



ANNUAL REPORT

20  
13  
A NEW DAWN

## A NEW DAWN

Having weathered the storms of adversity and having garnered a wealth of experience and expertise from over a century of banking, the RHB Banking Group is well primed to embrace a new era of banking and expand its regional footprint. Leveraging on the strength of a revitalised organisation and our IGNITE 2017 blueprint, we are strongly poised to grow by leaps and bounds in new markets within ASEAN+ and beyond.



# CROSSING BOUNDARIES...

CHINA

HONG KONG

CAMBODIA

LAO

THAILAND

VIETNAM

INDONESIA

BRUNEI

MALAYSIA

SINGAPORE

## CROSSING BOUNDARIES

With a strong focus on delivering enhanced customer service experiences, the Group is now poised on the threshold of a new dawn. As we propel forward towards achieving our aspiration to be the region's Leading Multinational Financial Services Group, we are confident of making strong advances towards achieving our 2020 ambitions of attaining strong market leadership in the local arena while gaining recognition as a regional powerhouse.



RHB BANKING GROUP

# MALAYSIA

STRENGTHENING OUR PRESENCE WITHIN ASEAN+ AND BEYOND



RHB BANKING GROUP

# SINGAPORE

WELL PRIMED TO DELIVER GROWTH



RHB BANKING GROUP

# THAILAND

ESTABLISHING STABILITY AMIDST CHANGE



RHB BANKING GROUP

**INDONESIA**

BUILDING ON TODAY FOR TOMORROW



RHB BANKING GROUP

# HONG KONG

OPENING UP NEW HORIZONS





CAMBODIA



BRUNEI



VIETNAM



LAO



CHINA



# EMBRACING A NEW DAWN MALAYSIA

Having established deep roots in Malaysia and having ventured across the four corners of ASEAN and beyond, RHB is now poised for our next phase of growth. We will continue to make strong headway in our aspiration to build a regional presence. As RHB embraces a new dawn that brings different opportunities and challenges, we will continue to build our current momentum.

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					• Proxy Form



# RHB's Aspirations



**By 2020**

## To be a Leading Multinational Financial Services Group

◆ **TOP 3 IN  
MALAYSIA/TOP  
8 IN ASEAN**

by size and  
performance

◆ **STRONG  
MARKET  
LEADERSHIP  
IN MALAYSIA**

across targeted  
products and  
segments

◆ **REGIONAL  
POWERHOUSE  
IN ASEAN+**

with 40% revenue  
contribution from  
international  
operations

◆ **NEXT  
GENERATION  
CUSTOMER  
CENTRIC BANK**

delivering innovative  
and personalised  
customer offerings

◆ **PROMINENT  
EMPLOYER OF  
CHOICE**

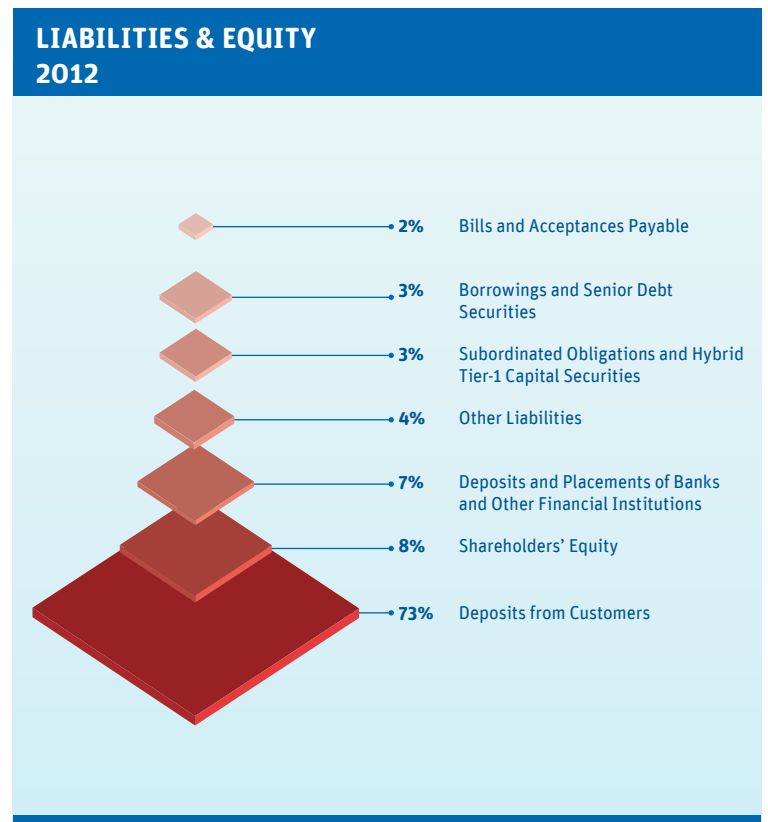
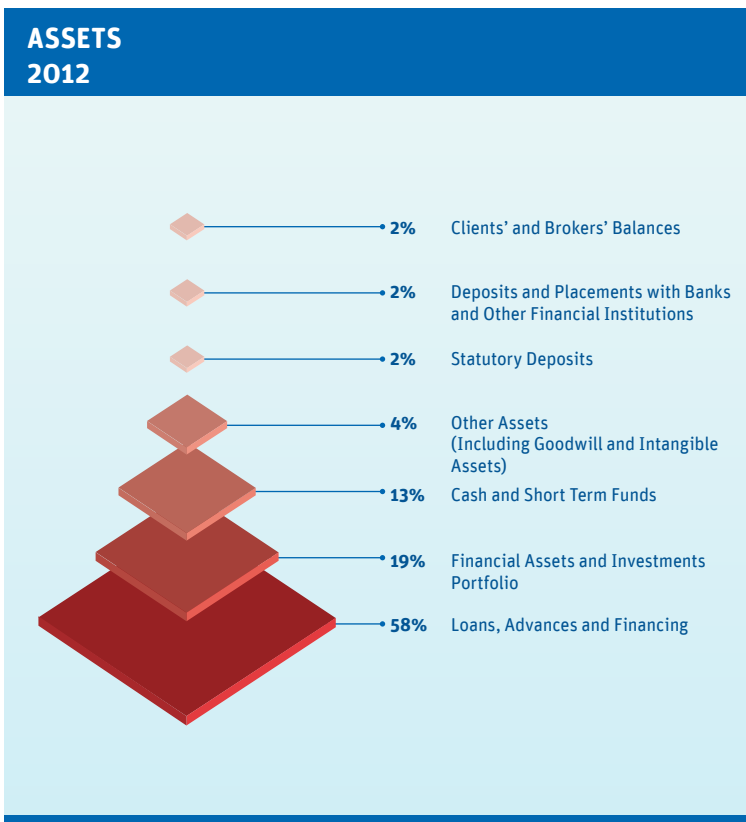
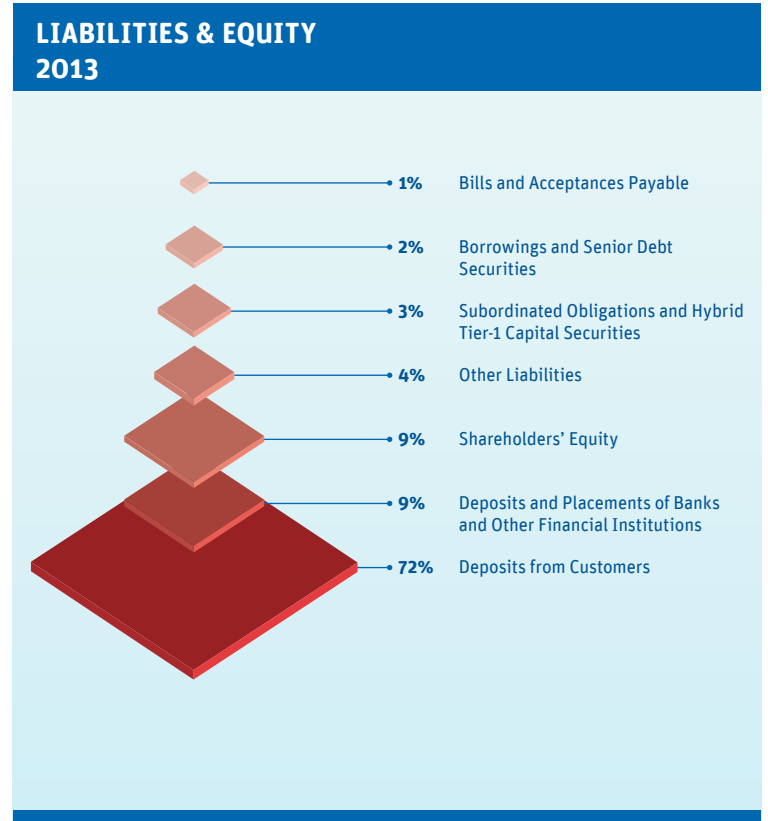
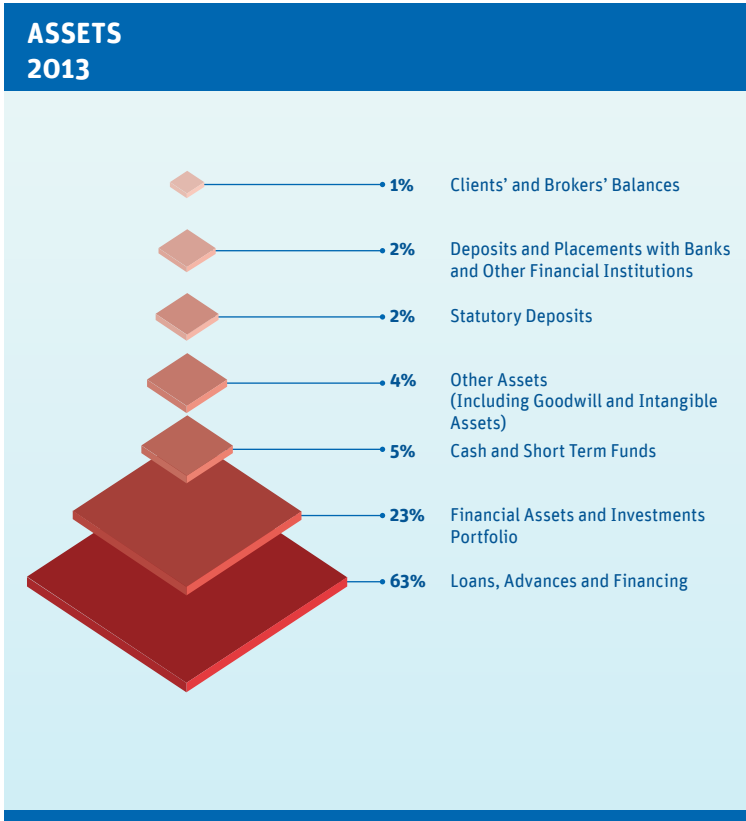
within the region

# Group Financial Highlights

	2013	2012*
<b>PROFITABILITY (RM' million)</b>		
Revenue	<b>5,951</b>	4,829
Operating profit before allowances	<b>2,899</b>	2,536
Profit before taxation	<b>2,471</b>	2,385
Net profit attributable to equity holders of the Company	<b>1,831</b>	1,785
<b>FINANCIAL POSITION (RM' million)</b>		
Total assets	<b>191,090</b>	189,112
Financial assets and investments portfolio	<b>43,746</b>	36,849
Gross loans, advances and financing	<b>121,753</b>	111,474
Total liabilities	<b>174,147</b>	173,772
Deposits from customers	<b>137,741</b>	138,228
Shareholders' equity	<b>16,739</b>	15,117
Commitments and contingencies	<b>100,232</b>	83,160
<b>FINANCIAL RATIOS (%)</b>		
Net return on average shareholders' equity	<b>11.5</b>	13.4
Net return on average total assets	<b>1.0</b>	1.0
Gross impaired loans ratio	<b>2.8</b>	3.0
Gross loans to deposits ratio	<b>88.4</b>	80.6

\* The comparative period has been restated to reflect the adoption of MFRS 3.

# Simplified Group Statements of Financial Position



# Five-Year Group Financial Summary

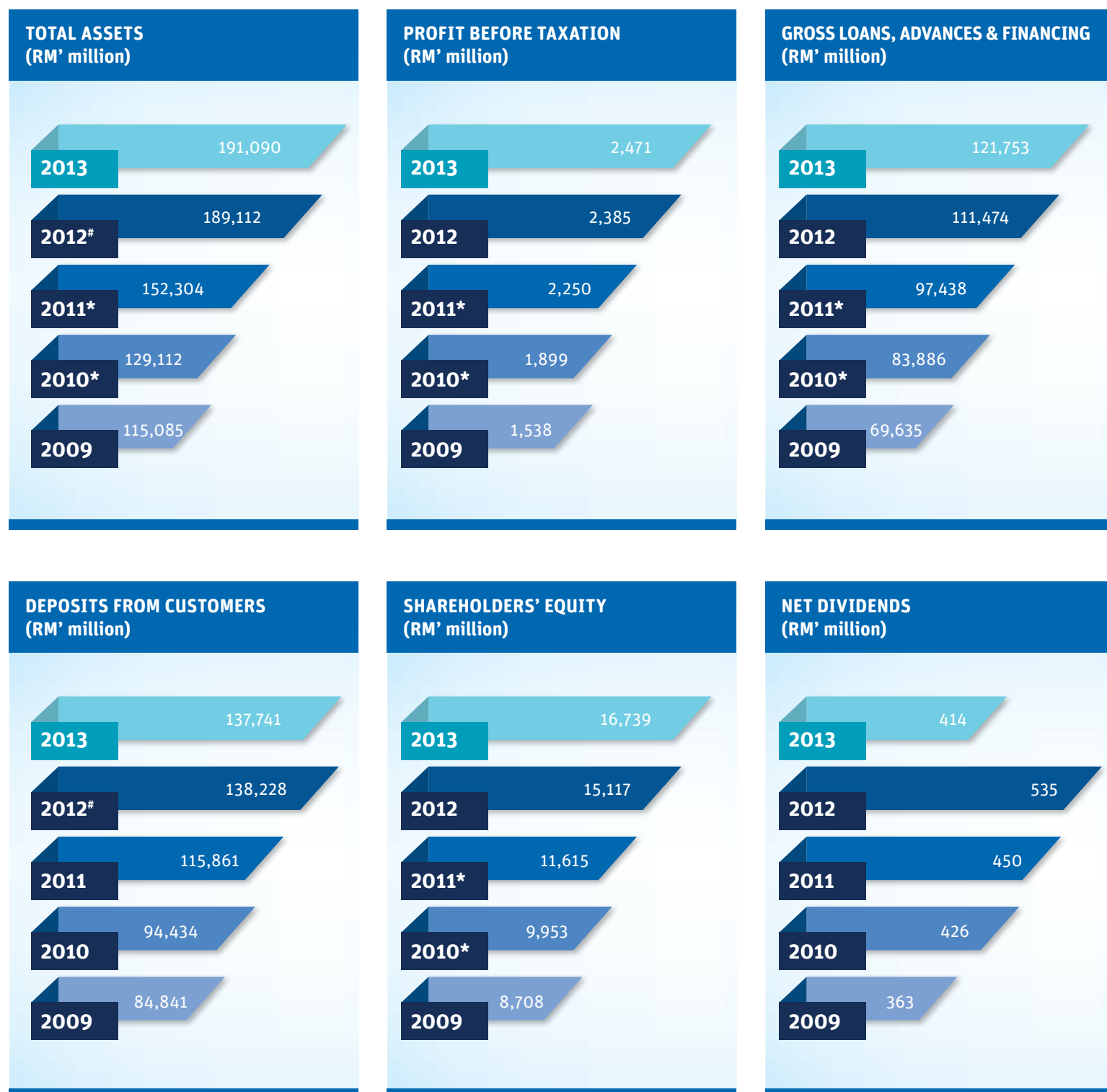
	2013	2012*	2011**	2010**	2009
<b>RESULTS (RM' million)</b>					
Profit before taxation	<b>2,471</b>	2,385	2,250	1,899	1,538
Net profit attributable to equity holders of the Company	<b>1,831</b>	1,785	1,688	1,420	1,201
<b>FINANCIAL POSITION (RM' million)</b>					
Total assets	<b>191,090</b>	189,112	152,304	129,112	115,085
Gross loans, advances and financing	<b>121,753</b>	111,474	97,438	83,886	69,635
Total liabilities	<b>174,147</b>	173,772	140,676	119,148	106,345
Deposits from customers	<b>137,741</b>	138,228	115,861	94,434	84,841
Paid-up share capital	<b>2,547</b>	2,494	2,205	2,153	2,153
Shareholders' equity	<b>16,739</b>	15,117	11,615	9,953	8,708
Commitments and contingencies	<b>100,232</b>	83,160	74,161	70,522	67,234
<b>SHARE INFORMATION</b>					
Net dividend per share - (sen)	<b>16.3</b>	22.1	20.5	19.8	16.9
Net assets per share - (RM)	<b>6.6</b>	6.1	5.3	4.6	4.0
Net tangible assets per share - (RM)	<b>4.5</b>	4.0	3.5	2.8	2.3
Basic earnings per share - (sen)	<b>72.9</b>	79.0	77.5	66.0	55.8
Share price - (RM)	<b>7.90</b>	7.69	7.48	8.72	5.30
Market capitalisation (RM' million)	<b>20,121</b>	19,180	16,492	18,778	11,413
<b>FINANCIAL RATIOS (%)</b>					
<b>Profitability</b>					
Net return on average equity	<b>11.5</b>	13.4	15.7	15.2	14.5
Net return on average assets	<b>1.0</b>	1.0	1.2	1.2	1.1
Cost to income ratio	<b>51.3</b>	47.5	43.5	40.5	42.7
Non-interest income ratio	<b>35.0</b>	28.6	24.7	25.8	25.3
<b>Asset Quality</b>					
Gross loans to deposits ratio	<b>88.4</b>	80.6	84.1	88.8	82.1
Gross impaired loans ratio	<b>2.8</b>	3.0	3.6	4.6	6.7 <sup>#</sup>
<b>Ordinary Shares</b>					
Net dividend yield	<b>2.1</b>	2.9	2.7	2.3	3.2
Dividend payout ratio	<b>22.6</b>	30.0	30.0	30.0	30.2

\* Restated to reflect the adoption of MFRS 3.

