SUSTAINABILITY GUIDES US IN EVERYTHING WE DO, FROM THE SERVICES WE PROVIDE TO OUR CUSTOMERS TO THE WAY WE RUN OUR BUSINESS, SUPPORT LOCAL COMMUNITIES AND ADVANCE THE FINANCIAL SERVICES INDUSTRY.

SUSTAINABILITY GOVERNANCE

The Board of Directors plays an integral role in determining RHB Banking Group's strategic direction and regard sustainability as a key component of the Group's business and operations. Monthly reviews are conducted on business performance, risk management, compliance, sustainability matters and other areas by the Board.

The Group Managing Director and Senior Management assume direct oversight of the Group's sustainability practices, decision making and performance. The Group Management Committee meets on a monthly basis to discuss key agenda that is imperative to the Group's sustainability objective.

SUSTAINABILITY PRINCIPLES

KEY PRINCIPLES DRIVING SUSTAINABILITY TARGETS

ECONOMIC



Sustaining a well-balanced ecosystem for the growth of our business and the nation.

ENVIRONMENTAL



Driving operational excellence with emphasis on environmental protection.

SOCIAL



Creating sustainable value for our shareholders, customers, employees, and the communities.

GOVERNANCE



Sustainability governance is a driver for excellence.

MATERIALITY MATTERS

RHB's materiality exercise outlines the process for assessing and identifying the most material aspects of sustainability. This process highlights potential risks and opportunities that can influence the Group's major sustainability reporting decisions.

ABOUT OUR 2017 MATERIALITY ASSESSMENT PROCESS

Stakeholders' interests and expectations guide the way in which we identify our material aspects. Regular stakeholder engagement helps us understand topics that are most important to them and those that have the highest impact.



How do we identify areas of importance to our stakeholders?



- **Board of Directors and Senior Management**
 - Annual strategic consultation.
 - Discussion at the monthly Board of Directors and Group Management meetings.
- **Employees**
 - Engagement with Senior Leaders at our quarterly Senior Leadership Forum.
 - Annual town hall and engagement initiatives with our talent and all our employees domestically and regionally.
 - Employee engagement survey.
- **Customers**
 - Focus group discussions.
 - Annual customer satisfaction survey.
- **Suppliers, Service Providers and Vendors**
 - Quarterly meetings and discussions.
- **Regulators**
 - Regular discussions and consultations.
- **Government Bodies and NGOs**
 - Collaboration and focus group discussions.
- **Communities**
 - To engage and develop local communities.



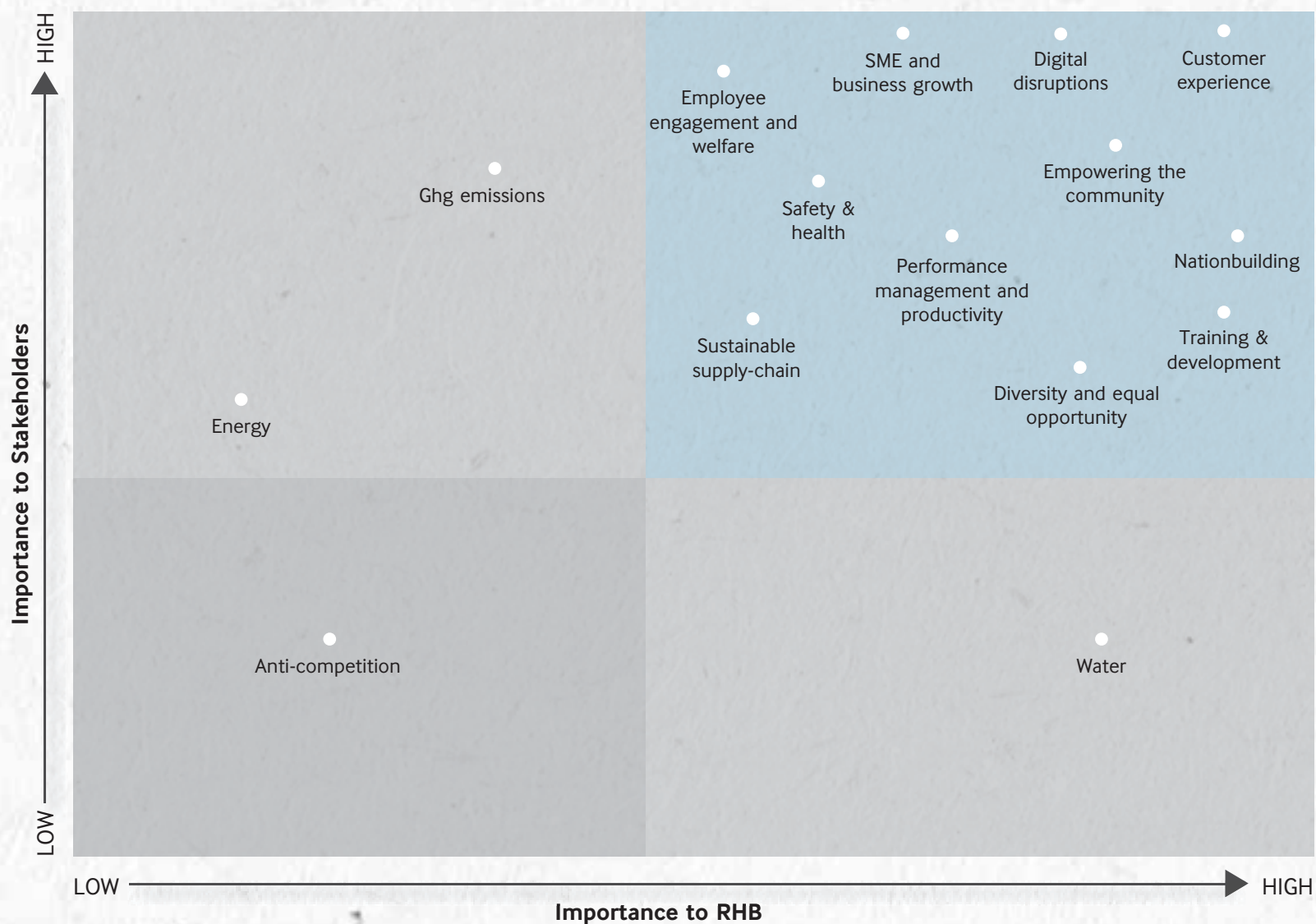
How do we identify areas that are most impactful to our business goals?



- Financial risk assessment, enterprise risk mapping, sustainability priorities, business strategy, matters impacting brand value, return on investment (ROI) study and competitive advantage.
- **Key economic drivers:**
 - Determine strategic direction and key growth areas.
 - Determine competitive advantage and key value drivers.
 - Enterprise risk mapping.
 - Financial risk assessment.
 - Good sustainable practices.