\*\* Restated as a result of retrospective application of MFRS 139 and FRSIC 18. For the financial year 2010, only relevant balance sheet items have been restated to position as at 1 January 2011.

# Adjusted for effect of adoption of MFRS 139.

# Summary of Five-Year Group Financial Highlights



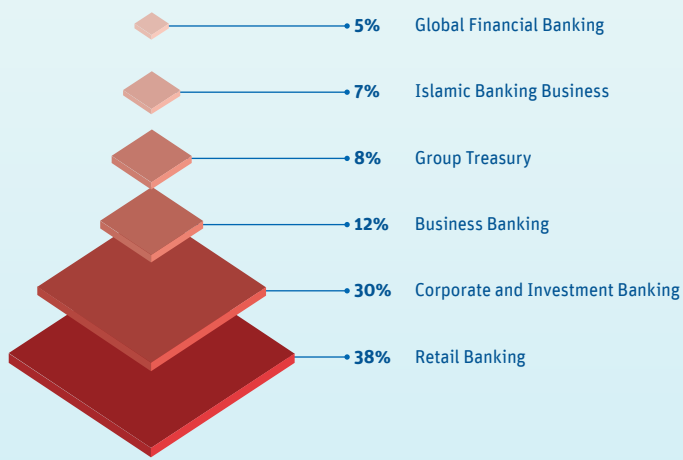
\* Restated as a result of retrospective application of MFRS 139 and FRSIC 18.

# Restated to reflect the adoption of MFRS 3.

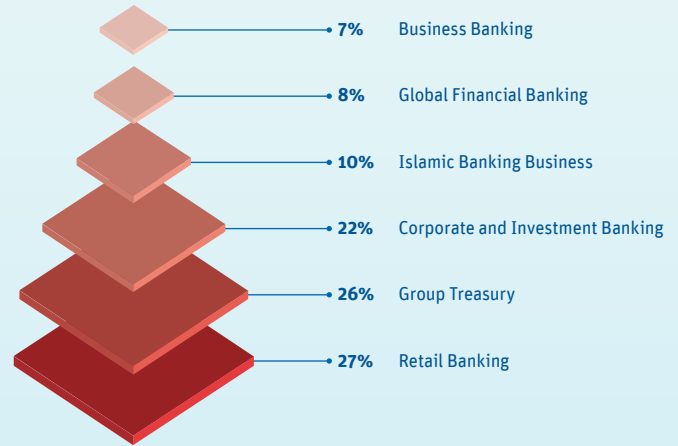
# Segmental Analysis

For the Financial Year Ended 31 December 2013

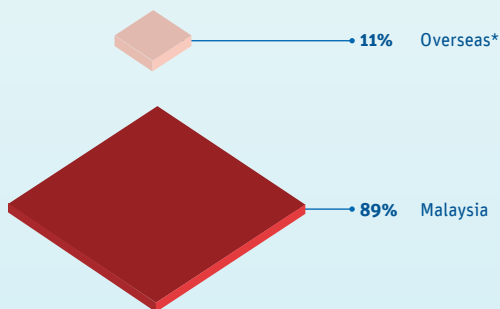
## REVENUE BY BUSINESS SEGMENT



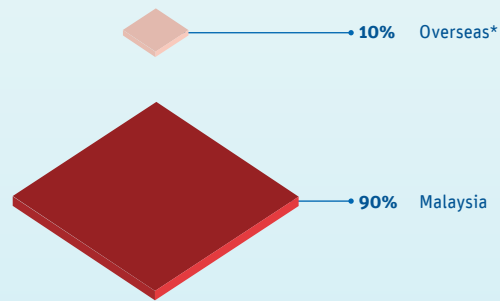
## ASSETS EMPLOYED BY BUSINESS SEGMENT



## OPERATING REVENUE BY GEOGRAPHICAL LOCATION



## ASSETS EMPLOYED BY GEOGRAPHICAL LOCATION



\* Inclusive of overseas RHB Investment banking operations.



# Group Quarterly Performance

	2013				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2013
<b>FINANCIAL PERFORMANCE (RM' million)</b>					
Revenue	1,362	1,432	1,540	1,617	5,951
Net interest income	779	803	828	864	3,274
Operating profit before allowances	644	685	772	798	2,899
Profit before taxation	494	554	740	683	2,471
Profit attributable to equity holders of the Company	357	410	559	505	1,831
Earnings per share (sen)	14.3	16.5	22.2	19.9	72.9
Dividend per share (sen):					
- Interim	-	6.0	-	-	6.0
- Final	-	-	-	10.3	10.3

	2012				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2012
<b>FINANCIAL PERFORMANCE (RM' million)</b>					
Revenue	1,150	1,168	1,145	1,366	4,829
Net interest income	709	732	745	774	2,960
Operating profit before allowances	630	638	619	649	2,536
Profit before taxation	581	603	641	560	2,385
Profit attributable to equity holders of the Company	436	454	487	408	1,785
Earnings per share (sen)	19.8	20.5	21.8	17.1	79.2
Dividend per share (sen):					
- Interim	-	6.0	-	-	6.0
- Final	-	-	-	16.1	16.1

# Corporate Information

As at 3 March 2014

## BOARD OF DIRECTORS

**Dato' Mohamed Khadar Merican**  
*Independent Non-Executive Chairman*

**Tan Sri Azlan Zainol**  
*Non-Independent Non-Executive Director*

**Dato' Nik Mohamed Din Datuk Nik Yusoff**  
*Non-Independent Non-Executive Director*

**Datuk Haji Faisal Siraj**  
*Senior Independent Non-Executive Director*

**Dato' Saw Choo Boon**  
*Independent Non-Executive Director*

**Dato' Teo Chiang Liang**  
*Independent Non-Executive Director*

**Kellee Kam Chee Khiong**  
*Group Managing Director*

## GROUP BOARD AUDIT COMMITTEE

**Dato' Saw Choo Boon**  
*Chairman*

**Datuk Haji Faisal Siraj**

**Dato' Teo Chiang Liang**

## BOARD RISK COMMITTEE#

**Tuan Haji Khairuddin Ahmad**  
*Chairman*

**Patrick Chin Yoke Chung**

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

**Choong Tuck Oon**

**Dato' Saw Choo Boon**

## BOARD NOMINATING & REMUNERATION COMMITTEE#

**Datuk Haji Faisal Siraj**  
*Chairman*

**Dato' Mohamed Khadar Merican**

**Dato' Teo Chiang Liang**

**Dato' Saw Choo Boon**

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

**Choong Tuck Oon**

## COMPANY SECRETARIES

**Azman Shah Md Yaman**

**Ivy Chin So Ching**

### Note:

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

**GROUP SENIOR  
MANAGEMENT****Kellee Kam Chee Khiong**

Group Managing Director  
RHB Banking Group

**Dato' Khairussaleh Ramli**

Deputy Group Managing Director,  
RHB Banking Group,  
Managing Director, RHB Bank Berhad

**Mike Chan Cheong Yuen**

Managing Director  
RHB Investment Bank Berhad

**U Chen Hock**

Executive Director  
Group International Business

**Ibrahim Hassan**

Managing Director  
RHB Islamic Bank Berhad

**Yap Choi Foong**

Group Chief Financial Officer

**Rohan Krishnalingam**

Group Chief Operations Officer

**Norazzah Sulaiman**

Group Chief Governance Officer

**Patrick Ho Kwong Hoong**

Group Chief Risk Officer

**Jamaluddin Bakri**

Group Chief Human Resource Officer

**Christopher Loh Meng Heng**

Group Chief Strategy & Transformation  
Officer

**REGISTERED OFFICE**

Level 10, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 603 - 9285 2233  
Fax : 603 - 9281 9314

**COMPANY NO.**

312952-H

**AUDITORS**

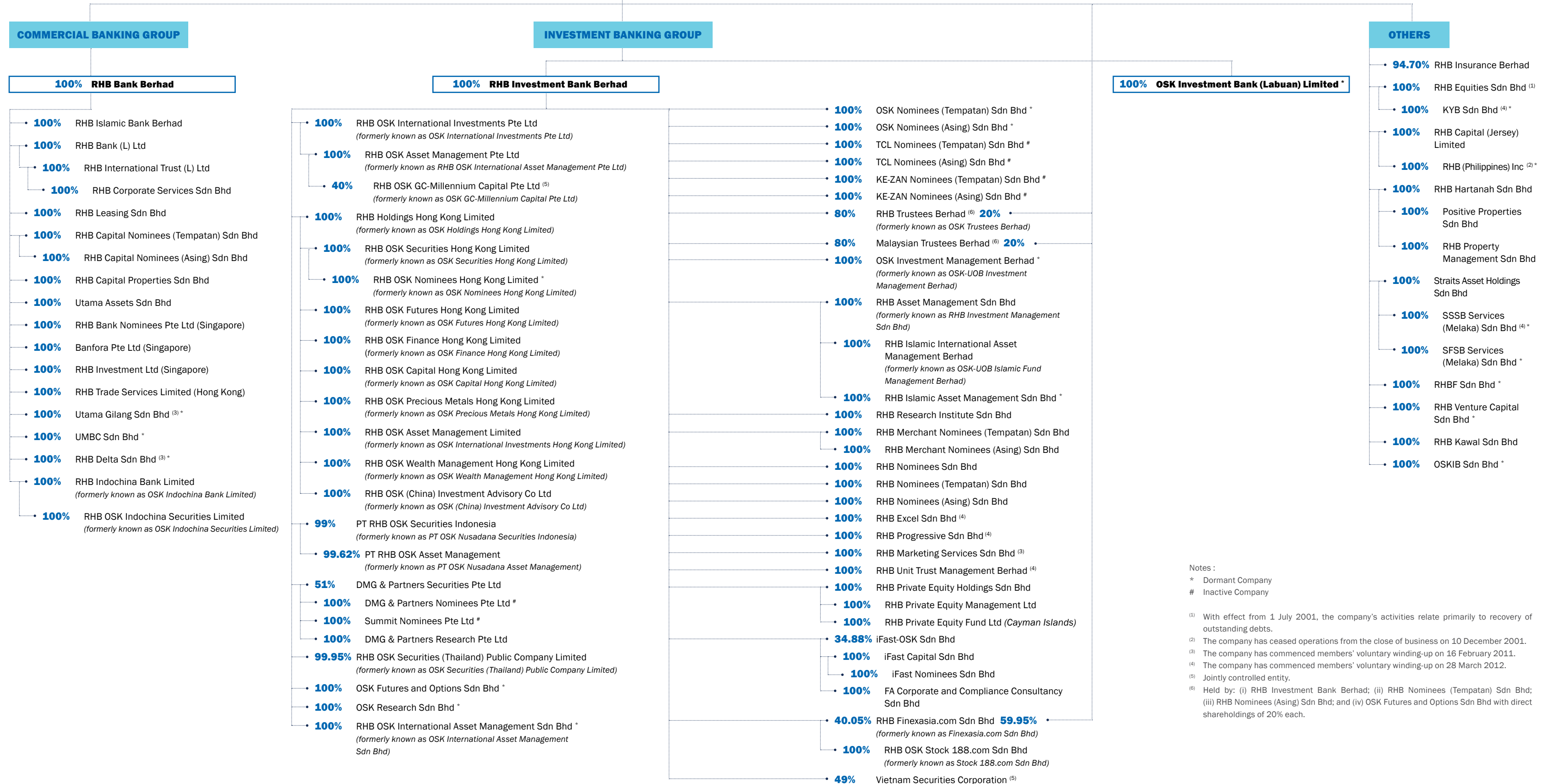
PricewaterhouseCoopers  
Chartered Accountants  
Level 10, 1 Sentral  
Jalan Travers, Kuala Lumpur Sentral  
P.O. Box 10192  
50706 Kuala Lumpur  
Malaysia  
Tel : 603 - 2173 1188  
Fax : 603 - 2173 1288

**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 - 7841 8000  
Fax : 603 - 7841 8008

# RHB Capital Berhad Group Structure

As at 3 March 2014

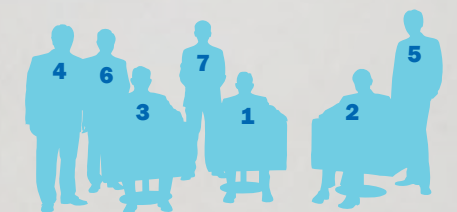


Notes :  
 \* Dormant Company  
 # Inactive Company  
<sup>(1)</sup> With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.  
<sup>(2)</sup> The company has ceased operations from the close of business on 10 December 2001.  
<sup>(3)</sup> The company has commenced members' voluntary winding-up on 16 February 2011.  
<sup>(4)</sup> The company has commenced members' voluntary winding-up on 28 March 2012.  
<sup>(5)</sup> Jointly controlled entity.  
<sup>(6)</sup> Held by: (i) RHB Investment Bank Berhad; (ii) RHB Nominees (Tempatan) Sdn Bhd; (iii) RHB Nominees (Asing) Sdn Bhd; and (iv) OSK Futures and Options Sdn Bhd with direct shareholdings of 20% each.

# Board of Directors



- 1 DATO' MOHAMED KHADAR MERICAN**  
Independent Non-Executive Chairman
- 2 TAN SRI AZLAN ZAINOL**  
Non-Independent Non-Executive Director
- 3 DATO' NIK MOHAMED DIN DATUK NIK YUSOFF**  
Non-Independent Non-Executive Director
- 4 DATUK HAJI FAISAL SIRAJ**  
Senior Independent Non-Executive Director
- 5 DATO' SAW CHOO BOON**  
Independent Non-Executive Director
- 6 DATO' TEO CHIANG LIANG**  
Independent Non-Executive Director
- 7 KELLEE KAM CHEE KHIONG**  
Group Managing Director



# Profiles of the Board of Directors

## **Dato' Mohamed Khadar Merican**

(57 years of age – Malaysian)  
Independent Non-Executive Chairman

Dato' Mohamed Khadar Merican (“Dato' Mohamed Khadar”) was appointed as an Independent Non-Executive Director of RHB Capital on 1 January 2008 and was subsequently appointed as the Chairman of RHB Capital on 12 May 2009. Dato' Mohamed Khadar serves as a Member of the Board Nominating & Remuneration Committee of RHB Capital.



Dato' Mohamed Khadar is a Member of the Institute of Chartered Accountants in England and Wales and is also a Member of the Malaysian Institute of Accountants.

Dato' Mohamed Khadar has had more than 35 years of experience in financial and general management. He served as an auditor and a consultant in an international accounting firm, before joining a financial services group in 1986. Dato' Mohamed Khadar has held various senior management positions in Pernas International Holdings Berhad (now known as Tradewinds Corporation Berhad) between 1988 and April 2003, including those of President and Chief Operating Officer. In 2013, Dato' Mohamed Khadar, in his capacity as the Chairman of RHB Capital, was named as the “Chairman of the Year” by Minority Shareholders Watchdog Group at its Malaysian – Asean Corporate Governance Index Awards 2013.

Dato' Mohamed Khadar's other directorships in public companies are RHB Bank Berhad, RHB Investment Bank Berhad, Rashid Hussain Berhad (In Members' Voluntary Liquidation), AirAsia Berhad, Astro Malaysia Holdings Berhad, Sona Petroleum Berhad and RHB OSK Securities (Thailand) Public Company Limited (Chairman).

Dato' Mohamed Khadar attended thirteen out of fourteen Board of Directors' Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

### **Tan Sri Azlan Zainol**

(64 years of age – Malaysian)  
Non-Independent Non-Executive Director

Tan Sri Azlan Zainol (“Tan Sri Azlan”) was appointed as a Non-Independent Non-Executive Director of RHB Capital on 27 July 2005.



Tan Sri Azlan is a Fellow of the Institute of Chartered Accountants in England & Wales, a Member of the Malaysian Institute of Accountants and a Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Azlan was previously the Chief Executive Officer of the Employees Provident Fund Board until his retirement in April 2013. He has more than 29 years of experience in the financial sector, having been appointed as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.

Tan Sri Azlan's other directorships in public companies are RHB Bank Berhad (Chairman), RHB Investment Bank Berhad, Rashid Hussain Berhad (In Members' Voluntary Liquidation), Malaysian Resources Corporation

Berhad (Chairman), Kuala Lumpur Kepong Berhad, Jardine Cycle & Carriage Limited (Singapore) and RHB Holdings Hong Kong Limited (formerly known as OSK Holdings Hong Kong Limited).

Tan Sri Azlan attended all the fourteen Board of Directors' Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

### **Dato' Nik Mohamed Din Datuk Nik Yusoff**

(71 years of age – Malaysian)  
Non-Independent Non-Executive Director

Dato' Nik Mohamed Din Datuk Nik Yusoff (“Dato' Nik Mohamed Din”) was appointed as a Non-Independent Non-Executive Director of RHB Capital on 20 November 2012.



Dato' Nik Mohamed Din is a Barrister-at-law. He read law at Lincoln's Inn, London and was admitted to the English Bar in 1968. He then served as a Magistrate in the Malaysian Judicial Services in 1969. Thereafter, he joined private legal practice at Mah, Kok and Din as a lawyer for 13 years. In 1984, he left legal practice to join the stockbroking business and assumed the position of the Executive Chairman as well as a shareholder of O.S.K. & Partners Sendirian Berhad (the former OSK Investment Bank Berhad).

In 1985, Dato' Nik Mohamed Din was elected Chairman and in 1988 appointed by the Minister of Finance as the first Executive Chairman of the Kuala Lumpur Stock Exchange (“KLSE”) (now known as Bursa Malaysia Securities Berhad) and he held this position for 12 years. Upon expiry of his tenure of appointment as Executive Chairman of the KLSE, Dato' Nik Mohamed Din returned to OSK Holdings Berhad Group as the Executive Chairman of OSK Holdings Berhad and thereafter was re-designated to Non-Independent Non-Executive Chairman on 28 December 2009.

Dato' Nik Mohamed Din's other directorships in public companies are OSK Holdings Berhad (Chairman), OSK Property Holdings Berhad (Chairman), OSK Ventures International Berhad (Chairman), Jerasia Capital Berhad (Chairman), QBE Insurance (Malaysia) Berhad (Chairman), Federation of Public Listed Companies (Vice-President II), Malaysian Trustees Berhad, RHB Trustees Berhad (formerly known as OSK Trustees Berhad), Ke-Zan Holdings Berhad and Datin Seri Ting Sui Ngit Foundation.

Dato' Nik Mohamed Din attended thirteen out of fourteen Board of Directors' Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.



**Datuk Haji Faisal Siraj**

(68 years of age – Malaysian)

Senior Independent Non-Executive Director

Datuk Haji Faisal Siraj (“Datuk Faisal”) was appointed as an Independent Non-Executive Director of RHB Capital on 24 May 2007. Datuk Faisal also serves as the Chairman of the Board Nominating & Remuneration Committee. He is also a Member of the Group Board Audit Committee of RHB Capital.



Datuk Faisal was a Fellow of the Institute of Chartered Accountants in England & Wales, a Member of the Malaysian Institute of Accountants and a Member of the Malaysian Institute of Certified Public Accountants.

Datuk Faisal started his career in 1968 with KPMG, London. On his transfer from KPMG, London to KPMG, Kuala Lumpur, he was posted to KPMG Kota Kinabalu until 1976. Datuk Faisal joined the Malaysia Mining Corporation (“MMC”) Group in 1976. He was the Group Executive Director and a Member of the MMC Board from 1981 to 1994. In 1995, he joined DRB-HICOM Berhad (“DRB-HICOM”) as the Group Chief Financial Officer in the capacity of Senior Group Director, Financial Services and Treasury Division and was a member of DRB-HICOM Board, before his retirement in 2005.

Datuk Faisal’s other directorships in public companies are RHB Islamic Bank Berhad, RHB Insurance Berhad, RHB Trustees Berhad (formerly known as OSK Trustees Berhad) and Malaysian Trustees Berhad.

Datuk Faisal attended all the fourteen Board of Directors’ Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

## Dato' Saw Choo Boon

(67 years of age – Malaysian)  
Independent Non-Executive Director

Dato' Saw Choo Boon (“Dato' Saw”) was appointed as an Independent Non-Executive Director of RHB Capital on 20 May 2010. He also serves as the Chairman of the Group Board Audit Committee and a Member of the Board Nominating & Remuneration Committee and Board Risk Committee of RHB Capital.



Dato' Saw holds a Bachelor of Science (Chemistry) from the University of Malaya. He joined Shell in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Berhad. He then served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and Netherlands. In 1996, Dato' Saw was appointed as the 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.

Dato' 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, Dato' Saw was appointed the Senior Advisor of Shell Malaysia until his retirement on 30 June 2010.

Currently, Dato' Saw's other directorships in public companies are RHB Investment Bank Berhad, Shell Refining Company (Federation of Malaya) Berhad, Digi.Com Berhad, Phoenix Petroleum (M) Berhad, Ranhill Energy and Resources Berhad and Guinness Anchor Berhad where he is also the Chairman. In addition, he serves on the Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH), Federation of Malaysian Manufacturers (FMM) Council, and the Socio-Economic Research Centre (SERC) Board of the Associated Chinese Chambers of Commerce and Industry Malaysia.

Dato' Saw attended twelve out of fourteen Board of Directors' Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

**Dato’ Teo Chiang Liang**

(63 years of age – Malaysian)  
Independent Non-Executive Director

Dato’ Teo Chiang Liang (“Dato’ Teo”) was appointed as an Independent Non-Executive Director of RHB Capital on 20 May 2010. He also serves as a Member of the Board Nominating & Remuneration Committee and Group Board Audit Committee of RHB Capital.



Dato’ Teo holds a Bachelor of Arts (Honours) degree in Business Studies awarded by the Council for National Academic Awards, United Kingdom and Bachelor of Science in Management Studies from University of Bradford, United Kingdom. He was appointed as a Visiting Professor of Nottingham Trent University, United Kingdom from 1998 to 2012 and conferred with an Honorary Degree of Doctor of Business Administration in 2001.

Dato’ Teo joined and served the See Hoy Chan Holdings Group, a well-diversified group of companies, in different levels of management since 1975. He was the Secretary General of the Malaysian Association of Private Colleges & Universities from 1997 to March 2003 and is currently its Council Member. Dato’ Teo was appointed as a member of the MSC

Education Advisory Panel from 1998 to 2000 and a Life Member of the Malaysian Red Crescent Society since 1983. He was elected as an Executive Council Member of Malaysia Crime Prevention Foundation from 2006 to 2012.

Dato’ Teo’s other directorships in public companies are RHB Insurance Berhad and Ajinomoto (Malaysia) Berhad.

Dato’ Teo attended twelve out of fourteen Board of Directors’ Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

## **Kellee Kam Chee Khiong**

(40 years of age – Malaysian)  
Group Managing Director

Kellee Kam Chee Khiong (“Kellee Kam”) was appointed as the Managing Director of RHB Capital on 10 May 2011. He was subsequently appointed as the Group Managing Director of RHB Banking Group on 9 January 2012. He is also a Member of the Board Technology Committee.



Kellee Kam holds a Master of Arts (MA) in South East Asian Business World from the University of London, Master of Business Administration from Richmond College and Bachelor of Law with Honours from Manchester Metropolitan University.

Kellee Kam commenced his career in the financial services sector with ABN Amro Bank Berhad as the Assistant Vice President in Wholesale Banking before joining Utama Banking Group Berhad in 2002 as General Manager, where he was accountable for strategic projects and investments as well as provided oversight over Corporate Finance and business development. He joined RHB Management Company Sdn Bhd in 2003 as General Manager where he successfully led the corporate finance and treasury activities of RHB. Kellee Kam was subsequently appointed as the General Manager, Group Finance (Corporate Treasury)

for RHB Capital. Thereafter, he was appointed as the Head, Corporate and Strategic Planning on 1 January 2007, responsible in the areas of Corporate Finance and Strategy of the Group prior to his appointment as Chief Financial Officer of RHB Capital on 1 June 2007. He was appointed Principal Officer of RHB Capital in March 2011 prior to his appointment as Managing Director of RHB Capital on 10 May 2011. In 2013, Kellee Kam was awarded the Industry Excellence Award by the Malaysian Business Award 2013 for his successful management of RHB Banking Group.

Kellee Kam attended all the fourteen Board of Directors’ Meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of RHB Capital. He has no conflict of interest with RHB Capital and has never been charged of any offence.

# Chairman's Statement

**Dear Valued Shareholders,**

I am pleased that RHB Banking Group delivered another profitable year in 2013 amidst a volatile operating environment. Having celebrated RHB Bank's 100th Anniversary on 15 July 2013, we are embarking on our next major transformation journey towards building a wholesome multinational financial services group.



PROFIT BEFORE TAX OF

**RM2.47**  
BILLION

TOTAL INCOME REACHED A NEW HIGH OF

**RM6.0**  
BILLION



## **CONTINUING OUR GOOD FINANCIAL PERFORMANCE**

Despite an 11.5% decline in profitability for the first six months of financial year 2013, the Group successfully delivered a turnaround in profit trajectory to register a profit before tax ("PBT") of RM2.47 billion, 3.6% higher than the previous year. Total income reached a new high of RM6.0 billion due to growth in net interest income and customer-driven non-interest income. The Group's satisfactory performance in 2013 bears testament to our agility and resilience in the face of challenges, our steadfastness to executing against strategy, and our commitment to delivering value to all our stakeholders.

All the Group's core operating businesses continued to deliver steady results amidst a challenging operating environment, with a 14.3% increase year-on-year in operating profit before allowances. This improvement was partially offset by an increase in impairment allowances for loans.

## **PERFORMANCE REVIEW OF OUR KEY SUBSIDIARIES**

RHB Bank Berhad ("RHB Bank") recorded a PBT of RM2.0 billion in 2013, 5.9% lower than the previous year. This was mainly due to higher allowance for loan impairment and an increase in other operating expenses. RHB Bank's

## Following the entry of OSK Investment Bank into the Group, RHB Investment Bank is now the largest investment bank by asset size in the country.

balance sheet remained strong with total assets at RM145.6 billion and shareholders' equity at RM12.1 billion as at 31 December 2013. RHB Bank continues to be well-capitalised with common equity Tier-1 and Tier-1 capital ratios of 11.1% and 11.6% respectively, and a total capital ratio of 14.0%.

RHB Islamic Bank Berhad recorded a PBT of RM218.3 million in 2013 as compared to RM208.6 million in the preceding year. The higher profit was due to lower financing impairment allowances and higher net financing income on the back of strong financing growth of 15.1%. This was partially offset by higher other operating expenses and a net loss on disposal of financial investments available-for-sale as opposed to a net gain recorded last year.

The year in review saw the merged RHB Investment Bank Group registering a PBT of RM185.6 million, 61.4% higher than the previous year. This was largely due to higher net

interest income and other operating income as well as a higher write-back of impairment on other assets which was partially offset by higher other operating expenses and higher allowance for loan impairment. Total assets under management of RHB Asset Management Sdn Bhd amounted to RM39.3 billion, accounting for 10.0% of the domestic retail fund market share as at 31 December 2013.

### STRONGER DOMESTIC STANDING

While we pursue a regional expansion strategy, the Group continues to make good progress in our domestic market. Our position as the fourth largest financial services group in Malaysia continues to strengthen. Following the entry of OSK Investment Bank ("OSKIB") into the Group, RHB Investment Bank ("RHBIB") is now the largest investment bank by asset size in the country. In December 2013, RHBIB's subsidiary, RHB Investment Management Sdn Bhd, merged with OSK-UOB Investment Management Berhad

to form RHB Asset Management Sdn Bhd. Under this newly merged entity, the Group is today one of the top three domestic fund houses and a key global fund manager in the region.

Our commercial bank branch network encompasses a total of 208 branches nationwide with 194 RHB conventional bank branches and 14 RHB Islamic branches. With over 2,300 self-service terminals ("SSTs") in our network, we have maintained the No. 3 position in terms of market share for SSTs. The Group continues to strengthen its online presence through its internet and mobile banking platform - RHB Now, which has over a million users, and had registered strong growth in transaction volumes in 2013.

Our Easy by RHB continues to be a veritable force on the national banking front, and captured the interest of financial players from other nations who are keen to learn more about its unique features. In 2013, Easy garnered a



host of awards and accolades including “Best Banking Business Model Malaysia 2013”, “Best Banking Operational Efficiency Malaysia 2013” and “Best Retail Banking Brand Malaysia 2013” at the Global Brands Magazine Awards 2013.

**WIDER REGIONAL FOOTPRINT**

Our regional footprint continues to expand with the acquisition of OSKIB providing us access into key strategic markets such as Cambodia, Indonesia and Hong Kong. In addition, we have secured a license to open a subsidiary in Lao. We are also awaiting the outcome of applications to open a representative office in Myanmar and a foreign bank branch in Vietnam.

Beyond ASEAN, we have also expanded our reach globally through a strategic partnership with Espirito Santo Investment Bank of Portugal. This provides us with the platform to distribute our equities research and investment banking products to Europe and North America, while at the same time providing our clients access to Espirito's European and Indian equity research. A second alliance with SinoPac Securities of Taiwan provides us with greater access to Greater China, and will provide our clients with a broader range of financial products and services, global research and significant investment opportunities.

**PRIDE & 100 YEARS CELEBRATION**

We have come a long way since our humble beginnings in 1913. 2013 marked RHB Bank's centennial celebrations where we recognised our roots and also all our customers, employees, shareholders and everyone else who have contributed to our success. As we celebrate a century of banking excellence, we are committed to delivering more, and creating meaningful and lasting impacts on our organisation, customers, industry and the community. We also unveiled our customer centric core values, PRIDE (Professional, Respect, Integrity, Dynamic and Excellence), and witnessed a cultural transformation taking place within RHB with our people championing these values in all that they undertake. 2013 initiatives like the 9,000 PRIDE in ACTION workshops and team building



activities such as the climb up Mount Kinabalu in Sabah have gone a long way in promoting unity and igniting the passion of our people.

**AWARDS AND ACCOLADES**

Over the course of 2013, the RHB Banking Group bagged an impressive array of awards and accolades in several key areas. At the Group level, we attained the Raja Zarith Sofiah Award for Corporate Social Responsibility in English Language Education, while the Group was ranked among the “Top 20 Best Companies to Work for in Asia” by HR Asia. At the Malaysia Business Awards 2013, our Group Managing Director, Mr Kellee Kam received an Industry Excellence Award.

Our banking arms, RHB Bank and RHBIB, continued to deliver excellent achievements for the Group. These included accolades on the domestic front as well as across the region. The Group made significant inroads into the digital marketing arena by winning the Gold Award in the “Excellence in Digital Marketing” category at the Advertising + Marketing Excellence Awards.

For its commitment to conducting quality research and analysis, our team at RHB Research Institute garnered recognition for their analysis and forecasting skills in the region and internationally. Meanwhile, our research team received a string of awards for its research coverage and sales activities in Malaysia, Singapore and Indonesia.



**With a combined population of more than 600 million people and a 5.5% annual average growth rate over the last 13 years, the up-and-coming AEC powerhouse holds much potential for the Group.**



#### **RESPONSIBLE CORPORATE PRACTICES**

The Board is committed to upholding and implementing high standards of corporate governance and risk management practices throughout the length and breadth of the organisation. We endeavour to promote the highest standards of integrity, transparency and accountability and ensure the effective rollout of these practices at all times and at all levels within the organisation. By ensuring RHB's integrity and professional conduct are beyond reproach, we are ensuring the sustainable growth of the Group's businesses, preserving its reputation and strengthening shareholder value. The finer details of the Group's corporate governance and risk management measures and practices can be found in the relevant sections of this Annual Report.

The Board also recognises that the Group's ability to prosper hinges substantially upon its ability to make business decisions that give credibility to our sense of economic, social and environmental responsibility. These are factors which our stakeholders can hold RHB accountable for. To this end, the Group is committed to balancing out its good economic performance with responsible social and environmental performance. During the year, the Group continued to undertake Corporate Responsibility ("CR") initiatives that enriched communities, empowered our people, strengthened our marketplace and helped preserve our environment. In line with the Group's regionalisation agenda, the RHB Banking Group looks towards extending its CR programme beyond Malaysia to the many other markets that it serves. You will find the finer details of our CR activities spelt out in the 2013 Corporate Responsibility Report that accompanies this Annual Report.

#### **MOVING FORWARD**

As RHB Banking Group moves forward to embrace a new year, there are several things that are in our favour. The dynamic growth of all ASEAN's 10 high-growth economies bodes well for the Group's regionalisation ambition. At the end of 2015, ASEAN's diverse economies are expected to integrate into a common market under the ASEAN Economic Community ("AEC"). With a combined population of more than 600 million people and a 5.5% annual average growth rate over the last 13 years, the up-and-coming AEC powerhouse holds much potential for the Group.