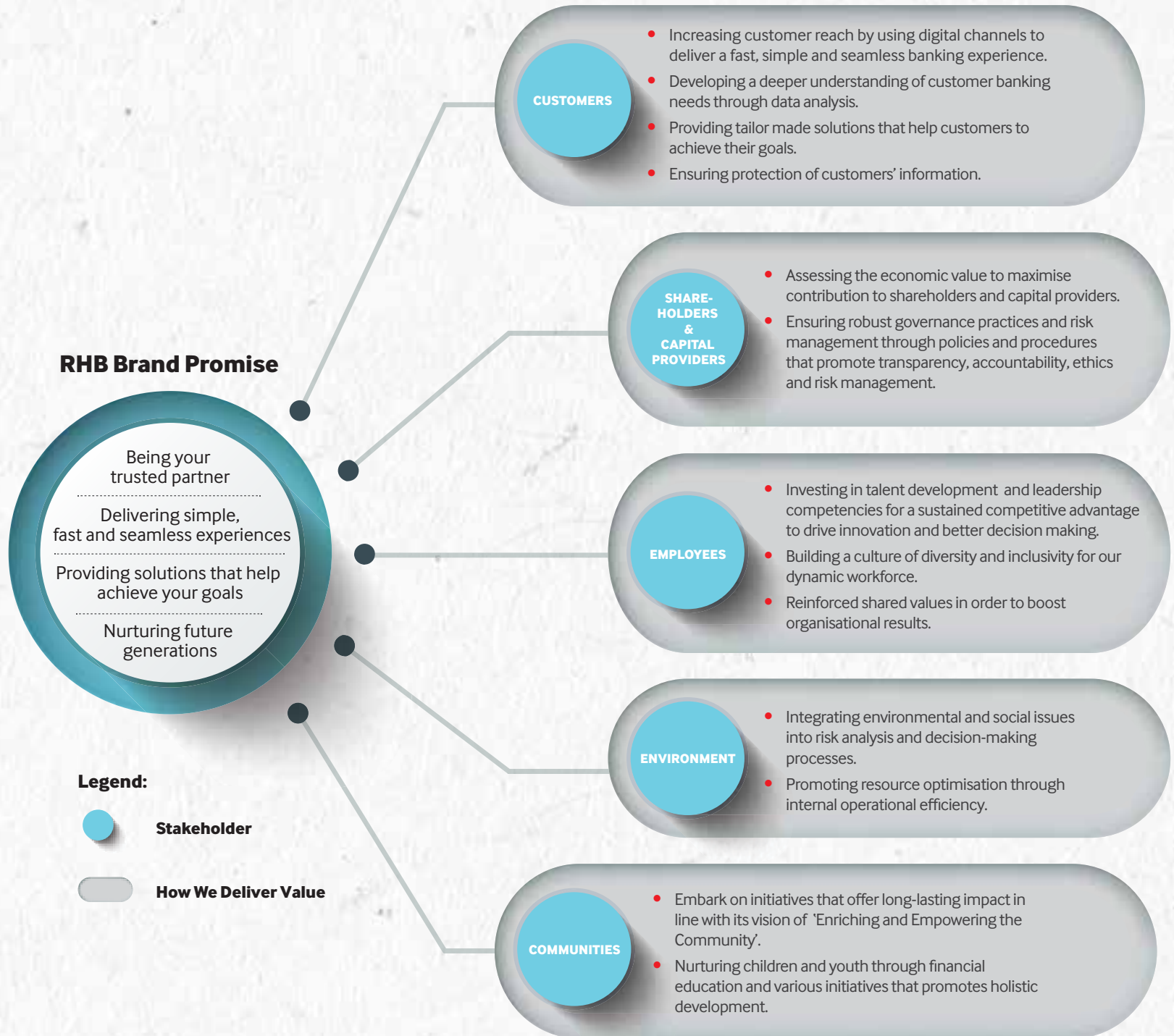
SUSTAINABILITY STATEMENT

Matrix below presents the result of our materiality study. Social, environmental and economic aspects that are most important to our stakeholders and on which our business has the highest impact are given greater priority in our reporting. Details of our performance in each of these sustainability areas can be found in RHB Sustainability Report 2017.



* Full disclosure of our sustainability initiatives can be found in the RHB's Sustainability Report 2017

VALUE CREATION MODEL



KEY SUSTAINABILITY INITIATIVES AND ACHIEVEMENTS

For over a 100 years, our strong heritage is the foundation of our commitment in our sustainable journey focusing on economic, environmental and social aspects. We are proud to share the important sustainability milestones achieved during the year. As we continue to progress together, we are committed to driving sustainable performance through delivering long-term value to our stakeholders.



ECONOMIC

- ▶ Our strategic partnership with Credit Guarantee Corporation Malaysia Berhad (CGC), made us the first bank in Malaysia to provide Wholesale Guarantee Islamic (WG-i) Bumi, a scheme for Bumiputera SMEs.
- ▶ A total of RM31.35 million was invested in two PR1MA projects in Kelantan in 2017, to support the Bumiputera Economic Transformation Roadmap 2.0 (BETR 2.0).
- ▶ RHB provided financing assistance to 786 eligible individual and families in the priority segment, exceeding our target of 400 in supporting the government’s efforts to encourage first time house buyers.
- ▶ RHB Digital Transformation Programme (DTP) was launched in April 2017, aimed at enhancing the Group’s customer-centric culture through digitalisation.



ENVIRONMENTAL

- ▶ Electricity consumption at RHB Banking Group Headquarters and RHB Bank Complex Bangi reduced by 12.96% as a result of energy-saving initiatives.
- ▶ Between 2015 and 2017, RHB Banking Group Headquarters and RHB Bank Complex Bangi reduced water consumption from 181,936m³ to 177,118m³.
- ▶ RHB collaborated with Universiti Putra Malaysia (UPM) in planting 400 Agarwood (*gaharu*) trees within UPM’s grounds for conservation and research purposes.



SOCIAL

▶ **Community:**

- Refer to page 235.

▶ **Workplace**

- Employee Value Proposition (EVP) – Rooted in the five pillars of RHB Cares, RHB Leads, RHB Inspires, RHB Progresses and RHB Rewards (CLIP-R) to strengthen our employer brand and increase talent retention. RHB turnover rate has decreased by 4.1% in 2017 compared to the previous year.
- Enhancing gender diversity – Our recruitment strategies provide career opportunities irrespective of race, religion or gender.

▶ **Human Rights**

- RHB Staff Welfare Fund (RHBSWF) – Provides financial assistance to 5,000 contributing members who require financial aid including natural disaster, medical assistance, demise of an immediate family members, etc.
- RHB’s Code of Conduct and Ethics – There have been no incidents of discrimination, risk to freedom of association and collective bargaining, risks of child, forced or compulsory labour and no violations of human rights involving the rights of indigenous people at any time in the Company’s history.

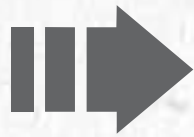
▶ **Product Responsibility**

RHB has in place process and procedures pertaining to customer management encompassing;

- Customer Resolution Framework: A formal process of managing feedback and resolving issues in relation to the Group’s products and services.
- Product Disclosure Guideline: A comprehensive guideline that governs disclosure of information to our customers on the Group’s products and services to enable them to make informed decisions on the products being offered.
- Personal Data Protection Act: To ensure the confidentiality of customers information at all times.

RHB FOUNDATION

RHB Foundation was established in December 2015, primarily to drive the Group's community engagement initiatives, focusing on underserved and underprivileged members of the community with a special emphasis on children and youth.



VISION

Enriching and Empowering the Community.

MISSION

- To carry out initiatives that will enrich and empower the underserved and the underprivileged members of the community, transcending cultural, race, religion and gender differences.
- To promote and preserve the Malaysian arts and cultural heritage.

The Foundation is a non-profit legal entity which is governed by a Board of Trustees comprising the following members:



Dato' Khairussaleh Ramli
Chairman
Non-Executive Member



Tan Sri Dato' Dr. Yahya Awang
Independent
Non-Executive Member






Datin Yap Siew Bee
Independent
Non-Executive Member

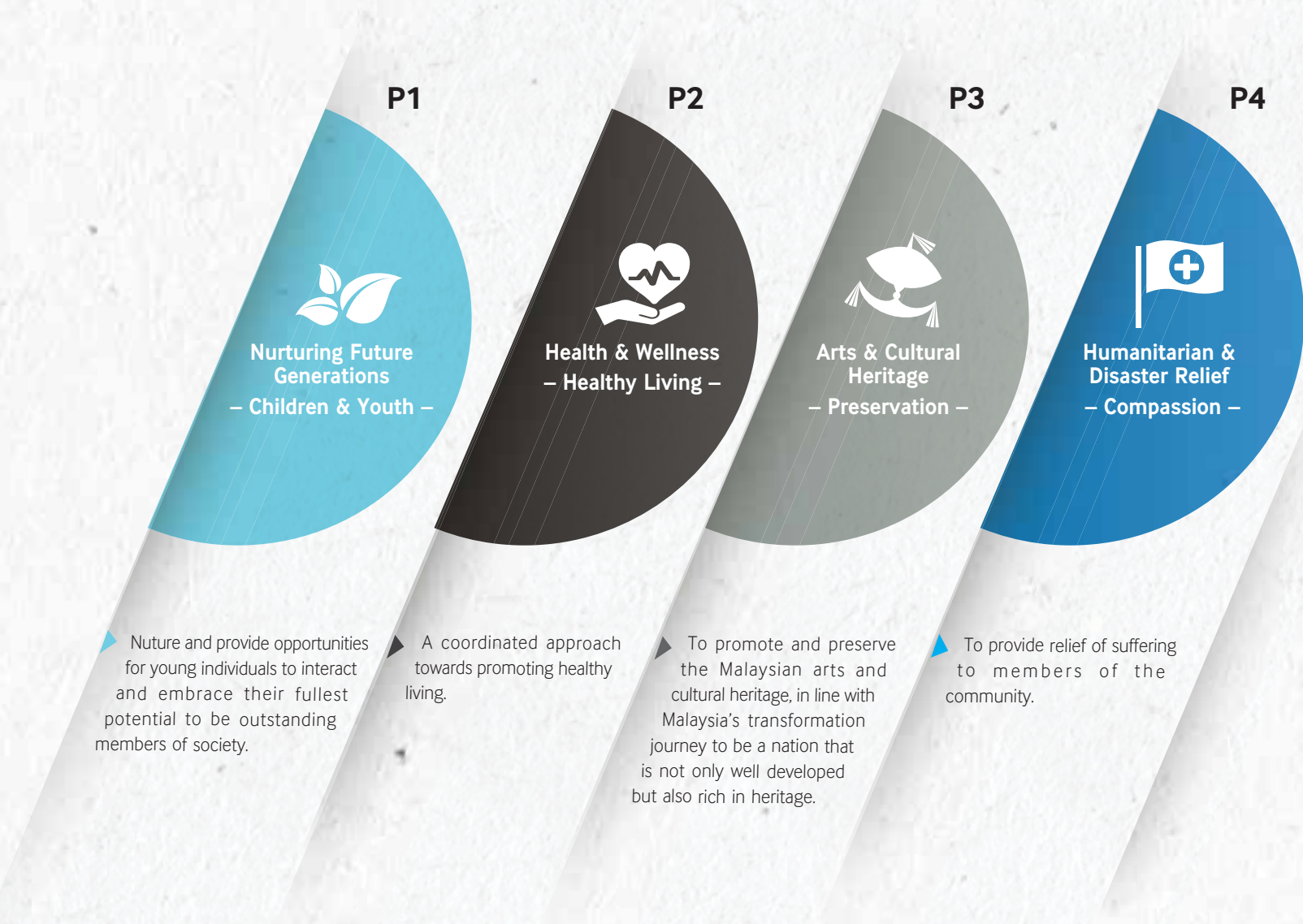


Norazzah Sulaiman
Chief Executive Officer

OUR CORPORATE RESPONSIBILITY PHILOSOPHY

-  To carry out sustainable initiatives that generate and 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.