The Malaysian economy too is expected to grow steadily by 5.4% in 2014 buoyed by strong sustained domestic demand which continues to be supported by a stable employment outlook. The country's export sector is further expected to pick up on the back of the gradual recovery



in the United States, while the Banking Sector will maintain its momentum on the back of a stronger recovery in the external sector, coupled with a resilient domestic economy. The ongoing rollout of the Economic Transformation Programme, the Public-Private Partnership policy and various other economic corridor projects are expected to further spur economic growth in the mid-term.

Amidst this anticipated backdrop, we have embarked on the next phase of our transformation journey dubbed IGNITE 2017. IGNITE 2017 represents our largest integrated transformation programme that is set to propel us towards our Vision in 2020 and in leading us towards becoming a regional powerhouse. I am excited about what it holds for our Group and firmly believe that it would take us to greater heights.

**ACKNOWLEDGEMENTS**

On behalf of the Board of Directors, I wish to convey our deep appreciation to our customers, business partners, regulatory authorities and



government bodies for their steadfast support and cooperation.

I would also like to express my sincere thanks to our loyal and hardworking management team and employees, who have time and again demonstrated their resilience, creativity and commitment to excellence. I am also indebted to my esteemed colleagues on the Board for their guidance and wise counsel which have helped RHB steer a straight course.

Finally, I wish to extend my utmost gratitude to you, our shareholders, for your staunch support and belief in RHB. I am confident that with the continued support of all our stakeholders, RHB Banking Group will continue to build a

wholesome multinational financial services group that will continue to deliver sustainable value as it moves into the next chapter of its history. As we continue to espouse the same entrepreneurial values that our founding fathers had, we are confident of extending our banking platform within ASEAN and beyond.

**Dato' Mohamed Khadar Merican**  
Independent Non-Executive Chairman

# Chairmen of the Key Operating Companies



**Sitting from left to right:**

**TAN SRI AZLAN ZAINOL**  
RHB Bank Berhad

**DATO' MOHAMED KHADAR MERICAN**  
RHB Capital Berhad

**TAN SRI ONG LEONG HUAT @ WONG JOO HWA**  
RHB Investment Bank Berhad

**Standing from left to right:**

**PATRICK CHIN YOKE CHUNG**  
RHB Asset Management Sdn Bhd  
*(formerly known as RHB Investment Management Sdn Bhd)*

**TUAN HAJI MD JA'FAR ABDUL CARRIM**  
RHB Islamic Bank Berhad

**ONG SENG PHEOW**  
RHB Insurance Berhad

# Chairmen of Group Committees



**Standing from left to right:**

**DATO' SAW CHOO BOON**  
Group Board Audit Committee

**TUAN HAJI KHAIRUDDIN AHMAD**  
Board Risk Committee

**DATO' MOHAMED KHADAR MERICAN**  
Board Credit Committee

**DATUK HAJI FAISAL SIRAJ**  
Board Nominating & Remuneration Committee

**ONG SENG PHEOW**  
Board Audit Committee

**CHOONG TUCK OON**  
Board Technology Committee

# Group Committees

## BOARD NOMINATING & REMUNERATION COMMITTEE

**Datuk Haji Faisal Siraj**  
*Chairman*

**Dato' Mohamed Khadar Merican**

**Dato' Teo Chiang Liang**

**Dato' Saw Choo Boon**

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

**Choong Tuck Oon**

## BOARD AUDIT COMMITTEE

**Ong Seng Pheow**  
*Chairman*

**Dato' Othman Jusoh**

**Dato' Saw Choo Boon**

**Datuk Haji Faisal Siraj**

## GROUP BOARD AUDIT COMMITTEE

**Dato' Saw Choo Boon**  
*Chairman*

**Datuk Haji Faisal Siraj**

**Dato' Teo Chiang Liang**

## BOARD CREDIT COMMITTEE

**Dato' Mohamed Khadar Merican**  
*Chairman*

**Tuan Haji Khairuddin Ahmad**

**Abdul Aziz Peru Mohamed**

**Patrick Chin Yoke Chung**

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

## BOARD RISK COMMITTEE

**Tuan Haji Khairuddin Ahmad**  
*Chairman*

**Patrick Chin Yoke Chung**

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

**Choong Tuck Oon**

**Dato' Saw Choo Boon**

## BOARD TECHNOLOGY COMMITTEE

**Choong Tuck Oon**  
*Chairman*

**Ong Seng Pheow**

**Dato' Mohd Ali Mohd Tahir**

**Charles Lew Foon Keong**

**Kellee Kam Chee Khiong**

**Dato' Khairussaleh Ramli**

# Corporate Governance Statement

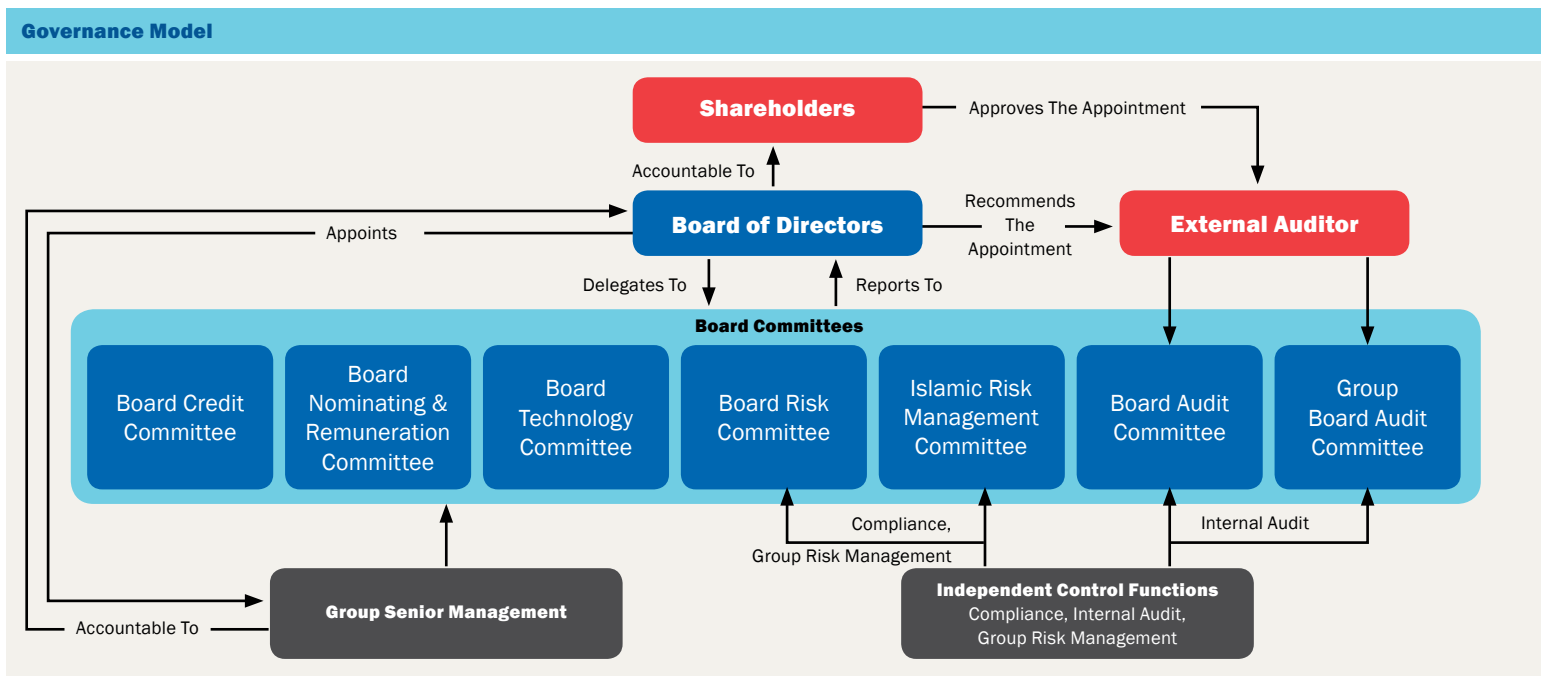
**“Good corporate governance plays a vital role in underpinning the integrity and efficiency of the capital market. It is a testament of a company’s commitment to values and ethical business conduct. Effective corporate governance structures encourage companies to create value (through entrepreneurialism, innovation and development) and provide accountability and control systems which commensurate with the risks involved. When companies are well governed, they are better able to attract capital investment and raise the standing of the capital market as a whole.”**

**Foreword, Chairman, Bursa Malaysia Berhad**  
Corporate Governance Guide (2nd Edition)

The Board of Directors (“Board”) of RHB Capital Berhad (“RHB Capital” or “Company”) recognises the importance of good corporate governance in pursuing quantifiable and long term success for the RHB Banking Group, i.e. the group of companies governed by RHB Capital (“Group”), and value creation for shareholders and all other stakeholders. The Board is fully committed to high standards of governance designed to protect the interests of shareholders and all other stakeholders while promoting the highest standards of integrity, transparency and accountability. The Board strives to ensure that the Group’s integrity and professional conduct are beyond reproach.

An effective corporate governance structure lies at the core of the Group’s pursuit to realise its vision to be a Leading Multinational Financial

Services Group. This structure is based on stringent corporate governance practices and regulations, a clear organisational structure with well-defined accountabilities and responsibilities, and robust internal control and risk management mechanisms. Throughout the years, the Board has made concerted efforts to ensure strict compliance to regulatory requirements and that its corporate governance framework, internal processes, guidelines and systems remain robust and relevant. The Board believes there is always room for improvement and continuously explores various avenues to improve the Group’s governance processes. The Board exercises significant effort to understand and manage stakeholders’ expectations to fulfil their evolving needs and ensure that the Group’s position and reputation as a leading financial holding company are held in good stead.



## ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### Board and Management

The Board governs the business and affairs of the Company and exercises all such powers pursuant to the Articles of Association of the Company. To ensure effectiveness in discharging its roles and responsibilities, the Board delegates specific authorities to the relevant Board Committees. Such 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 where they evaluate and recommend matters under their purview for the Board to consider and approve. To ensure the efficient running of the Group’s businesses and operations, the Board also delegates certain decision making powers to the Group Managing Director (“Group MD”), Deputy Group MD and the Group Senior Management; the authorities of which are among others, embodied in the Group Manual of Authority (“GMOA”).

At each Board meeting, the Board is among others informed of the decisions and salient issues deliberated by the Board Committees and the Management through minutes of meetings which are tabled thereat. The Board also receives updates from the respective chairmen/representatives of the Group Board Audit Committee, Board Risk Committee and Board Nominating & Remuneration Committee on matters that have been deliberated and considered at these Committees’ meetings that require specific attention. This practice also applies for other operating entities within the Group.

Matters such as the annual business plan and budget, dividend policy and distribution, business restructuring, group reorganisation plan, strategic proposals, risk appetite, human capital management policies, appointment of the Group senior leaders, talent and succession planning, brand positioning, direction on investor and stakeholder relations as well as capital and operating expenditures above the GMOA limits are reserved for the Board.

### The role of the Board

The Board is charged with leading and governing the Company in an effective, efficient and responsible manner. The Directors, collectively and individually, are aware of their responsibilities to shareholders/stakeholders and for the manner in which the affairs of the Company are managed. They discharge their roles and duties with integrity, honesty and professionalism within the ambit of the law to serve the interest of the Company’s shareholders and stakeholders, and are committed to ensuring that the highest corporate governance standards are adhered to.

The Board assumes the following key roles and responsibilities:

#### (a) Strategy setting

The Board plays an active role in reviewing the Group’s strategies, business plans, financial objectives, major capital and operating budgets and policies proposed by the Management. The Board monitors the Management’s performance in implementing the adopted strategies and plans and provide relevant direction and advice where necessary so as to ensure the achievement of the objectives.

For 2013, the strategic planning process began with an offsite Strategic Development & Brainstorming Session held in October 2012, where the Management presented its proposed Group strategy, business plan and annual budget for the financial year. During this session, the Board discussed both the Management’s and its own strategic perspectives, and challenged the Management’s views and assumptions. The Board subsequently approved the proposed strategy, business plan and annual budget at its meeting held in January 2013. The Board also reviewed and approved the proposed 2013 performance scorecard for the Company, ensuring that the proposed targets correspond to the Group’s strategy and business plan, reflect competitive industry trends and internal capabilities, and provide sufficient stretch for the Management.

In 2013, the Board actively engaged with the Management in monitoring the progress of the business merger of the Group’s investment banking and asset management businesses with OSK Investment Bank Berhad (now known as OSKIB Sdn Bhd) (“OSK”). RHB Investment Bank Berhad, a wholly-owned subsidiary of RHB Capital, is now the largest investment bank by asset size in Malaysia and RHB Asset Management Sdn Bhd, a wholly-owned subsidiary of RHB Investment Bank Berhad, is one of the largest asset management outfits in Malaysia with assets under management of over RM39.3 billion. With the completion of the merger, the RHB Banking Group is now present in almost all of the ASEAN countries and Hong Kong.

In November 2013, the Group Senior Management initiated a 3-year transformation journey to achieve the Group’s vision of becoming a Leading Multinational Financial Services Group by 2020. The roadmap for IGNITE 2017 and its six key strategic levers, and the Group business plan and budget for 2014 were discussed and evaluated by the Board and Management at an offsite meeting and subsequently approved at the Board meeting held in January 2014.

**(b) The Company’s and the Group’s operations and conduct**

The Board governs the business conduct, performance and operations of the Company and the Group with close collaboration with the Management. To ensure high performance, the Board reviews and approves performance objectives for the Senior Management team and monitors their performance on a regular basis. Interventions and reviews may be made to ensure that the execution of the plans is aligned with the set objectives and goals. The Board also governs the Company’s and the Group’s risk management, controls and human resource (“HR”) management through delegation of certain decision making and/or oversight responsibilities to various Board Committees namely the Group Board Audit Committee, Board Risk Committee and Board Nominating & Remuneration Committee. At the highest executive level, the Group MD assumes the overall responsibilities for the execution of the Group’s strategies and plans in line with the Board’s direction, oversees the listed entity’s operations and drives the Group’s businesses and performance towards achieving the Group’s vision and goals. In carrying out his tasks, the Group MD is supported by the Deputy Group MD and Group Management Committee (“GMC”) which comprises the Group MD as the Chairman, the Chief Executive Officers/Managing Directors of the relevant key operating subsidiaries and the key Senior Management of the Group. The Board is updated on the Company’s and the Group’s performance through a status report presented by the Group MD which includes a comprehensive summary of the Company’s and the Group’s business drivers and financial performance of each reporting period vis a vis the approved balanced scorecard of RHB Capital and the industry benchmark. The Board also keeps abreast of the key strategic initiatives, significant operational issues and the latest developments of the financial services industry.

In addition, the Group Chief Governance Officer also provides the Board with a report on the Company’s and the Group’s compliance with its statutory obligations under the local and foreign jurisdictions on a quarterly basis. Areas for improvement, non-compliances and action plans are highlighted and recommended to the Board for information and approval on a regular basis.

The Board also reviews management reports. Special meetings are held where direction or decision are required expeditiously from the Board between the scheduled meetings.

As part of the Group’s initiative to continuously improve its management of the staff, the Board reviewed the results of the 2012 employee engagement survey (“EES”) which was conducted in January 2013 to assess the level of employee morale and satisfaction, and actions proposed by Management to address areas requiring improvement.

**(c) Risk management**

The Board has the responsibility to identify the principal risks and implementation of appropriate systems to manage and control these risks. In ensuring effective risk assessment and control, the Board entrusted the Board Risk Committee (“BRC”), which comprises four Independent Non-Executive Directors (“INEDs”) and one Non-Independent Non-Executive Director (“NINED”) representing the respective entities within the Group, with the responsibility to provide oversight and governance of risks for the Group. The composition of the BRC and the attendance of the members at meetings held in 2013 are as follows:

Name of Directors	Attendance at Meetings
Tuan Haji Khairuddin Ahmad (INED/ Chairman)	22/25 (88%)
Mr Patrick Chin Yoke Chung (INED)	24/25 (96%)
Tuan Haji Md Ja’far Abdul Carrim (NINED)	25/25 (100%)
Mr Choong Tuck Oon (INED)	19/25 (76%)
Dato’ Saw Choo Boon (INED)	24/25 (96%)

The salient TOR of the BRC are as follows:

- to provide oversight and governance of risks in the Group;
- to oversee Senior Management’s activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management processes of each entity in the Group are in place and functioning;
- to promote the management of the Group’s risks in accordance with a risk-return performance management framework; and
- to provide guidance and make recommendations to the Board of each relevant entity within the Group in respect of risk management matters of the respective entities.

The Board is satisfied that the BRC has effectively and efficiently discharged its functions to support the Board in ensuring, among others that the Company and the Group are adequately capitalised to support the risks undertaken and meet regulatory requirements.