THE KEY PILLARS OF THE GROUP’S CORPORATE RESPONSIBILITY



KEY COMMUNITY INITIATIVES AND ACHIEVEMENTS



In the last 10 years, approximately RM88 million was invested in helping the community. Our programmes have impacted more than 26,000 beneficiaries including the underserved, underprivileged, disabled children and youth as well as deserving members of the community.

In 2017, RHB Banking Group and RHB Foundation carried out various corporate responsibility initiatives under its pillars:



► Nurturing Future Generations

- **Focus area:** Education, infrastructure, health & wellness and environment.
- **Beneficiaries:** 24,000 members of the community mainly the underserved, underprivileged and disabled children and youth.
- **Programmes:** RHB Touch Hearts (Community Weekend), *Mesra* Programme, The Spell it Right (SIR) Challenge and RHB-Straits Times National Spelling Championship (NSC).



► Arts & Cultural Heritage

- **Focus area:** Promoting local arts and nurturing cultural heritage.
- **Beneficiaries:** 28 local emerging artists featuring 104 artworks were featured in our Art with Heart Exhibition.
- **Programmes:** RHB's 'Art with Heart'.



► Health & Wellness

- **Focus area:** Championing diabetes awareness and promoting healthy lifestyle.
- **Beneficiaries:** More than 1,000 members of the community
- **Programmes:** Diabetes Health Screening Roadshow, Diabetes Health Talk for School Children and Teachers and Bootcamp for Children Suffering from Type 1 Diabetes.



► Humanitarian Assistance & Disaster Relief

- **Focus area:** Providing aid to deserving members of the community, disaster relief during earthquakes, floods and natural disasters.
- **Beneficiaries:** About 1,000 underserved and underprivileged members of the community.
- **Programmes:** Financial aid to single mothers and less fortunate members of the community during festive seasons, giving financial assistance and other forms of relief to families during a natural disaster.

We invite you to explore how we have reached out and touched lives in the communities in which we operate. The Group's Corporate Responsibility initiatives can be found in the RHB Sustainability Report 2017.

SIGNIFICANT EVENTS 2017

SIGNIFICANT DEALS AND COLLABORATIONS



12 APRIL 2017



RHB Bank & Funding Societies cemented a partnership for the first ever P2P platform for SMEs/Small businesses in Malaysia



19 APRIL 2017

RHB Islamic Bank signed an agreement with PR1MA to provide financing facilities totalling RM31.35 million to part finance two PR1MA projects in Kelantan



22 MAY 2017



RHB Bank signed an agreement with Brunsfield International Group to participate in the RHB Financial Supply Chain which provides convenient and seamless online platform for financing and payment solution worth RM60 million



7 JUNE 2017

RHB Islamic Bank signed an agreement to collaborate with Iskandar Regional Development Authority (IRDA), to spur growth in Johor's SME ecosystem. This collaboration will manage a RM11.5 million fund from Unit Peneraju Agenda Bumiputera (TERAJU) for the SME Micro Financing (IMProUD3) and Facilitation Fund (IMProUD1&2). IRDA's Dana Usahawan Dinamik Iskandar Malaysia (IMProUD) is offered to boost the capital strength and vitality of small SMEs in the region by offering microfinancing deals at a low financing cost. This collaboration helps RHB Islamic reach out to more SME customers in the Southern Region



21 JUNE 2017



RHB Islamic Bank participated in the RM2.5 billion Syndicated RC/RM5 billion Sukuk, while RHB Investment Bank is the Joint Lead Arranger for the Sukuk



7 AUGUST 2017



RHB Islamic Bank signed an agreement with IAP Integrated Sdn Bhd for the Investment Account Platform (IAP), a joint regulator-industry initiative spearheaded by Bank Negara Malaysia



18 AUGUST 2017

RHB Islamic Bank collaborated with Credit Guarantee Corporation Malaysia Berhad (CGC) for the Wholesale Guarantee-i Scheme



30 OCTOBER 2017



Signing ceremony between RHB Islamic, PBT Pengerang and MSC Cyberport Johor to provide total e-solutions in managing its payment and collection services. RHB Islamic will be providing Financial Supply Chain Solutions to more than 40 vendors within the PBT Pengerang community



23 NOVEMBER 2017

RHB Islamic Bank signed a strategic partnership with Brainy Bunch International Montessori to inculcate the habit of saving money in children. The partnership will see a three month long Current Account Savings Account (CASA) Campaign Promotion for students as well as parents and staff of Brainy Bunch through the RHB Children Account-i and RHB Smart Account-i

OTHER SIGNIFICANT COLLABORATIONS WITH RHB INVESTMENT BANK

During the year RHB was involved in several significant deals:

- Edra Energy Sdn Bhd RM5.085 billion issuance out of RM5.23 billion. Sukuk Wakalah Programme (Joint Lead Manager)
- Dana Nasional Berhad RM4.5 billion IMTN issuance out of RM46.0 billion ICP/IMTN Programme (Joint Lead Arranger and Joint Lead Manager)
- Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) RM3.5 billion sukuk issuance out of RM25.0 billion. Sukuk Murabahah Programme (Joint Lead Arranger and Joint Lead Manager)
- Sarawak Energy Berhad RM8.1 billion Acquisition of equity interest in Sarawak Hidro Sdn Bhd from Ministry of Finance Inc. and Federal Land Commissioner (Sole Advisor)

AWARDS AND ACCOLADES



24 FEBRUARY 2017



RHB Bank emerged winner in the PNB Starz Awards in the following categories:

- Highest number of Transactions
- Referral Award
- Systematic Investment Plan ONLINE BANKING
- Highest Sales (Financial Advisor) for all variable product by agent



JULY 2017

- Won Digital Banking Initiatives of the Year for Malaysia at the 12th Asian Banking and Finance Retail Banking Awards 2017



22 FEBRUARY 2017



RHB Islamic Bank won 2 significant awards at the Islamic Finance News Awards 2017 for its role as Lead Arranger in the TNB Energy Services Sime Darby Renewable Energy Project

- Project & Infrastructure Deal of the Year
- Malaysia Deal of the Year



5 OCTOBER 2017



RHB Islamic was awarded the Most Outstanding Islamic Corporate Banking and Most Outstanding Islamic Project Finance Product (Sime Darby TNBES Renewable Energy Term Financing-i Facility) at the 14th Kuala Lumpur Islamic Finance Forum



14 SEPTEMBER 2017



RHB Banking Group won numerous awards at the Alpha Southeast Asia's 11th Annual Best Financial Institution Awards

- Best Trade Finance Bank – Group Business & Transaction Banking, RHB Bank Berhad
- Best Retail Broker – Group Retail Securities & Futures, RHB Investment Bank Berhad
- Best Small to Mid-Cap Corporate Finance House – RHB Securities Singapore Pte. Ltd.
- Best Small to Mid-Cap Corporate Finance House – RHB Securities Singapore Pte. Ltd.

SIGNIFICANT EVENTS 2017

AWARDS AND ACCOLADES (CONTINUED)



11 JULY 2017



RHB Investment Bank won 4 awards at the Asset Triple A Islamic Finance Awards

- Most Innovative Deal of the Year
- Best Project Finance Deal
- Best Debut Sukuk
- Best Government-Guaranteed Sukuk



11 JULY 2017

- Research Malaysia – ranked No. 1 in 4 categories. Best Economist, Best Strategist Team, Best Economics Team and Best Small Caps Team
- Research Singapore – ranked No. 1 in 13 categories
- Best SME Bank: Islamic Business and Finance Southeast Asia Awards 2017



DECEMBER 2017



RHB Asset Management won big at the 2017 Thomson Reuters Lipper Fund Awards. The coveted awards recognise funds and fund management firms that have excelled in providing consistently strong risk-adjusted performances relative to their peers over a three, five and 10-year period.