**(d) Talent development and succession planning**

Talent development and succession planning are key priorities of the Board in ensuring a high performing workforce to maintain the Company’s and the Group’s sustainability and competitiveness. The Board entrusted the Board Nominating & Remuneration Committee

("BNRC") with the responsibility to deliberate on HR strategies, policies, systems and development of the Group. The BNRC is also given the responsibility to select, assess and recommend to the Board the appointment and remuneration matters of Directors, Board Committee members, Group Shariah Committee and key Senior Management officers.

During the year, the Group has put in place programmes for the identification, competency assessment and development of talent to fill senior positions, to continuously strengthen the Group's succession plan. These programmes are monitored regularly by the BNRC. Other major issues deliberated by the BNRC were pay structures and policies, review and harmonisation of benefits and retention plans for Senior Management.

#### **(e) Effective communication**

The Board recognises the importance of developing a healthy relationship with the investment community. To create shareholder value and improve communication with the investment community, the Investor Relations team implemented a comprehensive engagement programme in 2013 consisting of proactive and regular sessions with research analysts and institutional investors for timely and fair dissemination of information on the Group's vision and strategies, overall operations, and business and financial performance.

The key spokespersons and representatives for Investor Relations of the Group are the Group MD and the Group Chief Financial Officer.

#### **(f) Internal control system**

The Board governs the adequacy and integrity of the Company's and the Group's internal control system. With the support of the Group Board Audit Committee and Group Internal Audit, the Board ensures that there is an effective and efficient framework for reporting internal controls and regulatory compliance. Details pertaining to the Company's and the Group's internal control system and review of its effectiveness are set out in the Statement on Risk Management & Internal Control in this Annual Report.

#### **Code of Ethics**

The Board is committed to establish a corporate culture which engenders ethical conduct that permeates throughout the Company and the Group. The Board has adopted a Code of Ethics and Business Conduct for Directors ("Code of Ethics"). The Code of Ethics was formulated to enhance the standard of corporate governance, establish uniform ethical standards and promote ethical conduct for Directors in line with the

governing laws, regulations and guidelines. The Code of Ethics includes principles relating to general standard of conduct, conflict of interest, insider trading, maintaining confidentiality, use of corporate assets, etc.

For all its employees, the Group has in place a Group Code of Ethics and Conduct to ensure a high standard of ethical and professional conduct is upheld in the performance of their duties and responsibilities. The said Code establishes the standards that govern the way employees deal with each other, our shareholders, customers, suppliers, competitors and communities. Within this framework, employees are expected to exercise good judgement and be accountable for their actions. Compliance with the Code is part of the terms and conditions of employment of every employee of the Group.

The Group has also established a Group Whistle Blower Policy in strengthening its governance practice. The policy provides employees with an avenue to report on suspected fraud, corruption, dishonest practices or other similar circumstances. This policy is to encourage the reporting of such matters in good faith, with the confidentiality of the person making such reports being protected from reprisal, in the best possible manner. For the current year under review, three complaints pursuant to the Group Whistle Blower Policy were received, investigated and pursued based on the requirement of the said policy. All reports or complaints are filed with the Designated Recipient as specified in the Group Whistle Blower Policy. The Group Whistle Blower Policy is available on the Group's internal portal for reference by the staff across the Group.

#### **Promotion of sustainability**

The Board acknowledges that a sustainable approach to investing has a positive impact on the value of investments and is vital for the interests of long term investors. The Board further recognises that the Group's ability to prosper hinges substantially upon its ability to make business decisions that give credibility to their sense of economic, social and environmental responsibilities, and by which our stakeholders and society can hold them accountable. Therefore, environment, social and governance ("ESG") issues are of the utmost importance in the Board's decision making in order to maintain the standard of being a responsible corporate citizen.

The Group established a Corporate Responsibility ("CR") strategic framework that supports and creates value for the Group's businesses, operations and brand, and ensures positive contribution to the shareholders, customers, employees and society at large. The Group's CR Report for 2013 is incorporated in a CD-ROM together with this Annual Report to be dispatched to the shareholders and is uploaded on RHB's website prior to the forthcoming Annual General Meeting ("AGM") of the Company. The Group's CR Report addresses among others the CR and ESG elements of the Group. The framework will be eventually translated into a governing policy.



The foundation of CR initiatives is premised on four quadrants which include Community, Environment, Workplace and Marketplace. The issue of sustainability is defined as conducting business responsibly and ethically by factoring in social, economic and environmental considerations in the decision making process for long term business success that in turn will contribute to the socioeconomic development of the communities in which it operates. As such, the Group will embark on activities that conserve the environment, enrich the lives of communities, promote a culture of respect and care for its workforce and the public, all of which, appropriately implements good governance.

**Information and advice**

The Board whether as a group or individually, regularly obtains the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Board members may interact directly with the Management, seek their clarification and advice as well as request for information on matters pertaining to the Company’s and the Group’s operations or business concerns from them. Should the need arise, the Directors may also seek independent professional advice, at the Company’s expense, pursuant to the Group’s “Standard Procedures for Directors to Have Access to Independent Advice” when deemed necessary for the proper discharge of their duties.

**Dedicated Company Secretaries**

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of their roles and responsibilities. In addition to acting as a custodian of the Company’s and the Group’s statutory records, the Company Secretaries serve and advise the Board on matters relating to the affairs of the Board and ensures that Board meetings are properly convened and an accurate and proper record of the proceedings and minutes of the meetings are kept. The Company Secretaries assist the Chairman and Directors in the conduct of meetings and in the discharge of their governance obligations and responsibilities as Directors of the Company. The Company Secretaries also facilitate the communication of key decisions and policies between the Board, Board Committees and the Senior Management. The Board is updated by the Company Secretaries on the follow-up or implementation of its decisions/ recommendations by the Management until their closure.

In order to play an effective advisory role to the Board, the Company Secretaries always keep abreast with the latest regulatory changes, evolving industry development and best practices in corporate governance through continuous training and regular interactions with regulators and peers in the industry.

**Board Charter**

The Group has developed Board Charters for major entities, which set out the key corporate governance principles adopted by the Boards of the Group. The responsibilities of Boards, Chairperson, Senior Independent Director and the Group MD/Managing Director/Chief Executive Officer are clearly defined therein. The Board Charters clearly stipulate the role that each party undertakes in ensuring checks and balances in the day to day management of the Group’s businesses and operations.

Within these broad boundaries, each Board, based on the context of the company, also discussed, set and agreed with Management the annual balanced scorecard and key performance indicators that need to be executed and achieved by Management. The performance and progress thereof will then be reviewed by the Boards at intervals.

The Boards review the Board Charters from time to time to keep them up to date with changes in regulations and best practices as well as ensure its effectiveness and relevance to the Boards’ objectives. In view of the substantial changes in regulatory and business environment in 2013, the Board of RHB Capital has reviewed its Board Charter and a copy thereof has been uploaded on the corporate website ([www.rhbgroup.com](http://www.rhbgroup.com)).

**STRENGTHEN COMPOSITION**

**Board Nominating & Remuneration Committee**

The Board Nominating & Remuneration Committee (“BNRC”) comprises six Non-Executive Directors of whom five are INEDs and one is NINED representing the respective entities within the Group. The BNRC is chaired by Datuk Haji Faisal Siraj, the Senior INED of RHB Capital. The BNRC met 15 times during financial year 2013. The composition of the BNRC and the attendance of the members at meetings held in 2013 were as follows:

Name of Directors	Attendance at Meetings
Datuk Haji Faisal Siraj (INED/Chairman)	14/15 (93%)
Dato’ Mohamed Khadar Merican (INED)	13/15 (87%)
Dato’ Saw Choo Boon (INED)	15/15 (100%)
Dato’ Teo Chiang Liang (INED)	12/15 (80%)
Mr Choong Tuck Oon (INED)	12/15 (80%)
Tuan Haji Md Ja’far Abdul Carrim (NINED)	15/15 (100%)

The salient TOR of the BNRC with regard to its nomination roles are as follows:

- Establish a documented procedure for the appointment of Directors, Board Committee members, Group Shariah Committee (“GSC”) and key Senior Management officers.
- Establish and recommend for Board approval, minimum requirements for Directors, GSC and key Senior Management officers.
- Establish and recommend for Board approval, the optimal size and mix of skills to ensure efficient operation of the Boards/Board Committees/GSC.
- Assess and recommend for Board approval, new and reappointed nominees for directorship, Board Committee members, GSC and key Senior Management officers.
- Establish and recommend for Board approval, a mechanism for the formal assessment of the performance of Boards as a whole, Board Committees, GSC, each Director and key Senior Management officers.

- Review performance assessment results and recommend to the Board, the removal of any Director, GSC or key Senior Management officer found to be ineffective, errant and negligent in the discharge of responsibilities.
- Ensure Directors, Board Committee members and GSC receive appropriate induction and continuous training programs for closure of skill gaps and keeping abreast with latest developments.

### Directors’ appointment and assessment

#### (a) Appointment of Directors

The BNRC is guided by a nomination framework approved by the Board, to ensure that individuals appointed to relevant senior positions and the Boards within the Group have the appropriate fitness and propriety to properly discharge their prudential responsibilities on appointment and during the course of their appointment. A fit and proper assessment is carried out for each Director and relevant key Management.

#### Nomination Framework



For the appointment of new Directors, a thorough and comprehensive fit and proper assessment (including background, skills, knowledge and experience) of the nominee is undertaken by the BNRC in accordance with the Policy and Guidelines on Fit and Proper for Key Responsible Persons of RHB Banking Group (“Fit and Proper Policy”), through a transparent nomination process before a recommendation is made to the Board for approval. These assessments are carried out against a benchmark of documented competencies which have been prepared for each role, declaration being completed by each individual, the obtaining of evidence of material qualification and the carrying out of checks on matters such as criminal record, bankruptcy and regulatory disqualification. These assessments are reviewed thereafter on an annual basis. The Fit and Proper Policy outlines the following criteria for assessment of the suitability of the candidate for appointment:

- Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind, fairness and ethical behaviour.
- Competence and capability, where the candidate must have the skills, experience, ability and commitment to carry out the role.
- Financial integrity, where the candidate must have financial soundness and able to manage his/her debts or financial affairs prudently.

During its review of the suitability of the candidates and criteria for the appointment process, the BNRC is continuously mindful to have a balanced diversity in age, gender, race, culture and nationality, to facilitate optimal decision making by harnessing different insights and perspectives.

As for the re-appointment of existing Directors, the BNRC refers to the results of the individual assessments conducted via the Board Effectiveness Evaluation besides their on-going experience during their formal/informal interactions with the Directors. The application for the appointment/re-appointment of Directors will be submitted to Bank Negara Malaysia for consideration once the same is approved by the Board.

In 2013, the BNRC undertook a holistic review on the composition of the Boards and Board Committees within the Group in order to ensure effective functioning of the Boards and Board Committees and decision making process, particularly the regional governance aspects post the RHB-OSK merger. The Board is intensifying its effort to secure new Board members with the right skill-sets and experience to close identified gaps. In addition, the BNRC also provided support to the Management in recruiting quality candidates to fill vacant key Senior Management positions.

### **(b) Board Effectiveness Evaluation**

The Group has since 2006 undertaken the Board Effectiveness Evaluation (“BEE”) exercise annually on the Boards and Board Committees with the objective of assessing their effectiveness and that of the individual Directors. The BEE is designed to detect strengths and weaknesses so that actions can be taken to improve overall effectiveness. The results of the Directors’ self and peer evaluations form part of the basis for evaluation by the BNRC for the re-appointment of the respective Directors.

The performance indicators on which the Board’s effectiveness is evaluated are as follows:

#### **Part A: Board evaluation**

1. Board responsibilities
2. Board composition
3. Board administration and process
5. Board conduct
6. Board interaction and communication with Management and stakeholders
7. Overall Board performance
8. Chairman’s evaluation
9. Managing Director’s evaluation

#### **Part B: Board committees evaluation**

1. Structure and processes
2. Accountability and responsibilities

#### **Part C: Directors’ self and peer evaluation**

1. Board dynamics and participation
2. Integrity and objectivity
3. Technical competencies
4. Recognition
5. Independent Directors’ evaluation

#### **Part D: Committee members’ self and peer evaluation**

1. Participation levels and contribution
2. Technical competencies

The BEE is based on a combination of self and peer assessment performed via a customised questionnaire. To ensure integrity and independence of the appraisal process, Messrs PricewaterhouseCoopers Advisory Services Sdn Bhd (“PwCAS”) has been engaged to collate and tabulate the results of the evaluation. This approach is in line with market best practices in ensuring the assessment is conducted independently from any internal influence. The BEE also includes in-depth interviews with Directors and Senior Management by PwCAS to encompass areas which fall outside the realm of the written assessment. The detailed BEE results are discussed with the Chairmen of the BNRC and Boards by PwCAS.

In November 2013, each Director and Board Committee member were provided with individual results together with a peer average rating on each area of assessment for personal information and further improvement. A summarised report has been presented to the BNRC and the Board of the Company in December 2013 to enable the Board to identify and put in place actions to address areas for improvement.

### **(c) Boardroom diversity policy**

The Board acknowledges the increasing importance of boardroom diversity in pursuing business and governance performance. In 2013, the Board approved the adoption of the Boardroom Diversity Policy for RHB Capital. Gender diversity is always one of the Board’s key considerations in assessing and reviewing its composition. The Board will strive to achieve the goal for 30% women participation on the board by 2016 as recommended by Securities Commission.

#### **Remuneration strategies**

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors with the relevant experience and expertise required for the stewardship of the Company and the Group. The BNRC has been entrusted to discharge its remuneration role (as outlined in its TOR), as follows:

- Ensure the establishment of formal and transparent procedures for developing remuneration and HR policies, strategies and framework for Directors, GSC and key Senior Management officers.

- Recommend remuneration strategies, policies and framework and specific remuneration packages for Directors, Board Committee members, GSC and key Senior Management officers, which should be (where relevant):
  - Market competitive and in support of the Group's culture, vision, objectives and strategy;
  - Reflective of the responsibilities and commitment required;
  - Sufficient to attract and retain quality people but yet not excessive;
  - Performance driven with sufficient emphasis on long term development of the Group to avoid excessive short term risk-taking; and
  - The framework should cover all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, option and benefit-in-kind.
- 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.

RHB Banking Group has also established a common reference (incorporating the Non-Executive Directors' ("NEDs") Remuneration Framework) as a guide. It is aimed at applying the general principles in respect of the remuneration of NEDs in ensuring that the remuneration levels are commensurate with the responsibilities, risks and time commitment of Boards/Board Committees. For the NEDs, the level of remuneration reflects the level of responsibilities undertaken by the particular NED concerned within the Company and the Group. The remuneration strategy takes into consideration practices within the industry and is reviewed at least once every two years to be aligned with the market.

The remuneration package of the NEDs of the Group comprises the following:

#### **(a) Directors' fees**

The NEDs are entitled to annual Directors' fees. The annual Directors' fees are subject to shareholders' approval at the AGM of the Company.

In 2013, the Board has approved the BNRC's recommendation to revise the NEDs' remuneration based on a new tiering system. From a peer group benchmarking perspective, the Board believes that a more equitable and competitive remuneration should be offered to

the NEDs in line with the complexity of the duties, responsibilities, expectations and commitment of the NEDs relative to the expanding scope of the Group's initiatives, particularly on regional business expansion. The proposed revised NEDs' fees have been aligned to the accepted industry range and will be presented to the shareholders at the forthcoming 19th AGM, for approval.

#### **(b) Board Committee's allowances**

NEDs who sit on Board Committees are entitled to receive Board Committee allowances which shall be paid on an annual basis at the end of each financial year.

In 2013, the Board revised the Group's existing Board Committee allowances structure to be in line with the increase in complexity of roles and responsibilities and heavier commitment of the Board Committees.

#### **(c) Meeting attendance allowance**

NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committee meetings.

#### **(d) Benefits-in-kind**

Benefits are accorded to the Chairmen of the Group, consisting of the provision of a company car, driver and petrol allowance.

The Group has also established a remuneration framework for key Senior Management, consisting of a competitive integrated pay and benefit structure, which rewards corporate and individual performance in line with contributions to the organisation. The Group MD is not paid a Director's fee nor is he entitled to receive any meeting attendance allowance for any of the Board and Board Committee meetings that he attends. His remuneration, which includes among others salary, bonus and benefits-in-kind, is solely derived from the Company.

In addition to the above, the Directors have the benefit of Directors and Officers ("D&O") Liability Insurance in respect of any liabilities arising from acts committed in their capacity as D&O of RHB Banking Group. However, the said insurance policy does not indemnify a Director or principal officer if he or she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his or her duty of trust. The Directors are required to contribute jointly towards the premium of the said policy.