- For the second consecutive year, the RHB Islamic Bond was recognised as the best performing MYR Bond for all three time frames in the Islamic Fund (Malaysia) category
- Achieved excellence in the newly introduced Provident Fund Category, with RHB Smart Income Fund named Best Mixed Asset MYR Conservative in the 10-year period
- Awarded Best Bond Group



20 JULY 2017



RHB Bank won Company of the Year Award (Listed Financial Institution) for Championing Corporate Social Responsibility initiatives at the CSR Malaysia Awards 2017



6 DECEMBER 2017



RHB Banking Group won 3 significant awards on good corporate governance practices & disclosure at the MSWG ASEAN Corporate Governance Recognition Awards.

- The Excellence Award for CG Disclosure 2017
- The Merit Award for Board Diversity
- The Merit Award for Most Improved CG Disclosure



- RHB Research Institute Singapore won 10 awards at the Asiamoney Brokers Poll 2017 including Best Small Cap Analyst

CORPORATE & CUSTOMER ENGAGEMENT ACTIVITIES



19 JANUARY 2017

RHB Investment Bank held a Corporate Day for their corporate customers with the theme 'Domestic Spending – A Key Catalyst for 2017'



14 OCTOBER 2017



RHB Golf Classic 2017 raised more than RM100,000 for 10 charitable homes



8 FEBRUARY 2017/12 JULY 2017



RHB Banking Group hosted a Chinese New Year and Hari Raya Open House for their customers and business partners



26 APRIL 2017



RHB Bank Berhad's 51st Annual General Meeting



7 NOVEMBER 2017



RHB Investment Bank hosted a Post 2018 Budget Discussion with Fund Managers attended by YB Datuk Seri Johari Abdul Ghani, Menteri Kewangan II



5 JULY 2017



RHB Regional Conference: "ONE BELT, ONE ROAD, ONE ASIA"



30 NOVEMBER 2017



RHB Bank officially opened its RHB Bank Tanjung Tokong Branch, the 7th RHB Bank Branch on Penang island, and the 24th in the Northern Region and our 209th branch nationwide. This branch also houses the Bank's Premier Banking Centre focusing on providing services to its affluent and high net worth customers



15 APRIL 2017



The RHB Shimano LEKAS Highway Ride 2017 saw more than 4,000 cycling enthusiasts competing in Malaysia's No 1 closed highway night cycling event at the Kajang Selatan Toll Plaza, LEKAS Highway E21



29 JULY 2017



RHB-TERAJU Golf Tournament saw the teams engaging in an exciting round of golf to foster closer rapport

SIGNIFICANT EVENTS 2017

PRODUCT PROMOTIONS & LAUNCHES



1 MARCH 2017



RHB Bank launched its RHB Smart Account & Smart Account-I, offering another simple, fast and seamless experience for customers



10 MAY 2017



RHB Insurance launched its Roadside Assistance Insurance Plan that covers an insured person against loss of life or bodily injuries caused by a sudden and unforeseen accident



21 OCTOBER 2017



RHB Insurance launched its MediSure Roadshow with a series of fun activities



20 APRIL 2017



RHB Investment Bank launched its latest edition of the 2017 ASEAN 100 Small Cap Jewels publication intended to provide important insights on the potential of smaller capitalised companies to the investing community



15 NOVEMBER 2017



RHB Bank launched its Justice League themed Debit Cards with a special movie screening

KARNIVAL KEWANGAN



RHB Banking Group participated in several Karnival Kewangan and Invest Smart Malaysia throughout 2017. These included:



13 – 15 JANUARY 2017

Karnival Kewangan Kuala Lumpur



4 AUGUST 2017

Karnival Kewangan Sabah



13 – 15 OCTOBER 2017

Invest Smart Malaysia

DIGITAL INITIATIVES

 **27 APRIL 2017**

RHB Startupbootcamp Cohort Visit & Social saw start-ups meeting with key decisions makers within RHB and gain a clearer understanding of potential opportunities for working together



 **8 JUNE 2017**

RHB launched its Digital Academy to accelerate the Group's digitalisation efforts



 **28 – 30 JULY 2017**

RHB hosted the RHB Startupbootcamp FinTech Hackathon



 **26 SEPTEMBER 2017**



RHB Bank collaborated with RinggitPlus to introduce Chat Box – the first real-time messenger style platform in South East Asia to familiarise personal loan applications

 **8 NOVEMBER 2017**



Launch of RHB MyHome App and Banking at Your Doorstep

LEADERS WHO INSPIRE

 **5 JUNE 2017**



A Leadership Conversation with YAM Tunku Ali Redhaudin Ibni Tuanku Muhriz

ZAKAT PRESENTATION



Throughout 2017 RHB Islamic Bank presented its zakat contributions to the states of Wilayah Persekutuan, Pahang, Perlis, Melaka and Sarawak



 **13 SEPTEMBER 2017**



A Leadership Conversation with YBhg Dato' Sri Idris Jala

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 in 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 then Prime Minister, Tunku Abdul Rahman on 10 September. 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

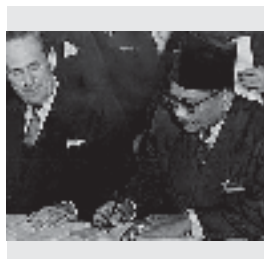
Malayan Banking buys 30% of Kwong Yik Bank's issued capital.

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 Islamic provides e-solutions to PBT Pengerang



RHB eyes 20,000 unique visitors for SME online portal

RHB Islamic provides e-solutions to PBT Pengerang

RHB eyes double-digit growth for SME, trade financing biz



RHB Islamic provides e-solutions to PBT Pengerang

RHB Foundation raises awareness of diabetes

RHB Foundation has organized a health awareness campaign to help people understand the risks of diabetes and how to prevent it. The campaign is part of the foundation's commitment to social responsibility and community development.



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Highway ride to attract more cyclists



RHB Foundation has organized a health awareness campaign to help people understand the risks of diabetes and how to prevent it. The campaign is part of the foundation's commitment to social responsibility and community development.

Second water source for Kampung Broga

Bank provides access to clean and fresh water supply to ease the daily lives of orang Asli villagers



Bank provides access to clean and fresh water supply to ease the daily lives of orang Asli villagers

Jelajah hari diabetes dapat sambutan

Diabetes name health seminar serpi pi juga jelajah periboga sebagai sambutan



RHB Foundation has organized a health awareness campaign to help people understand the risks of diabetes and how to prevent it. The campaign is part of the foundation's commitment to social responsibility and community development.

ART FROM THE HEART



RHB Foundation has organized a health awareness campaign to help people understand the risks of diabetes and how to prevent it. The campaign is part of the foundation's commitment to social responsibility and community development.

Usaha sama RHB Islamic, IRDA

RHB Islamic and IRDA have joined forces to support the development of the SME sector in Johor. The partnership aims to provide financial support and technical assistance to SMEs, helping them to grow and create jobs.

to give prediabetics

RHB Foundation has organized a health awareness campaign to help people understand the risks of diabetes and how to prevent it. The campaign is part of the foundation's commitment to social responsibility and community development.



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RHB Banking Group's newly-launched five-year plan FIT22 is poised to boost its SME retail loan business to 75 per cent by 2022 from 69 per cent currently.

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BOOST FOR RHB HOME FINANCING

MyHome App to provide convenience of mortgage applications and documents submissions via smart devices

RHB Bank Bhd is targeting to grow its home financing portfolio by up to 10 per cent over the next five years. The bank is investing in digital solutions to improve the customer experience and streamline its operations.



RHB Banking Group is launching the RHB MyHome App, which allows customers to apply for mortgages and submit documents online. The app is designed to be user-friendly and secure, making the home financing process easier and faster.



Joint Gold Winner on

'Best Governed & Most Transparent Award'

in The Global Good Governance Awards 2017, organised by The Pinnacle Group International on 30 March 2017



WINNER OF 'EXCELLENCE AWARD FOR CORPORATE GOVERNANCE DISCLOSURE' IN THE MSWG-ASEAN CORPORATE GOVERNANCE RECOGNITION AWARDS 2017

- Top 6 Malaysia PLCs

MOST OUTSTANDING ISLAMIC CORPORATE BANKING

MOST OUTSTANDING ISLAMIC PROJECT FINANCE PRODUCT

[14th KL Islamic Finance Forum](#)



MERIT AWARD FOR BOARD DIVERSITY

MERIT AWARD – MOST IMPROVED CORPORATE GOVERNANCE DISCLOSURE

[Minority Shareholder Watchdog Group Awards](#)

NON-TRADITIONAL ANNUAL REPORT AWARD CATEGORY: BANKS: REGIONAL GOLD AWARD

[ARC Awards International XXXI](#)



EXCELLENCE AWARD FOR CORPORATE GOVERNANCE DISCLOSURE**MERIT AWARD FOR MOST IMPROVED CORPORATE GOVERNANCE DISCLOSURE****MERIT AWARD FOR BOARD DIVERSITY**

Minority Shareholder Watchdog Group (MSWG) Awards

MERIT AWARD

National Annual Corporate Report Awards ("NACRA")

BEST GOVERNED AND MOST TRANSPARENT COMPANY (GOLD)

Global Good Governance Awards

BEST COMPANY TO WORK FOR IN ASIA 2017

HR Asia Best Companies To Work For in Asia Awards

HIGHLY COMMENDED: EXCELLENCE IN SME BANKING

RBI Asia Trailblazer Awards 2017

DIGITAL BANKING INITIATIVE OF THE YEAR – MALAYSIA

Asian Banking & Finance Retail Banking Awards

BEST TRADE FINANCE BANK IN MALAYSIA**BEST RETAIL BROKER IN MALAYSIA****BEST SMALL TO MID CAP HOUSE IN MALAYSIA****BEST SMALL TO MID CAP HOUSE IN SINGAPORE (RHB SECURITIES SINGAPORE)**

11th Annual Alpha Southeast Asia Best Financial Institution Awards 2017

BEST IPO IN MALAYSIA

(Serba Dinamik Holdings' RM671.7 million IPO)

The Asset Triple A Country Award 2017

MOST INNOVATIVE DEAL OF THE YEAR

(Sarawak Hidro RM5.54 billion Sukuk Murabaha)

BEST GOVERNMENT-GUARANTEED SUKUK

(Danalnfra Nasional RM4.5 billion Sukuk Murabaha)

BEST PROJECT FINANCE DEAL (Lebuhraya DUKE Fasa 3 RM3.64 billion Sukuk Wakala Bi Al-Istithmar)**BEST DEBUT SUKUK** (Lebuhraya DUKE Fasa 3 RM3.64 billion Sukuk Wakala Bi Al-Istithmar)

The Asset Triple A Islamic Finance Awards 2017

BEST MID-CAP EQUITY DEAL IN SOUTHEAST ASIA (Serba Dinamik Holdings' RM671.7 million IPO)**BEST DOMESTIC M&A DEAL IN SOUTHEAST ASIA** (Sarawak Energy's RM8.1 billion Acquisition of 100% shares of Sarawak Hidro)**BEST SUKUK DEAL IN SOUTHEAST ASIA**

(Ihsan Sukuk's RM100 million Sustainable and Responsible Investment Sukuk issuance)

MOST INNOVATIVE SUKUK DEAL IN SOUTHEAST ASIA (Ihsan Sukuk's RM100 million Sustainable and Responsible Investment Sukuk issuance)**MOST INNOVATIVE WAKALAH DEAL IN SOUTHEAST ASIA** (BEWG (M)'s RM400 million Sukuk Wakalah issuance)**BEST LOCAL CURRENCY BOND DEAL IN SOUTHEAST ASIA** (Panin Bank's IDR2.4 trillion sub-bond programme) (PT RHB Sekuritas Indonesia)

11th Annual Best Deal & Solutions Awards in Southeast Asia

BEST BOND MYR – MALAYSIA ISLAMIC (3, 5 & 10 YEARS) RHB Islamic Bond**BEST MIXED ASSET MYR CONSERVATIVE – MALAYSIA PROVIDENT (10 YEARS)** RHB Smart Income**BEST BOND AWARD – MALAYSIA PROVIDENT (3 YEARS)** RHB Asset Management Sdn Bhd

The Edge Thomson Reuters Lipper Fund Award 2017 Malaysia

TOP TWO INVESTMENT HOUSE FOR ASIAN LOCAL CURRENCY BONDS IN MALAYSIA

Top Investment House For Asian Local Currency Bonds in Malaysia by The Asset Benchmark Research

MOST ASTUTE INVESTOR IN ASIAN LOCAL CURRENCY BONDS IN MALAYSIA FOR 2017

– Michael Chang Wai Sing

The Asset Benchmark Research

RHB ASIAN INCOME FUND

(Balanced – Asia ex-Japan)

RHB ASIAN TOTAL RETURN FUND

(Fixed Income – Asia)

RHB EMERGING MARKETS BOND FUND

(Fixed Income – Emerging Market)

RHB BOND FUND (Fixed Income – Malaysia)

Fundspermart 'Recommended Unit Trusts' Awards 2017/2018

TOP FUND HOUSE

iFast Awards Night 2017

BEST EQUITY MUTUAL FUND (5-YEAR CATEGORY) – RHB AlphaSector Rotation Fund

Investor-Infovesta Best Mutual Fund Awards

MOST INNOVATIVE PRODUCT FUND HOUSE (IN SINGAPORE & MALAYSIA)

Best of the Best Awards 2016 by Asia Asset Management

MALAYSIA DOMESTIC FOREIGN EXCHANGE OF THE YEAR

Asian Banking & Finance Wholesale Banking Awards 2017

23 SILVER, 11 GOLD & 22 STAR AWARDS

Excellent Service Award (EXSA) 2017 by Spring Singapore (RHB Singapore)

AWARDS IN 10 CATEGORIES, INCLUDING "BEST SMALL CAP ANALYST"

Asiamoney Brokers Poll 2017 (RHB Research Institute Singapore)

EXCELLENCE IN CORPORATE SOCIAL RESPONSIBILITY (SILVER) for RHB-The Straits Times National Spelling Championship

Marketing Excellence Awards 2017 by Marketing Magazine (RHB Singapore)

BEST EVENT – GAMES/CONTESTS (SILVER)

for RHB-The Straits Times National Spelling Championship

Marketing Events Award 2017 by Marketing Magazine (RHB Singapore)

ANALYSIS OF SHAREHOLDINGS

AS AT 15 FEBRUARY 2018

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	: 17,640

Category	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
Less than 100 shares	1,445	8.19	33,486	0.00
100 – 1,000 shares	2,403	13.62	1,306,727	0.03
1,001 – 10,000 shares	10,775	61.08	37,224,988	0.93
10,001 – 100,000 shares	2,445	13.86	68,050,089	1.70
100,001 to less than 5% of the issued shares	569	3.23	1,228,400,849	30.63
5% and above of the issued shares	3	0.02	2,675,029,482	66.71
Total	17,640	100.00	4,010,045,621	100.00

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares			
		Direct	%	Indirect	%
1.	Employees Provident Fund Board ("EPF") ¹	1,632,022,604	40.70	–	–
2.	Aabar Investments PJS	711,825,360	17.75	–	–
3.	International Petroleum Investment Company PJSC ²	–	–	711,825,360	17.75
4.	Mubadala Investment Company PJSC ³	–	–	711,825,360	17.75
5.	OSK Holdings Berhad	406,171,518	10.13	–	–
6.	Tan Sri Ong Leong Huat (Q Wong Joo Hwa) ⁴	–	–	406,171,518	10.13
7.	OSK Equity Holdings Sdn Bhd ⁴	–	–	406,171,518	10.13
8.	Puan Sri Khor Chai Moi	29,997	*	406,171,518 ⁴	10.13

Notes:

* Negligible percentage.

¹ The interest of EPF is held through various fund managers.

² Deemed interested pursuant to Section 8(4) of the Companies Act 2016 through control of its subsidiary, Aabar Investments PJS.

³ Deemed interested pursuant to Section 8(4) of the Companies Act 2016 through control of its indirect subsidiary, Aabar Investments PJS.

⁴ 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 (Q 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 15 FEBRUARY 2018

Category	No. of Shareholders		Shareholdings		% of Total Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Individual						
Bumiputera	580	0	3,470,653	0	0.09	0.00
Chinese	12,708	0	87,901,938	0	2.19	0.00
Indian	452	0	1,825,304	0	0.05	0.00
Others	55	443	238,711	5,735,470	0.01	0.14
Body Corporate						
Banks/Finance Companies	36	2	550,545,916	291,300	13.73	0.01
Investments Trusts/ Foundation/Charities	5	0	376,937	0	0.01	0.00
Other Types of Companies	294	20	355,152,157	5,391,896	8.85	0.13
Government Agencies/ Institutions	1	0	372,290	0	0.01	0.00
Nominees	2,233	811	1,925,161,887	1,073,581,162	48.01	26.77
Others	0	0	0	0	0.00	0.00
Total	16,364	1,276	2,925,045,793	1,084,999,828	72.95	27.05

CHANGES IN SHARE CAPITAL

AS AT 15 FEBRUARY 2018

The number of issued shares of the Company as at 15 February 2018 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