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 2013) are as follows:

	Directors' Fees <sup>#</sup> RM'000	Board Committees Allowance RM'000	Meeting Attendance Allowance RM'000	Salary, Bonus and Other Remuneration RM'000	Benefits-in-kind RM'000	Total RM'000
<b>Group MD</b>						
Mr Kellee Kam Chee Khiong	-	-	-	3,173	36	3,209
<b>Total (Group MD)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,173</b>	<b>36</b>	<b>3,209</b>
<b>NEDs</b>						
Dato' Mohamed Khadar Merican	474	82	135	-	31	722
Tan Sri Azlan Zainol	476	-	57	-	31	564
Datuk Haji Faisal Siraj	425	80	113	-	-	618
Dato' Saw Choo Boon	273	110	128	-	-	511
Dato' Teo Chiang Liang	270	50	68	-	-	388
Datuk Wira Jalilah Baba*	150	6	20	-	-	176
Dato' Nik Mohamed Din Datuk Nik Yusoff	413	-	22	-	-	435
<b>Total (NEDs)</b>	<b>2,481</b>	<b>328</b>	<b>543</b>	<b>-</b>	<b>62</b>	<b>3,414</b>

Notes:

# Subject to shareholders' approval.

\* Resigned with effect from 30 January 2014.

## REINFORCE INDEPENDENCE

### Assessment of independence

The independence of the Directors is reviewed on an annual assessment and benchmarked against best practices and regulatory provisions. The BNRC assesses the independence of NEDs, via the BEE exercise, which takes into account the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board. Based on the BEE 2012 results, the Board is generally satisfied with the level of independence demonstrated by all the NEDs, and their ability to act in the best interest of the Company.

In addition, the Independent Directors are required to provide their confirmations on their compliance with the criteria and definition of "Independent Director", as stipulated under Clause 2.26 and Clause 2.27 of Bank Negara Malaysia's ("BNM") Guidelines on Corporate Governance for Licensed Institutions ("BNM's CG Guidelines") and BNM's Guidelines on CG for Licensed Islamic Banks, respectively. All the Independent Directors are independent from the substantial shareholders of the Company, not being substantial shareholders themselves nor directly associated with any substantial shareholders.

### Tenure of Independent Directors

The Group has put in place its internal Guidelines on Tenure of Appointment/ Re-Appointment of INEDs for RHB Capital ("Internal Guidelines") with the objective of preserving the independence of INEDs. The Board believes it should reflect a balance between experience and learning on the one hand, and the need for renewal and fresh perspectives on the other. Pursuant to the Internal Guidelines and in line with the recommendations of the Malaysian Code on Corporate Governance 2012, the service tenure of an INED should not exceed a consecutive or cumulative term of 9 years. Upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the INED's re-designation as a Non-Independent Director. The Board must justify and seek shareholders' approval in the event it retains as an INED, a person who has served in that capacity for more than 9 years. The tenure will commence from the date of his appointment as an INED in the Group.

Dato' Mohamed Khadar Merican ("Dato' Mohamed Khadar") was first appointed as an INED in the Group in December 2003 and would therefore be regarded as having served for more than 9 years. The Board acknowledged that Dato' Mohamed Khadar has detailed knowledge of the business and has the industry exposure and competency to effectively advise and oversee the management of the Company. Hence, based on the above, the Board duly resolved to re-designate Dato' Mohamed Khadar as a NINED/Chairman immediately after the conclusion of the 19th AGM of the Company and to continue serving on the Board.

### Role of the Chairman and Group Managing Director

The Independent Non-Executive Chairman, Dato' Mohamed Khadar, manages the affairs of the Board, with a view to ensuring that the Board functions effectively and meets its obligations and responsibilities, and leads the Board in the execution of its responsibilities to the shareholders. He ensures that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper decision making of the Board. Additionally, the Chairman has to ensure that general meetings are conducted efficiently and in accordance with the requirement of the Companies Act 1965, and that shareholders have adequate opportunity to air their views and obtain answers to their queries. Dato' Mohamed Khadar, being named as the "Chairman of the Year" by the Minority Shareholders Watchdog Group at its Malaysia-Asean Corporate Governance Index Awards 2013 has brought great pride to the Group with such recognition and this among others, reflect the Group's strong corporate governance practices.

The Group MD, Mr Kellee Kam Chee Khiong ("Mr Kellee Kam"), who has extensive financial experience and knowledge (including corporate finance and business development), assumes the overall responsibilities for the execution of the Group's strategies in line with the Board's direction, oversees the listed entity's operations and drives the Group's businesses and performance towards achieving the Group's vision and goals. He leads the Group's Senior Management in the execution of the Group's strategic initiatives. Mr Kellee Kam has received the Industry Excellence Award by the Malaysia Business Award 2013 for his mercurial rise and successful management of RHB Banking Group.

The distinct and separate roles of the Chairman and Group MD, with a division of responsibilities, ensure balance of power and authority, such that no one individual has unfettered powers of decision-making.

The Board convened fourteen meetings for the financial year ended 31 December 2013. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Director	No. of Meetings Attended	Total Percentage of Attendance (%)
Dato' Mohamed Khadar Merican	13/14	93
Tan Sri Azlan Zainol	14/14	100
Datuk Haji Faisal Siraj	14/14	100
Dato' Saw Choo Boon	12/14	86
Dato' Teo Chiang Liang	12/14	86
Datuk Wira Jalilah Baba*	12/14	86
Dato' Nik Mohamed Din Datuk Nik Yusoff	13/14	93
Mr Kellee Kam Chee Khiong	14/14	100

Note:

\* Resigned with effect from 30 January 2014.

### The Board of Directors

Currently, the Board of RHB Capital comprises seven Members, with an Independent Non-Executive Chairman, three INEDs, two NINEDs and the Group MD Datuk Wira Jalilah Baba resigned from the Company on 30 January 2014. The structure and composition of the Board comply with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and BNM's CG Guidelines. The Independent Directors account for more than 50% of the Board, exceeding the requirement that one-third of Board Members shall be independent, as set out in the MMLR of Bursa Securities and BNM's CG Guidelines. The presence of the four INEDs ensures there is an effective check and balance in the functioning of the Board. These INEDs fulfil the criteria of independence as defined in the MMLR of Bursa Securities and BNM's CG Guidelines. They are not involved in the day-to-day management of the Company, nor do they participate in any business dealings of the Company. This ascertains that they remain free of any conflict of interest and can undertake their roles and responsibilities as INEDs in an effective manner.

### FOSTER COMMITMENT

#### Time commitment

For the financial year ended 31 December 2013, the Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of RHB Capital. All Directors have complied with the required minimum Board Meetings attendance of 75% under the BNM's revised guidelines and adopted by the Company.

In ensuring that Directors' commitment, resources and time are more focused to enable them to discharge their duties effectively, each Member of the Board is to hold a maximum of five directorships in public listed issuers. The Directors are required to notify the Board on changes of their other directorships and shareholdings in RHB Capital as and when such changes arise. Such information is used to monitor the number of directorships held by the Directors of RHB Capital, including those on public listed companies, and to notify the Companies Commission of Malaysia accordingly.

An annual meeting schedule is prepared and circulated to the Directors before the beginning of every year to ease the Directors' time planning. It provides the scheduled dates for meetings of the Boards and Board Committees as well as the AGM. The Group has, since 2011, embarked on the use of iPads and eBooks at Board/Board Committee Meetings, whereby encrypted Board and Board Committee papers will be circulated electronically for Directors/Board Committee members to download the same via iPads. This initiative has significantly enhanced mobility, movements of the documents, cost and time savings, greater convenience, better security and a positive impact on the environment. Directors who are unable to attend the Board/Board Committee Meetings physically are encouraged to participate in the deliberations and discussions via telephone or video-conferencing.

In addition, notices on the closed period for trading in RHB Capital securities based on the targeted date of announcement of the Group's quarterly results are circulated in advance to Directors and principal officers of the Group who are deemed to be privy to any price sensitive information and knowledge, whenever the closed period is applicable.

### Training

The Board emphasises the importance of continuing education and training for its Directors to ensure that they are kept abreast of the latest development in business, corporate strategy, financial overview, risk management strategy, legal requirements, duties, responsibilities and rights from the legal viewpoint, moral and ethical obligations as well as good corporate governance in the ever-changing economic climate to meet the challenges of the Board. A budget for Directors' training is provided each year by RHB Capital. The Board, as part of the BEE exercise, assesses the training needs of each Director annually. The training and development of Directors are spelled out in the Group's Standard Procedures on Directors' In-house Orientation and Continuing Education Programme for the RHB Banking Group.

The NEDs of the Company and the Group are encouraged to attend local and/or overseas training programmes organised by credible training organisations under the Board High Performance Programme. This programme is intended to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills

that would engender organisational excellence. The Company Secretary facilitates the organisation of internal training programmes and Directors' attendance of external programmes, and keeps a complete record of the training received and attended by the Directors.

All newly appointed Directors are required to attend an induction programme organised by the Management of the Group, to provide the Directors with in-depth information of the industry as well as an overview of the business operations of the Group. During the induction programme, the relevant Management will brief the newly appointed Directors on the functions and areas of responsibility of their respective divisions. This enables Directors to familiarise themselves with the operations and organisational structure of the Group. It also provides them with a platform to establish effective channels of communication and interaction with Management.

Each new Director receives a comprehensive Director's induction kit to assist them in building a detailed understanding of the Group's operations, the longer term direction and the statutory obligations. Pursuant to the requirement of Bursa Securities, the newly appointed Director of the Company is also required to attend the Mandatory Accreditation Programme ("MAP") and procure a certificate from the programme organiser approved by Bursa Securities to confirm his completion of the MAP within four months of his appointment.

During the year, the Directors of the RHB Capital attended the following training programmes, conferences and seminars:

#### (a) Corporate Governance

- Governance in Group's Programme
- Malaysian Code on Corporate Governance 2012 and Statement on Risk Management
- Board Chairman Series: The Role of the Chairman
- Nominating Committee Programme
- Advocacy sessions on corporate disclosure for directors of listed issuers
- 5th Annual Corporate Governance Summit "Embedding the culture of voluntary governance in organisations"
- The Nomination/Remuneration Committee Programme
- Forum on future corporate reporting

#### (b) Banking and Finance

- Training session no. 4 of Internal Capital Adequacy Assessment Process
- Financial Services Act 2013, Islamic Financial Services Act 2013 and Directors and Officers Liability Insurance Policy
- Financial Institution Directors' Education ("FIDE") core programme
- FIDE Elective Programme: Banking fundamental programmes
- FIDE Elective Programme: Corporate finance for directors programme

**(c) Legal, Business and Human Resource**

- Training on OSK Products
- Personal Data Protection Act 2010 and Foreign Account Tax Compliance Act presentation
- FIDE Elective Programme: Director's legal tool-kit programme
- Syariah Awareness Programme
- FIDE Elective Programme: The "Winning The War For Talent" Programme

**UPHOLD INTEGRITY IN FINANCIAL REPORTING****Compliance with financial reporting standards**

The Board ensures that shareholders are provided with a clear, balanced and meaningful assessment of the Company's and the Group's financial performance, position and its future prospects through the Annual Audited Financial Statements, quarterly reports and corporate announcements on significant events affecting the Company in accordance with MMLR.

The Group Board Audit Committee ("GBAC"), with the assistance of both external and internal auditors, 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 GBAC that adequate processes and controls are in place for an effective and efficient financial statement close process, that appropriate accounting policies have been adopted and applied consistently and that the relevant financial statements give a true and fair view of the state of affairs of the Company and the Group in compliance the Malaysian Financial Reporting Standards, International Financial Reporting Standards and Companies Act, 1965. The GBAC also meets twice a year with the external auditors, without the presence of the Management and the executive Board member, for discussion on any key issues/areas that require attention of the GBAC and the Board.

Group Internal Audit ("GIA") also undertakes an independent assessment of the internal control systems throughout the Company and the Group, based on the annual audit plan approved by the GBAC, to assure that deficiencies or issues will be promptly resolved by the Management. An overview of the Company and the Group's systems of internal control are contained in the Statement on Risk Management & Internal Control set out on pages 57 to 60 of this Annual Report.

**Assessment of external auditors**

The GBAC undertakes an assessment of the suitability and independence of the external auditors based on qualifying criteria for the appointment of auditors and terms of audit engagements in accordance with BNM's Guidelines - "External Auditor" dated 28 June 2013. In addition, the

work performance of the external auditors is assessed through a survey sent out to management personnel requesting feedback and comments on their dealings with Messrs PricewaterhouseCoopers throughout the reporting financial year. The survey covers areas such as quality of audit work, coordination during planning and execution of audit work, technical accounting and business knowledge, timeliness, relationship management and staff continuity. Having satisfied itself with their performance and fulfilment of criteria as set out in the relevant BNM's Guidelines, the GBAC will recommend the re-appointment of the external auditors to the Board, upon which the shareholders' approval will be sought at the AGM.

RHB Banking Group has established the Group Policy on Non-Audit Fees Paid/Payable to External Auditors ("Policy"). The Board Audit Committee ("BAC") and GBAC review the non-audit services rendered by the External Auditors and the related fees prior to approval of non-audit service by the External Auditors. A report on non-audit fees is also presented to the BAC and the GBAC quarterly. This is to ensure that the independence of the External Auditors is not compromised and its compliance with the Policy and the terms of all relevant professional and regulatory requirements when rendering the audit and non-audit services to the Group. The External Auditors are also required to declare/confirm their independence for all non-audit engagements undertaken.

**RECOGNISE AND MANAGE RISKS****Risk management framework**

The Board recognises the importance of a sound system of risk management and internal control to ensure good corporate governance and safeguard shareholders' investments as well as the Company's and the Group's assets. The BRC oversees the risk framework of the Group, reviews the Management's risk management activities and policies formulated by the Management for recommendation to the Boards for approval. In addition to the monthly updates on matters that have been deliberated at BRC meeting, a Group Risk Management Report (including the entities' and the Group's risk metrics and tolerance dashboard) is also presented to the Board on a monthly basis.

The Company and the Group continue to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and liabilities and its shareholders' investments. The Board considers that the Group's risk management framework and system of internal control maintained by the Management, and which was in place throughout the financial year and up to and as of the date of this report, are operating adequately and effectively to safeguard the shareholders' investment and the Company's and the Group's assets. An overview of the Company and the Group's systems of risk management is contained in the Risk Management Statement set out on pages 64 to 68 of this Annual Report.



### Internal audit

The GIA, led by the Group Chief Internal Auditor, reports directly to the GBAC and BAC. Being guided by the Group Internal Audit Charter, the GIA performs regular reviews and reports on the adequacy and effectiveness of the Group's risk management, internal control and governance processes. The results of the audits conducted by GIA are reported to the BAC/GBAC. The follow-up actions and the review of the status of actions taken as per the auditors' recommendations are carried out by the Management via the various Management Audit Committees ("MACs") (chaired by their respective Managing Directors) established at the key operating subsidiaries within the Group. These MACs have been consolidated into one committee and renamed as Group Audit Committee effective March 2014. The Group internal auditors also work closely with the external auditors to resolve any control issues as raised by them to ensure that all issues are duly acted upon by the Management. Further details of the activities of the GIA function are set out in the Statement on Risk Management & Internal Control of this Annual Report.

## ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### Corporate disclosure

The Company and the Group place strong emphasis on clear, comprehensive, timely and equitable dissemination of information on the business activities, the milestones achieved, the developments that have taken place and financial performance. The Company and the Group, guided by the Bursa Securities' Corporate Disclosure Guide, MMLR, Financial Services Act 2013, etc., ensure that complete and accurate financial information, updates on major corporate exercises, business events, etc. are released to the public on a timely manner. In 2013, the Group adopted a media communication plan whereby clear roles and responsibilities of the Chairman and Senior Management are defined together with levels of authority in handling disclosure of material corporate, business and financial information to the public via media channels.

In addition, the Directors and employees are required to execute confidentiality undertakings in compliance to the secrecy requirement of the Financial Services Act 2013 or other regulatory requirements in respect of information which they may acquire through the business of the RHB Capital and subsidiaries.

### Information technology and efficient dissemination of information

The corporate section on the Company's website which provides all relevant information on RHB Capital (including information on dividend, capital & debt instruments, credit rating, all announcements released on Bursa Securities' website, annual reports, corporate structure as well as corporate governance statement of RHB Capital) is publicly accessible.

Notice of general meetings and minutes of general meetings are also available on the website for the benefit of shareholders who are not able to attend meetings.

The announcement of the quarterly financial results is made via Bursa LINK on the scheduled date, following which a press release is issued. It is also the Group's practice to organise live analyst briefings for the half year and full year results, whilst conference calls are organised for the first and third quarter. These analyst briefings and conference calls are led by the Group MD, together with the Group Chief Financial Officer. Members of the Senior Management team are also in attendance, reflecting the commitment to providing a high degree of clarity to the investment community.

The presentation materials for the briefings and conference calls are simultaneously made available publicly on RHB's website upon the uploading of results to Bursa Securities.

The briefings and conference calls serve as an avenue to provide dialogue between research analysts and fund managers with the Group's Senior Management as well as to provide a platform for them to receive a balanced and complete view of the Group's performance and updates of the Group's business initiatives and strategies.

## STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

### Shareholders' participation at general meeting

The processes of the current general meetings encourage shareholders' participation. Appropriate notices of at least 21 days are given in ensuring the subject matter reaches them in time and in cases where circulars are involved, clarity is assured through professional advisors.

In accordance to RHB Capital's Articles of Association, a member of the Company entitled to attend and vote at the general meeting is entitled to appoint up to two proxies to attend and vote in his place. A proxy may not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account which is credited with ordinary shares of the Company.

Thus far, attendance of shareholders at general meetings of the Company has always been encouraging as evidenced by their presence in these meetings over the past years.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at general meetings, and to ensure accurate and efficient outcomes of the voting system.

**Poll voting**

As a matter of good corporate governance, the Chairman highlighted the shareholders' right to demand for a poll voting on a resolution pursuant to the Company's Articles of Association, to the shareholders at the commencement of the Eighteenth AGM. Such practice will be continued for every general meeting moving forward.

At the Eighteenth AGM held on 27 May 2013, no substantive resolutions were put forth for shareholders' approval. As such, the resolutions put forth for shareholders' approval were voted on by a show of hands.

**Engagement with shareholders and investors**

The Company engages with shareholders and investors through AGM and Extraordinary General Meetings ("EGM"). The AGM and EGM are the primary platforms for direct two-way interaction between the shareholders, Board and Management of the Group. These platforms also ensure transparency is adhered to, as shareholders' approval is required on all material issues including, but not limited to, the re-election and re-appointment of Directors, material mergers, acquisitions and divestments exercises, as well as the appointment of auditors and dividend payments. Shareholders are allowed to vote in person or by proxy for those that are unable to attend in accordance with the Company's Articles of Association.

At the Eighteenth AGM held on 27 May 2013, the Group MD presented a comprehensive review of the RHB Banking Group's performance for the financial year 2012 and outlined the key focus areas and targets of the Group for the financial year 2013. Following thereto, the Chairman invited shareholders to raise questions pertaining to the Group's accounts and other items for adoption at the meeting, before putting a resolution to vote. The Chairman and the Board of Directors addressed the shareholders' queries during the meeting. The Company's external auditors were also present at the AGM to respond to the shareholders' enquiries on the conduct of the audit and the preparation and content of the auditors' reports.

**COMPLIANCE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ("CODE")**

The Board is satisfied that the Company is generally in compliance with principles and recommendations of the Code.

This Statement on Corporate Governance was approved by the Board on 6 March 2014.

**ADDITIONAL COMPLIANCE INFORMATION****Related party transactions**

The Group has put in place a Policy on Related Party Transaction Review Process which serves as a guide for reviewing and reporting of all related party transactions. All related party transactions are reviewed by Group Legal before any submission is made to the GBAC for deliberation.

Details of these transactions are set out under Note 45 to the Financial Statements on pages 89 to 91 in the accompanying Financial Statements 2013 report.

**Sanctions and penalties**

There were no public reprimands, sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies for the financial year 2013.

**Material contracts involving Directors' and major shareholders' interest**

There were no material contracts of RHB Capital and its subsidiaries involving Directors' and major shareholders' interests which subsisted at the end of the 12-month financial period from 1 January 2013 to 31 December 2013.

# Statement on Risk Management & Internal Control

## INTRODUCTION

The Board of Directors (“Board”) recognises the importance of maintaining a sound risk management framework and internal control system to safeguard shareholders’ investments and the Group’s assets. The risk management and internal control system that we have in place facilitates our business operations and enables us to manage our Group in an effective and efficient manner with sound financial reporting as well as compliance with the relevant laws, regulations and internal procedures.

As a listed issuer, we have an obligation under paragraph 15.26(b) of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements, to ensure that a statement on the main features of the Group’s risk management and internal control system is included in this Annual Report. The following Statement on Risk Management & Internal Control is prepared in accordance with the guidelines as set out in the “Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers”.

## RESPONSIBILITY

The Board is responsible for the adequacy and effectiveness of the Group’s risk management and internal control system. The responsibilities of the Board for the governance of risk and controls include reviewing the risk management framework and processes, and assessing whether they provide reasonable assurance that risks are managed within the Group’s defined risk appetite and tolerance level.

The risk management and control framework established by the Board to manage risks includes an ongoing process for identifying, evaluating, managing and reporting significant risks that may affect the achievement of the Group’s business objectives and strategies.

Whilst total elimination of risks is not possible, the risk management and internal control system that is in place is designed to manage risks in meeting the Group’s business objectives. The system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

Management assists the Board in implementing Board policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operations and monitoring of appropriate internal controls to mitigate these risks. In this regard, the Board acknowledges that it has received assurances from the Group Managing Director and Group Chief Financial Officer as well as the Group Chief Risk Officer that the Group’s risk management and internal control system is operating adequately and effectively.

Reviewing the effectiveness of the risk management and internal control system is an essential part of the Board’s responsibility. The Board has, through its Board Risk Committee and Board Audit Committees, assessed the adequacy and effectiveness of the Group’s risk management and internal control system. Based on these reviews as well as the assurance it has received from 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 report.

## KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

A sound framework of risk management and internal control is fundamental to good corporate governance. The key processes established by the Board for maintaining a sound system of risk management and internal control include the following:

### Risk Management Framework

The risk management process seeks to identify, measure, monitor and control risk. It also seeks to ensure that risk exposures are adequately managed and that the expected returns compensate the risks taken, given that the risks within the industry we operate in are continuously changing and evolving. This process is regularly reviewed by the Board through its Board Risk Committee (“BRC”) which ensures the proper management of risks and that the appropriate measures are taken to mitigate any identified weaknesses in the control environment.

The Board, through the BRC, maintains overall responsibility for risk oversight within the Group. In discharging its overall duties and responsibilities, the BRC is supported by the Group Risk Management function which monitors and evaluates the effectiveness of the Group’s risk management system and operations on an ongoing basis.

Amongst the other committees set up in the Group to manage specific areas of risk are the Group Assets & Liabilities Committee, Group Credit Committee, Board Credit Committee, Board Technology Committee as well as Group Capital & Risk Committee.

In line with regulatory requirements and industry best practices, the Group subscribes to the principle that 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.

To support and promote accountability and ownership of risk management, a Risk and Control Self-Assessment framework has been implemented at all key operating entities within the Group as part of the risk management process. These entities are required to identify and document the controls and processes for managing the risks arising from their business activities, as well as to assess the effectiveness thereof.

An Internal Capital Adequacy Assessment Process (“ICAAP”) framework has also been implemented to ensure 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 Group’s current and projected demand for capital under existing and stressed conditions.

#### **Internal Audit function**

Group Internal Audit (“GIA”) performs regular reviews of the Group’s operations and systems of internal control, and evaluates the adequacy and effectiveness of the controls, risk management and governance processes implemented by Management. GIA adopts a risk-based approach in determining the auditable units and frequency of audits. Annual audit plans are reviewed and approved by the respective Board Audit Committees, namely the Group Board Audit Committee of the Company and the Board Audit Committee of the RHB Banking Group (which undertakes the functions of the Board Audit Committee of the major operating entities within the Group, such as RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad).

The results of the audits conducted by GIA are reported to the respective Board Audit Committees. Follow-up action and the review of the status of action taken as per the auditors’ recommendations are carried out by Management via the various Management Audit Committees (chaired by their respective Managing Directors) established at the key operating subsidiaries within the Group. The minutes of meetings of the Management Audit Committees are tabled to the Board Audit Committee of the RHB Banking Group for notation. These Management Audit Committees have been consolidated into one committee and renamed as Group Audit Committee effective March 2014.

The Board Audit Committees hold regular meetings to deliberate on the findings and recommendations for improvement highlighted by both the internal and external auditors as well as the regulatory authorities on the state of the Group’s internal control system. The minutes of the meetings of the Board Audit Committees are subsequently tabled to the respective Boards for notation.

Further details of the activities undertaken by the Group Board Audit Committee of the Company are set out in the Group Board Audit Committee Report.

#### **Group Compliance Framework**

Compliance risk within the RHB Banking Group is defined as the risk of impairment to the Group’s business model, reputation and financial condition from failure to meet laws and regulations, internal policies and procedures.

Compliance risk management is the collective responsibility of the Board, senior management and every employee of the Group. It is expected that each individual promotes self-regulation and be accountable for his/her own activities as well as maintains ethical principles and behaviour in everything that he/she does.

The Group’s state of compliance with laws, regulations and internal policies and procedures are reported to GRMC and Board on a monthly basis. In addition, the Group has in place an incident escalation and reporting process wherein any incident affecting the reputation of the Group is escalated to the senior management and respective Boards within 24 hours of the incident occurring. This escalation process ensures oversight and guidance is provided by the Board in managing reputational risk.

The Compliance unit in collaboration with the business and operating units, continuously assesses and recommends improvements to compliance by carrying out root cause analysis on incidences of non-compliance, negligence or fraud (all of which are reported on a daily basis).

To enable business and operating units to comply with various laws and regulations, the Compliance unit also conducts off-site surveillance and reviews on a regular basis. Weaknesses noted are conveyed to the respective business and operating units so that immediate corrective actions can be taken.

To mitigate non-compliance risk, briefings as well as various awareness and learning initiatives were conducted throughout the year to heighten awareness of compliance and to embed a compliance culture within the Group.

#### **Shariah Compliance**

In line with the Guidelines on Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia, the Group Shariah Committee is to ensure that the Group’s Islamic-based business and operations comply with the Shariah principles at all times.

The Shariah Framework for the Group has also been put in place which encompasses the concept of Shariah, Islamic financial business, governance and reporting structures, roles and responsibilities, Shariah compliance strategy and Shariah approval procedures.

In mitigating Shariah non-compliance risk, various briefings aimed at creating awareness as well as learning programmes were conducted throughout the year to ensure compliance with Shariah principles.

### **Board Committees**

Specific responsibilities have been delegated to the relevant Board committees, all of which have written terms of references. These committees have oversight authority to examine and/or consider all matters within their scope of responsibility and make recommendations to the Board for approval, if such is required.

The Group Board Committees currently residing at RHB Capital Berhad are as follows:

- Board Nominating & Remuneration Committee;
- Board Risk Committee; and
- Group Board Audit Committee.

The followings are the Group Board Committees that reside at RHB Bank Berhad:

- Board Credit Committee;
- Board Audit Committee; and
- Board Technology Committee.

### **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 a forum for the Group’s Senior Management to discuss and deliberate strategic matters that impact the Group’s vision, strategic direction, business synergies and brand value as well as to chart its strategic roadmap. The GMC meets regularly and the minutes of meetings are tabled to the Board of the Company for notation.

### **Authority limits**

Delegation of authority including authorisation limits at various levels of Management in the Group are documented and designed to ensure accountability and responsibility.

### **Internal policies and procedures**

Policies, procedures and processes governing the Group’s businesses and operations are documented and are made available to employees across the Group through the Group’s intranet portal. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured process of review to cater to changes in laws and regulations as well as changes to the business and operational environment. Furthermore, reviews of the policies, procedures and processes are also carried out to ensure that appropriate controls are in place to manage operational risks.

### **Budgeting process**

A detailed 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 risk appetite, are discussed by the Group’s Senior Management and the Board at an annual business planning and budgetary session.

A reporting system on actual performance against approved budgets is in place and the reasons for significant variances as well as action plans by Management are reported to the respective Boards.

### **Performance review**

Regular and comprehensive information is shared by Management to monitor their performance against the strategic business plan 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 GMC and the Board receive and review the Group’s financial performance against set targets and measures that are being put in place to meet such targets.

### Human capital management

The Group acknowledges that 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 judgement that people apply to their work.

Hence, the Group has in place policies and procedures that govern recruitment, appointment, performance management, talent management, succession planning, compensation and reward, learning and human capital development, as well as policies and procedures that govern discipline, termination and dismissal.

The Group places emphasis on human capital development and talent management with the objective of ensuring that staff at every level are adequately trained from a technical perspective as well as equipped with management and leadership capabilities.

### Group Code of Ethics and Conduct

The Group Code of Ethics and Conduct ("the Code") sets out the standards of good and ethical banking practices, as well as aims to maintain confidence in the security and integrity of the Group's business practices.

It is a requirement that all employees of the Group understand and observe the Code. New recruits are briefed on the Code and are required to sign the Employee Declaration of Compliance Form upon joining the Group.

### Group Whistle Blower Policy

There is an established process for reporting anyone found to be abusing or circumventing processes and controls of the Group. All staff are accorded the opportunity to report via the Whistle Blowing mechanism with the assurance that it shall be dealt with confidentiality and that the reporter's identity is protected.

### Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT")

The AML/CFT Programme is continuously reviewed and updated to meet the regulatory requirements as well as to combat money laundering and financing of terrorism activities. All employees are expected to carry out their functions with the highest 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.

### Incident Management framework

To complement the Group's system of internal control, a comprehensive incident reporting and incident management framework has been implemented to ensure proper escalation and management of incidents. The framework also ensures that necessary steps are taken to mitigate any potential risks that may arise. This enables decision makers to undertake informed decision making and be kept up to date on situations as well as manage risks effectively.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management & Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants.

RPG 5 (Revised) 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.

# Group Board Audit Committee Report

## ACTIVITIES OF THE GROUP BOARD AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

### Activities of the Group Board Audit Committee

During the financial year ended 31 December 2013 (“year”), a total of five (5) Group Board Audit Committee (“Committee”) meetings were held. The Committee comprises the following members and the details of attendance of each member at the Committee meetings held during the year are as follows:

Composition of the Committee	Attendance at Meetings
1. Dato’ Saw Choo Boon (Chairman/Independent Non-Executive Director)	5/5 (100%)
2. Datuk Haji Faisal Siraj (Member/Senior Independent Non-Executive Director)	5/5 (100%)
3. Dato’ Teo Chiang Liang (Member/Independent Non-Executive Director)	4/5 (80%)
4. Datuk Wira Jalilah Baba (Member/Independent Non-Executive Director)	2/3 (67%)*

\* Datuk Wira Jalilah Baba, an Independent Non-Executive Director, was appointed as a new member of the Committee on 23 May 2013. She subsequently resigned as an Independent Non-Executive Director of RHB Capital Berhad with effect from 30 January 2014, and thus ceased to be a member of the Committee on the same date.

The Committee’s activities are concentrated on RHB Capital Berhad and its direct subsidiaries. The main activities undertaken by the Committee during the year are summarised as follows:

- Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Company and the Group as well as the appropriate announcements to Bursa Malaysia Securities Berhad before recommending them for approval by the Board;
- Reviewed the audit plan of the external auditors, the audit strategy, risk assessment and areas of audit emphasis for the year;
- Reviewed with the external auditors, the results of their annual audit and Audit Committee report together with Management’s response to their findings and recommendations;
- Met twice with the external auditors without the presence of Management to discuss issues of concern to the auditors arising from the annual statutory audit;
- Reviewed the non-audit services rendered by the external auditors and the related fees taking into consideration the fees threshold established under the Group policy;

- Evaluated the performance of the external auditors and made the necessary recommendations in relation to their appointment and audit fees to the Board for consideration;
- Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the identified auditable areas including staffing requirements;
- Reviewed the internal audit reports, audit recommendations and Management’s responses to these recommendations as well as the actions taken to improve the system of internal controls and procedures, and completion of the internal audit plan;
- Reviewed the related party transactions entered into by the Company and its subsidiaries;
- Reviewed the minutes of meetings of the Board Audit Committee of RHB Banking Group to the extent permitted by the relevant regulatory authorities to satisfy itself that all matters arising therefrom have been appropriately addressed by the Board Audit Committee; and
- Tabled the minutes of each Committee meeting to the Board for notation, and for further direction by the Board, where necessary.

During the year, the Members of the Committee attended the following training programmes, conferences and seminars:

#### (a) Banking and Finance

- Financial Services Act 2013 and Islamic Financial Services Act 2013 and Directors and Officers Liability Insurance Policy Presentation
- Personal Data Protection Act 2010 and Foreign Account Tax Compliance Act Presentation
- Training on OSK Products
- Training Session No. 4 of Internal Capital Adequacy Assessment Process
- FIDE Elective Programmes: Banking Fundamentals Programme
- FIDE Elective Programmes: Corporate Finance for Directors Programme
- FIDE Elective Programmes: Banking Fundamental Programmes
- FIDE Core – Module B

#### (b) Board and Corporate Governance

- Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers
- Forum on Future of Corporate Reporting
- Governance in Groups Programme
- Nominating Committee Programme
- 5th Annual Corporate Governance Summit: “Embedding The Culture of Voluntary Governance in Organisations”
- Shariah Awareness Programme
- FIDE Elective Programmes: Director’s Legal Tool Kit Programme
- FIDE Elective Programmes: The Nomination/Remuneration Committee Programme
- FIDE Elective Programmes: The “Winning The War for Talent” Programme

### Internal Audit function

The Group has an in-house group internal audit function (“Group Internal Audit”) which is guided by the Group Internal Audit Charter and reports to the Committee of the Company and the Board Audit Committee of RHB Banking Group. Group Internal Audit’s primary role is to assist both committees in the discharge of their duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the Group’s risk management, internal control and governance processes.