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

AS AT 15 FEBRUARY 2018

No.	Name	Shareholdings	
		No. of Shares	%
1	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	1,632,022,604	40.70
2	RHB NOMINEES (ASING) SDN BHD AABAR INVESTMENTS PJS	711,825,360	17.75
3	OSK HOLDINGS BERHAD	331,181,518	8.26
4	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM BUMIPUTERA	198,000,000	4.94
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	138,936,691	3.46
6	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM WAWASAN 2020	75,526,100	1.88
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR OSK HOLDINGS BERHAD (511981)	74,990,000	1.87
8	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM MALAYSIA	43,643,021	1.09
9	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	42,689,960	1.06
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	31,567,100	0.79
11	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	26,622,732	0.66
12	MAYBANK NOMINEES (ASING) SDN BHD NOMURA SINGAPORE LIMITED FOR GUOLINE CAPITAL LIMITED (453830)	24,757,500	0.62
13	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM BUMIPUTERA 2	23,858,400	0.59
14	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	20,986,000	0.52
15	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	20,789,500	0.52
16	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	19,785,804	0.49
17	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	19,193,600	0.48
18	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	16,066,107	0.40

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

AS AT 15 FEBRUARY 2018

No.	Name	Shareholdings	
		No. of Shares	%
19	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 9)	14,690,281	0.37
20	DB (MALAYSIA) NOMINEE (ASING) SDN BHD STATE STREET AUSTRALIA FUND SGB6 FOR CATHAY LIFE INSURANCE CO LTD	14,272,100	0.36
21	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	14,039,435	0.35
22	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	10,678,000	0.27
23	CARTABAN NOMINEES (ASING) SDN BHD GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	9,338,400	0.23
24	ASSETS NOMINEES (ASING) SDN BHD GUOLINE CAPITAL LIMITED	8,786,600	0.22
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (VCAM EQUITY FD)	8,000,000	0.20
26	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)	7,196,500	0.18
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	6,868,900	0.17
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	6,557,900	0.16
29	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.	6,240,300	0.16
30	HSBC NOMINEES (ASING) SDN BHD MORGAN STANLEY & CO. INTERNATIONAL PLC (FIRM A/C)	6,066,820	0.15

KEY INTERNAL CONTROL POLICIES AND 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 actual/potential 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 of the Company:

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 by the employees as good ethical business practices.
3	Group Gifts & Hospitality Guidelines	This document sets the standards of conduct of giving and acceptance of 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 Markets and Services Act 2007 and to protect customer 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.
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.

KEY INTERNAL CONTROL POLICIES AND PROCEDURES

No.	Title	Description
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 2016 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.
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 31.12.2017 (RM'Million)	Year of Acquisition or Revaluation
MALAYSIA									
Kuala Lumpur									
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	28 & 22	Freehold	–	203,736	2016
Penang									
2. 44 Lebuhr Pantai Georgetown	RHB Bank Berhad	1 unit of 6½ storey commercial building	896	Bank Branch	58	Freehold	–	3,522	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	23	Freehold	–	3,496	1998
Selangor									
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	17	Leasehold	2090	68,911	1992
Perak									
5. No. 2, 4, 6 & 8 Jalan Tun Sambanthan Ipoh	RHB Bank Berhad	4 storey office building	890	Bank Branch	20	Freehold	–	4,794	1991
SINGAPORE									
6. 90 Cecil Street	Banfora Pte Ltd	2 commercial buildings	796	Commercial Building	38	Leasehold	2980	146,978	1997
7. 10, Jalan Besar 01-03 Sim Lim Tower	RHB Bank Berhad	Ground Floor of office buildings	543	Bank Branch	39	Freehold	–	26,091	1999
8. 14A/B, 16A/B & 18A/B East Coast Road	RHB Bank Berhad	3 units of 3 storey shophouses	442	Bank Branch	59	Freehold	–	13,782	1999
9. 1/1A /1B Yio Chu Kang Road	RHB Bank Berhad	First Floor of office buildings	101	Bank Branch	37	Freehold	–	10,175	1999
10. No. 537/539 Geylang Road	RHB Bank Berhad	3 storey shophouses	374	Bank Branch	94	Freehold	–	8,404	1999

Source of information for the Net Book Value as at 31 December 2017 by: Group Finance.

GROUP BRANCH NETWORK

COMMERCIAL BANKING

MALAYSIA

1 Head Quarters

Level 8, Tower 2 & 3
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 9205 8000

2 Sri Petaling Office (Agency)

Level 1 & 2, No. 53
Jalan Radin Tengah
Bandar Baru Sri Petaling
57000 Kuala Lumpur
Tel : 603 9054 2470

3 Kuala Lumpur Office (Agency)

B-9-6, Megan Avenue 1
Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 2171 2755

4 Johor Bahru Office

2nd Floor, 21 & 23
Jalan Molek 1/30, Taman Molek
81100 Johor Bahru, Johor
Tel : 607 358 3587

5 Johor Bahru Office (Agency)

No. 34
Jalan Kebun Teh 1
Pusat Perdagangan Kebun Teh
80250 Johor Bahru, Johor
Tel : 607 221 0129

6 Batu Pahat Office

53, 53A and 53B
Jalan Sultanah
83000 Batu Pahat, Johor
Tel : 607 438 0271

7 Melaka Office

581B, Taman Melaka Raya
75000 Melaka
Tel : 606 284 4211

8 Kuantan Office

B-32-34, 2nd Floor
Lorong Tun Ismail 8
Sri Dagangan II
25000 Kuantan, Pahang
Tel : 609 517 3611

9 Penang Office (Retail)

64-D, Level 5
Lebuh Bishop
10200 Penang
Tel : 604 264 5639

10 Prai Office (Agency)

First Floor, No. 1797-1-04
Kompleks Auto World
Jalan Perusahaan
Juru Interchange
13600 Prai, Penang

11 Ipoh Office

4th Floor, 21-25
Jalan Seenivasagam
Greentown
30450 Ipoh, Perak
Tel : 605 242 4311

12 Kuching Office (Retail)

Lot 172, Section 49
K.T.L.D, Jalan Chan Chin Ann
93100 Kuching, Sarawak
Tel : 6082 245 611

13 Kuching Office (Agency)

Lot 133
Section 20, Sublot 2 & 3
1st Floor
Jalan Tun Ahmad Zaidi Adruce
93200 Kuching, Sarawak
Tel : 6082 550 838

14 Miri Office

Lot 1268, First Floor
Centre Point Commercial Centre
Jalan Melayu
98000 Miri, Sarawak
Tel : 6085 422 788

15 Kota Kinabalu Office

Lot No. C-02-04, Block C
Warisan Square
Jalan Tun Fuad Stephens
88000 Sabah
Tel : 6088 528 777

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/I 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
- ◆ Ketereh
- ◆ 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
- ◆ Tanjung Tokong

PERAK REGION

Regional Director:

Joe Tien Chee Chang

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:

Ali bin Mohamed

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
- ◆ Bandar Penawar

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 Sibu
- ◆ 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, Sibu
- ◆ 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

Branches

- ◆ Sithan Nuea
- ◆ Dongdok

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 Bolkiah Complex
Jalan Pretty, Bandar Seri Begawan
BS 8711, Brunei Darussalam
Tel : 673 222 2515/2516
Fax : 673 223 7487/3687

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

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

CENTRAL REGION 2

Supervisory Office

SS2, Petaling Jaya
24, 24M, 24A, 26M, 28M
28A & 30A, Jalan SS2/63
47300 Petaling Jaya, Selangor
Tel : 603 7873 6366
Fax : 603 7873 6566

Branches

- ◆ Kajang
- ◆ Klang
- ◆ Rawang
- ◆ USJ Taipan

INVESTMENT BANKING**MALAYSIA****EAST COAST REGION****Supervisory Office****Kuantan**

B32 & B34
Lorong Tun Ismail 8
Seri Dagangan II
25000 Kuantan, Pahang
Tel : 609 517 3811

Branches

- ◆ Kota Bharu
- ◆ Kuala Terengganu

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

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

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

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
- ◆ Sitiawan
- ◆ Taiping
- ◆ Teluk Intan

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
- ◆ Sibul

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

INDONESIA

Chief Executive Officer:
Chan Kong Ming

PT RHB Sekuritas 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
- ◆ Permata Hijau
- ◆ Puri
- ◆ Surabaya Bukit Darmo
- ◆ Surabaya Kertajaya

HONG KONG

Chief Executive Officer:
Loke Wai Ming

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

THAILAND

Chief Executive Officer:
Tharatporn Techakitkachorn

RHB Securities (Thailand) PCL
8th, 10th Floor
Sathorn Square Office Tower
No. 98 North Sathorn Road
Silom, Bangrak
Bangkok 10500, Thailand
Tel : 662 088 9999
Fax : 662 108 0999

Branches

- ◆ Amarin
- ◆ Chachoengsao
- ◆ Chiangmai
- ◆ Hadyai
- ◆ Juti Anusorn
- ◆ Pakin
- ◆ Pinklao
- ◆ Silom
- ◆ Vibhavadi Rangsit

CHINA

Chief Executive Officer:
Loke Wai Ming

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

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@rhbgroup.com

Branches

- ◆ Batu Pahat
- ◆ Ipoh
- ◆ Johor Bharu
- ◆ Kota Bharu
- ◆ Kota Kinabalu
- ◆ Kuala Lumpur
- ◆ Kuantan
- ◆ Kuching
- ◆ Melaka
- ◆ Miri
- ◆ Penang
- ◆ Sri Petaling

RHB Islamic International Asset Management Berhad

Level 8, Tower 2 & 3 RHB Centre
 Jalan Tun Razak
 50400 Kuala Lumpur
 Malaysia
 Tel : 603 9205 8000
 Email : rhbam.islamic@rhbgroup.com

INDONESIA**PT RHB Asset Management Indonesia**

Wisma Mulia, Level 19
 Jalan Jenderal Gatot Subroto No. 42
 Jakarta 12710, Indonesia
 Tel : 6221 2783 0889
 Email : rhbam.id@rhbgroup.com

SINGAPORE**RHB Asset Management Pte Ltd**

10 Collyer Quay
 #09-08 Ocean Financial Centre
 049315 Singapore
 Tel : 65 6323 2508
 Email : rhbam.sg@rhbgroup.com

HONG KONG**RHB Asset Management Ltd**

12/F, World-Wide House
 19 Des Voeux Road Central
 Hong Kong
 Tel : 852 2103 1118
 Email : rhbam.hk@rhbgroup.com

TRUSTEES**MALAYSIA****RHB Trustees Berhad**

Level 11, Tower 1
 RHB Centre
 Jalan Tun Razak
 50400 Kuala Lumpur
 Malaysia
 Tel : 603 9280 8799
 Fax : 603 9280 8796
 Email : rhbtrustees@rhbgroup.com

Malaysian Trustees Berhad

Level 11, Tower 1
 RHB Centre
 Jalan Tun Razak
 50400 Kuala Lumpur
 Malaysia
 Tel : 603 9280 8766
 Fax : 603 9280 8767
 Email : malaysiantrustees@mtb.rhbgroup.com

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

NOTICE OF FIFTY SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty Second (“52nd”) Annual General Meeting (“AGM”) of the Company will be held at Taming Sari Grand Ballroom, Level G, Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur on Wednesday, 25 April 2018 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 2017 and the Directors’ and Auditors’ Reports thereon.
2. To approve a single-tier final dividend of 10 sen per share in respect of the financial year ended 31 December 2017.
3. To re-elect Encik Abdul Aziz Peru Mohamed, who is retiring under Article 92 of the Company’s Constitution and being eligible, offers himself for re-election.
4. To re-elect Mr Mohamed Ali Ismaeil Ali Alfahim, who is retiring under Article 92 of the Company’s Constitution and being eligible, offers himself for re-election.
5. To re-elect Ms Ong Ai Lin, who is retiring under Article 96 of the Company’s Constitution and being eligible, offers herself for re-election.
6. To approve the increase of Directors’ fees from RM180,000.00 to RM200,000.00 per annum for the Non-Executive Chairman and from RM150,000.00 to RM175,000.00 for each of the Non-Executive Directors retrospective from 1 January 2017 and further to approve the payment of Directors’ fees and Board Committees’ allowances amounting to RM1,658,666.67 for the financial year ended 31 December 2017.
7. To approve the payment of Directors’ remuneration (excluding Directors’ fees and Board Committees’ allowances) to the Non-Executive Directors up to an amount of RM1.35 million from 26 April 2018 until the next AGM of the Company.
8. To re-appoint Messrs PricewaterhouseCoopers PLT 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

As Special Business:

To consider and if thought fit, to pass the following resolutions:

9. Authority for Directors to issue shares

“THAT subject always to the Companies Act 2016, the Company’s Constitution 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 and allot shares in the Company at any time 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, AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next AGM of the Company.”

Ordinary Resolution 8

Special Resolution 1

10. Proposed Amendments to the Constitution of RHB Bank Berhad (“Proposed Amendment”)

“THAT the existing Constitution of the Company be altered, modified, added and/or deleted, as the case may be, in the form and manner as set out in Appendix II of the Circular dated 27 March 2018.

AND THAT the Board, the Group Managing Director of the Company and/or the Company Secretary be and are hereby authorised to do or procure to be done all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendment with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities or third parties to give effect to the Proposed Amendment.”

11. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board,

Azman Shah Md Yaman (LS 0006901)
Ivy Chin So Ching (MAICSA No. 7028292)
 Company Secretaries

Kuala Lumpur
 27 March 2018

NOTES:**Appointment of Proxy**

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 19 April 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 52nd 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.

NOTICE OF FIFTY SECOND ANNUAL GENERAL MEETING

EXPLANATORY NOTES

1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2017

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 5 – Increase of Directors’ fees for Non-Executive Chairman and Non-Executive Directors

The Non-Executive Chairman and Non-Executive Directors are entitled to annual Directors’ fees. As part of a periodical review to ensure the Group remains competitive against its peers and with the heightened responsibilities and accountabilities required for Directors per current requirements under the Companies Act 2016, the Financial Services Act 2013, the Capital Markets & Services Act 2007 and the Malaysian Code on Corporate Governance 2017, it is recommended that the Directors’ fees per annum (p.a.) at Board Level be revised as follows:

Description	Existing (RM)	Proposed (RM)
Non-Executive Chairman	180,000.00 p.a.	200,000.00 p.a.
Non-Executive Directors	150,000.00 p.a.	175,000.00 p.a.

3. Ordinary Resolution 6 – 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:

No.	Description	Non-Executive Chairman RM	Non-Executive Directors RM
1	Monthly Fixed Allowance ^(a)	25,000	Not Applicable
2	Meeting Allowance (per meeting): Board of RHB Bank Berhad	1,500	1,500
	Board Committees ^(b)	1,500	1,500
3	Farewell Pot Scheme ^(c) (per annum) (Established with effect from 1 January 2017)	2,000	2,000
4	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 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) 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 a 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.

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 Berhad, 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.

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 proposed Resolution 6 has been passed at the 52nd 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.

4. Ordinary Resolution 8 – Authority for Directors to issue shares

The proposed Ordinary Resolution 8 is a renewal general mandate to the Directors of the Bank to issue ordinary shares of the Bank 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 the Bank to issue ordinary shares in the capital of the Bank 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 Bank 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 Bank.

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 Bank.

5. Special Resolution 1 – Proposed Amendments to the Constitution of RHB Bank Berhad

The proposed Special Resolution 1, if passed, will bring the Company's Constitution in line with the enforcement of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as enhance the administrative efficiencies thereof. The Proposed Amendment is set out in the Circular to Shareholders dated 27 March 2018 accompanying the Company's Annual Report 2017 for the financial year ended 31 December 2017.

Statement Accompanying Notice of 52nd 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 2017.

ANNEXURE A

STATEMENT ACCOMPANYING NOTICE OF 52ND ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

- (i) Further details of individuals who are standing for election as Directors (excluding directors standing for a re-election)

No individual is seeking election as a Director at the 52nd AGM.

- (ii) A statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The proposed Ordinary Resolution 8 for the general mandate for issue of securities is a renewal mandate. As at the date of this notice, no new shares were issued pursuant to the general mandate granted to the Directors at the last AGM held on 26 April 2017.

ADMINISTRATIVE DETAILS FOR THE FIFTY SECOND ANNUAL GENERAL MEETING (“AGM”)



RHB Bank Berhad

(Company No. 6171-M)

(Incorporated in Malaysia under the then Companies Ordinances, 1940 – 1946)

1. Date, Time and Venue of AGM

Date : Wednesday, 25 April 2018

Time : 10.30 a.m.

Venue : Taming Sari Grand Ballroom

Level G, Royale Chulan Kuala Lumpur

5 Jalan Conlay, 50450 Kuala Lumpur

2. Members Entitled To Attend

For the purpose of determining a member entitled to attend the meeting, the Company will request Bursa Malaysia Depository Sdn Bhd to issue the Record of Depositors as at 19 April 2018 to determine the registered shareholders of the Company who are eligible to be present and vote at the AGM.

3. Lodgement of Proxy Form of AGM

- (a) If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please deposit your Proxy Form 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, Malaysia in accordance with the notes and instructions printed therein, not later than 48 hours before the AGM i.e. latest by Monday, 23 April 2018 at 10.30 a.m.
- (b) If you wish to attend the meeting yourself, please do not submit any Proxy Form for the meeting. If you have submitted your Proxy Form prior to the meeting and subsequently decide to attend the meeting yourself, please proceed to Help Desk Counter to revoke the appointment of your proxy/proxies. Your proxy/proxies will not be allowed to attend the meeting upon your revocation of the appointment.

4. Registration

- (a) 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 (as referred to under item (e) hereinafter) will be allocated.
- (b) Please read the signages to ascertain the registration area to register yourself for the meeting and join the queue accordingly.

- (c) Please produce your **original national registration identity card (“IC”) or passport** to the Share Registrar for verification. Kindly make sure you collect your IC/passport thereafter.
- (d) No person will be allowed to register on behalf of another person even with original IC/Passport of that person.
- (e) You will be given wrist tag upon verification and registration. No person will be allowed to enter the meeting hall without the wrist. There will be no replacement in the event that you lose or misplace the wrist tag.
- (f) If you have any question, please proceed to Help Desk Counter.

5. Parking

- (a) Parking for visitors is available at the parking bays of the Royale Chulan Kuala Lumpur. Parking fee will be borne by RHB Bank Berhad. Please bring along your parking ticket for validation at the Parking Ticket Redemption Counter (refer to signages).

The parking ticket will expire by 4.00 p.m. on 25 April 2018. Any additional cost incurred after 4.00 p.m. will not be borne by RHB Bank Berhad.

- (b) Please be advised that RHB Bank Berhad will not reimburse the following:-
 - (i) Any parking cost paid via Touch 'n Go.
 - (ii) Any parking cost incurred at any other location.

6. Door Gift

- (a) As a token of appreciation, each member or proxy who is present at the AGM will be entitled to **one (1) door gift** upon registration.
- (b) A door gift coupon will be provided upon registration. Please bring your door gift coupon to the Door Gift Counters to collect your door gift.

ADMINISTRATIVE DETAILS FOR THE FIFTY SECOND ANNUAL GENERAL MEETING (“AGM”)

7. Refreshment

- (a) Each member or proxy who is present at the AGM will be entitled to **one (1) breakfast redemption voucher and one (1) food voucher only upon registration (per head count)**, irrespective of the number of members that a proxy represents.
- (b) Breakfast redemption voucher must be presented at the Redemption Counter at Taman Mahsuri, Level G, Royale Chulan Kuala Lumpur (as directed by signage) for collection of breakfast (in bento box).
- (c) As you will be given food voucher, kindly note that no lunch will be served.

8. Enquiries

If you have any enquiries prior to the meeting, please contact the following persons:-

Symphony Share Registrars Sdn Bhd

Encik Mohamed Sophiee Ahmad Nawawi

– For shareholders’ enquiries

Helpdesk No. : +60(3) 7849 0777

Fax No. : +60(3) 7841 8151 or 7841 8152

RHB Bank Berhad

Ms M. Thavamalar, Group Corporate Communications

– For assistance relating to the use of the CD-ROM

Tel No. : +60(3) 9280 2445

Fax No. : +60(3) 2142 7573

Email : thavamalar@rhbgroup.com

Puan Haryati Binti Yahya, Head, Investor Relations

Tuan Syed Ahmad Taufik Albar, Group Chief Financial Officer

– For investors relations

Email : haryati.yahya@rhbgroup.com

taufik.albar@rhbgroup.com

Puan Bibi Rohani Abdullah, Group Event Management

– For AGM arrangement

Email : bibi.rohani@rhbgroup.com

Encik Azman Shah Md Yaman, Group Company Secretary

Ms Ivy Chin So Ching, Company Secretary

– For shareholders’ enquiries

Email : azmanshah@rhbgroup.com

ivy.chin@rhbgroup.com

PROXY FORM



RHB Bank Berhad

(Company No. 6171-M)

(Incorporated in Malaysia under the then Companies Ordinances, 1940 – 1946)

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 Second (52nd) Annual General Meeting of the Company to be held at Taming Sari Grand Ballroom, Level G, Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur on Wednesday, 25 April 2018 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
Ordinary Resolution 1	To approve a single-tier final dividend of 10 sen per share in respect of the financial year ended 31 December 2017.		
Ordinary Resolution 2	To re-elect Encik Abdul Aziz Peru Mohamed as Director.		
Ordinary Resolution 3	To re-elect Mr Mohamed Ali Ismaeil Ali Alfahim as Director.		
Ordinary Resolution 4	To re-elect Ms Ong Ai Lin as Director.		
Ordinary Resolution 5	To approve the increase of Directors' fees from RM180,000.00 to RM200,000.00 per annum for the Non-Executive Chairman and from RM150,000.00 to RM175,000.00 for each of the Non-Executive Directors retrospective from 1 January 2017 and further to approve the payment of Directors' fees and Board Committees' allowances amounting to RM1,658,666.67 for the financial year ended 31 December 2017.		
Ordinary Resolution 6	To approve the payment of Directors' remuneration (excluding Directors' fees and Board Committees' allowances) to the Non-Executive Directors up to an amount of RM1.35 million, from 26 April 2018 until the next AGM of the Company.		
Ordinary Resolution 7	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 8	To authorise the Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Special Resolution 1	To approve the proposed amendments to the Constitution of RHB Bank Berhad.		

(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 _____, 2018.

Signature
(If shareholder is a corporation, this part should be executed under seal)

* Delete if not applicable

Notes:

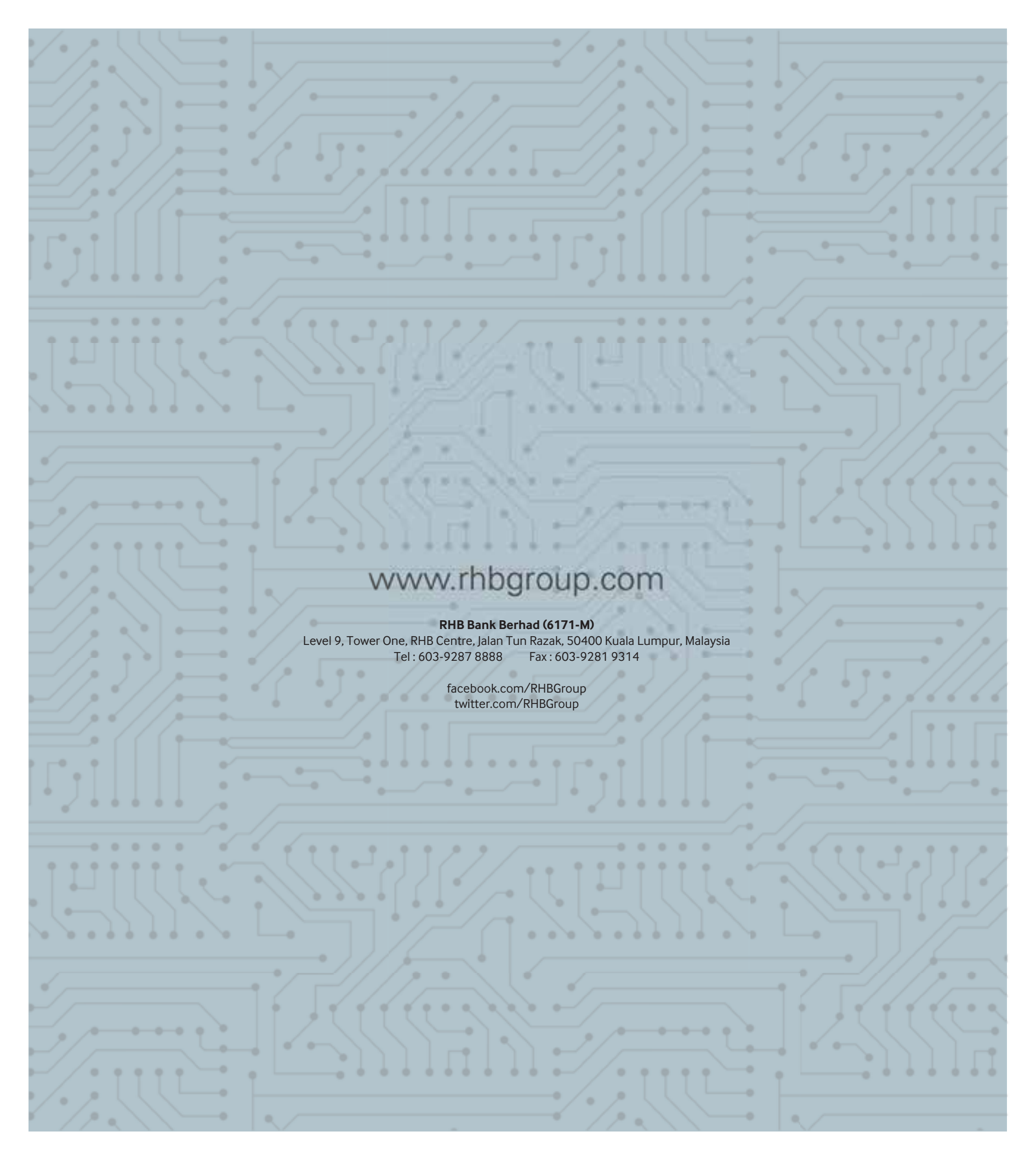
1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 19 April 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 52nd Annual General Meeting ("AGM").
2. A member of the Company entitled to attend and vote at 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, 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 the Securities Industry (Central Depositories) Act 1991 ("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



www.rhbgroup.com

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Tel: 603-9287 8888 Fax: 603-9281 9314

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