The Committee approves the annual audit plan of the Company at the beginning of each financial year. Group Internal Audit adopts a risk-based approach towards the planning and conduct of audits, which is consistent with the Group’s framework in designing, implementing and monitoring its internal control system.

Upon completion of the audits, Group Internal Audit closely monitors the implementation progress of its audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by Management. All audit reports on the results of work undertaken together with the recommended action plans and their implementation status are then presented to the Management and the Committee.

Group Internal Audit works closely with the external auditors to resolve any control issues raised by them to ensure that all reported issues are duly acted upon by Management.

The cost incurred for the group internal audit function for the year was RM22.5 million.

5. To review the quality of the audits conducted by the internal and external auditors of the Company.
6. To enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

### Duties and responsibilities

1. To review the quarterly results and year-end financial statements of the Company and the Group, and to recommend the same to the Board for approval whilst ensuring that they are prepared in a timely and accurate manner complying with all applicable accounting and regulatory requirements and are promptly published.
2. To review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
3. To review with the external and internal auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.
4. To review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
5. To review the internal audit plan and processes, the results of the internal audit programme or investigation undertaken and whether or not appropriate action is taken by Management on the recommendations of the internal auditors.
6. To appraise the performance of the head of internal audit and to review the appraisals of staff members of the internal audit function.
7. To approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to take cognisance of any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning.
8. To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of Management, where necessary.
9. To recommend to the Board on the appointment and the annual reappointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit as well as the removal of auditors.
10. To discuss and review with the external auditors any proposal from them to resign as auditors.

## TERMS OF REFERENCE OF THE GROUP BOARD AUDIT COMMITTEE

### Objectives

1. To assist the Board discharge its responsibilities by reviewing the effectiveness, adequacy and integrity of the Company’s and the Group’s internal control systems and management information systems, including systems for risk management, governance processes and compliance with applicable laws, regulations, rules, directives and guidelines.
2. To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit process.
3. To provide, by way of regular meetings, a line of communication between the Board and the external auditors.
4. To provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is among others independent of the management.



11. To review and approve the non-audit services rendered by the external auditors together with the related fees and thereafter recommending the same to the Board for approval.
  12. To review the coordination of the audit approach where more than one audit firm of external auditors is involved and the coordination between the external and internal auditors.
  13. To review the minutes of meetings of other board audit committees within the Group and be satisfied that all matters arising therefrom are being appropriately addressed by these other board audit committees.
  14. To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.
  15. To perform any other functions as authorised by the Board.
3. At least twice a year, the Committee shall meet with the external auditors without the presence of the Management or any executive board members, and upon the request of the external auditors, the Chairman of the Committee shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the Board or shareholders.
  4. The Company Secretary shall be the Secretary of the Committee.
  5. The minutes of each Committee meeting shall be tabled to the Board by the Chairman of the Committee.

#### **Membership**

1. The Committee is authorised by the Board to investigate any matter within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to relevant information. It is also authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Committee.
  2. The Committee shall have direct communication channels with the external and internal auditors.
  3. The Committee is authorised by the Board to obtain independent professional or other advice at the Company's expense and to invite outsiders with relevant experience and expertise to attend meetings if it considers this necessary.
  4. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Committee shall promptly report such matter to Bursa Securities.
1. The Committee shall be appointed by the Board from amongst its number and shall comprise not less than three (3) members, the majority of whom are independent Directors. All members of the Committee shall be Non-Executive Directors.
  2. The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board.
  3. No Alternate Director shall be appointed as a member of the Committee.
  4. All members of the Committee shall be financially literate and at least one member shall be a member of an accounting association or body.
  5. The term of office and performance of the Committee and each of its members must be reviewed by the Board at least once every three (3) years.
  6. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

#### **Meetings**

1. Meetings shall be held at least four (4) times a year with a minimum quorum of two (2) members and the majority of members present shall be Independent Non-Executive Directors. Additional meetings may be called at any time at the discretion of the Chairman of the Committee.
2. The head of internal audit shall be in attendance at meetings of the Committee. The Committee may invite the external auditors, the Managing Director / Chief Executive Officer, the Group Chief Operations Officer, the Group Chief Financial Officer, any other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.

# Risk Management Statement

## INTRODUCTION

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

The Group’s 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, as well as deficiencies in the risk management culture.
- 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 (or economic) returns.

## 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 (“Board”) 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 economic and financial returns.

### Principle 1

#### **Risk governance from the Boards of Directors of the various operating entities within the Group**

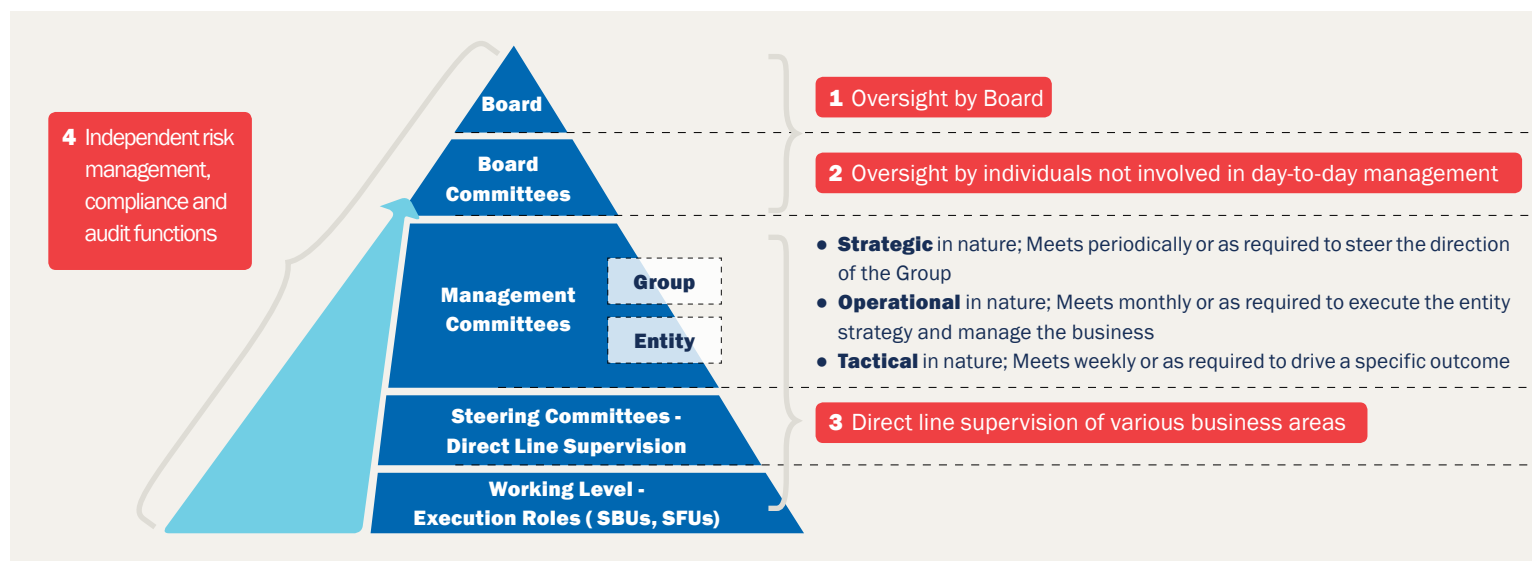
The ultimate responsibility of the Board in the Group is to ensure that an effective risk management process is in place which is uniformly understood across the Group. The Group has a structured framework to support the Board’s oversight responsibilities.

#### **Group Risk Management Committee**

The Group has established the Group Risk Management Committee (“GRMC”) to assist the Board of the various operating entities in the Group in its risk oversight functions and to serve as a consultative body to the Boards for areas pertaining to risk management.

A Risk Management Committee has also been established at RHB Islamic Bank to focus on the risk management issues of the Islamic Bank, particularly in relation to risk issues unique to Islamic finance.

There are other committees set up to manage specific areas of risks in the Group. An overview of this governance framework at Group level is as below:



**Principle 2**

**Clear Understanding of Risk Management Ownership**

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Group. The business units (“SBUs”) and functional units (“SFUs”) of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risks. The business units manage certain defined risks supported by the services provided by the functional units, including risk management functions.

**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 coordination function as well as the continuous reinforcement of a risk and control environment within the Group.

**Central Risk Coordination function**

The Risk Management function 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. This risk management function is responsible for formulating risk related policies and presents risk performance and related reports to the GRMC for recommendation to the Board.

The Risk Management function in the Group reports to the Head, Group Risk & Credit Management. The role and responsibilities of the Head, Group Risk & Credit Management include:

- Setting of the strategic direction and overall policy on management and control of risk of the Group;
- Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk underwriting models;
- Developing a proactive, balanced and risk attuned culture within the Group;
- Advising Senior Management, the GRMC and the Board 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.

**Principle 4**

**Alignment of risk management to business strategy**

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 economic capital management.

**Principle 5****Optimisation of risk adjusted economic and financial returns**

An objective of economic 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 shareholder 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 deepen the integration of economic 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.

**CREDIT RISK**

Credit risk management is conducted in a holistic manner. Credit underwriting standards are dictated 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.

**Risk models**

The internal ratings-based ("IRB") standards of the Basel II Capital Accord are applied whereby internal obligor and facilities rating models are developed. The exceptions are sub-portfolios for which sufficient historical data is not available for use in modelling or for which statistical modelling is not practical given the nature of the business. In these cases, generic models or standard prudential underwriting policies and rules are applied. In addition, independent validation of the risk models is performed in compliance with Basel II IRB standards.

RHB Bank has adopted the Foundation Internal Ratings-Based ("F-IRB") approach for its non-retail exposures and the Advanced Internal Ratings-Based ("A-IRB") approach for most of its retail exposures. Plans are underway to migrate other material portfolios as well as the Islamic Bank's portfolios to the IRB approach.

**Credit concentration risk**

The analysis of large customer group exposures is conducted regularly. The lending and financing units undertake regular account updates, monitoring and management of these exposures. Industry and sector specific analysis is also incorporated within the overall credit risk management regimen. This facilitates better management of credit concentration risk.

**Economic returns framework**

The Group has also implemented an economic returns/profitability framework for differentiation and pricing of credit spreads. This framework incorporates risk elements to ensure that credit pricing is guided by risk-adjusted returns. The risk elements include (i) a funds transfer pricing framework to better reflect the term value of money and market interest rate/profit rate sensitivities, and (ii) methodologies to compute credit risk premiums in accordance with expected returns/losses that are derived based on the aforesaid credit risk models.

**MARKET RISK**

The Group Asset and Liability Committee ("Group ALCO") also performs a critical role in the management of market risk.

**Risk measurement and limits**

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. Market risk measures include conventional risk quantification methodologies such as risk factor sensitivity analysis and value-at-risk ("VaR") measures.

In addition, the Group has established an interest rate/profit rate risk management policy which provides for the governance of interest rate/rate of return. Interest rate/profit rate sensitivity triggers are applied on earnings for the respective profit centres within the Group. The Group regularly considers the economics and necessity of increasing or reducing its interest rate/profit rate risk hedges.

**LIQUIDITY RISK**

The Group ALCO performs a critical role in the management of liquidity risk. 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's liquidity surplus is generally in line with the industry average, 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 plan and operations.

## OPERATIONAL RISK

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.

### Operational risk management framework

The operational risk management framework of the Group 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 against operational losses.
- 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.

## REPUTATIONAL RISK

The Group has developed and implemented a reputational risk management framework. The key elements for management of reputational risk include:

- Prompt and effective communication with all stakeholders;
- Strong and consistent enforcement of controls relating to governance, business and legal compliance;
- Continuous monitoring of threats to reputation;
- Ensuring ethical practices throughout the Group; and
- Establishing crisis management plans and ensuring these are continuously updated.

## ISLAMIC FINANCE RELATED RISKS

The Board of RHB Islamic Bank is assisted by its Risk Management Committee to manage the risks that are unique to Islamic financing. Some of these unique risks include:

- Commodity and Inventory Risk which arises from holding items in inventory either for resale under a Murabahah contract or with a view to leasing under an Ijarah contract;
- Rate of Returns Risk in relation to investment returns necessitated by profit sharing principles; and
- Shariah Compliance Risk arising from potential non-compliance with Shariah rules and principles in the Bank's operations as well as problems of legal uncertainty in interpreting and enforcing Shariah contracts.

## CAPITAL PLANNING AND MANAGEMENT

The Group's capital management objective is to maintain a strong capital position consistent with the expectations of various stakeholders while delivering sustainable returns to shareholders. It also calls for the Group to ensure that adequate capital resources are available to support business growth, investment opportunities as well as adverse situations, and to meet regulatory capital requirements.

The Group's capital management objective is translated to capital targets that are consistent with the need to support business growth in line with strategic plans and risk appetite. Through the Internal Capital Adequacy Assessment Process ("ICAAP"), the Group assesses its forecast capital supply and demand which is determined by the following:

- Material risk types where capital is deemed to be an appropriate risk mitigation method;
- Capital targets; and
- The use of forward three-year planning.

In addition, capital stress tests are also conducted to evaluate the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios and to assess how the Group can continue to maintain adequate capital under such scenarios.

Each operating subsidiary in the Group manages its capital using a consistent capital management framework and process. The capital management framework guides the establishment of capital strategy for the Group and its entities, as well as highlights the internal analytics capabilities required and the functions that support the capital management framework within the Group.

Supported by monitoring and reporting capabilities, the Boards 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 appetite

Capital risk appetite is set by the Board and reported through various metrics that enable the Company and 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 Company and the Group are prepared to accept in delivering our strategy. The Group ALCO reviews actual performance against risk appetite.

### Basel II implementation

RHB Banking Group places great importance on Basel II and views it as a group-wide initiative in meeting international best practices in this area. A dedicated Basel II Steering Committee ("B2SC") was set up in October 2004 to oversee the implementation of Basel II initiatives throughout the Group and to ensure that it is on track in meeting the regulatory requirements outlined in the Capital Adequacy Framework issued by Bank Negara Malaysia ("BNM"). The B2SC has since been dissolved in November 2011, and the powers and responsibilities of the B2SC are now vested in the Group Capital and Strategic Risk Management Committee. Project and operational issues related to Basel II Implementation are deliberated at the Group Basel Working Committee meetings.

For the purpose of complying with regulatory requirements under Basel II Pillar I, the approaches adopted by the respective bank entities within the Group are as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	Internal Ratings-Based Approach	Standardised Approach	Basic Indicator Approach
RHB Islamic Bank Berhad	Standardised Approach	Standardised Approach	Basic Indicator Approach
RHB Investment Bank Berhad	Standardised Approach	Standardised Approach	Basic Indicator Approach

RHB Bank has migrated to the IRB Approach for credit risk since July 2010. For RHB Islamic Bank and RHB Investment Bank, the Standardised Approach has been adopted for credit risk since 2008.

The Group has also implemented the ICAAP. An ICAAP framework has been formulated for implementation across the Group to ensure 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.

### Basel III implementation

The implementation of Basel III 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 requirement 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 beginning in 2013 and ending in 2019.

Apart from the above, the three bank entities have commenced the Basel III observation period reporting to BNM on the two key liquidity ratios, namely the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"), since June 2012.

# Compliance Statement

## OVERVIEW

As with any other financial services group, the Group is exposed to the risk of impairment to its business model, reputation and financial condition from failure to comply with laws and regulations, internal policies and procedures, as well as the expectations of stakeholders. This encompasses the compliance risk faced by the Group.

In operating its business as a compliant financial services provider, the Group upholds the adoption and practise of good corporate governance principles and international best practices such as the compliance principles recommended by the Bank of International Settlement (“BIS”). These principles serve as an important guide for the Group as it continuously evolves to meet the growing demands of compliance best practices.

## COMPLIANCE RISK MANAGEMENT

The main aim of compliance risk management is to coordinate the management of compliance risk and provide reasonable assurance to the Senior Management and the Boards (through the Group Management Committee) that the Group’s activities are in compliance with applicable laws, requirements as well as internal policies and procedures.

## COMPLIANCE STRUCTURE

At the apex of compliance are the respective Boards of the various entities of the Group, which oversee and provide strategic direction for compliance within the Group. In support of the respective Boards, the Group Risk Management Committee (“GRMC”) is the Board committee wherein the Group’s state of compliance with laws, regulations, internal policies and procedures is reported. This enables the GRMC to carry out effective oversight of the Group’s compliance activities and provide the direction for appropriate risk management and mitigation actions.

## SHARIAH COMPLIANCE

Compliance with Shariah principles is an integral feature of Islamic banking and finance and a particular emphasis has been placed on this upon the Islamic Financial Services Act 2013 coming into effect in early 2013.

Internal control mechanisms pertinent to Shariah advisory and compliance matters are emplaced to ensure the Group is in compliance with Shariah rules and principles at all times. The support provided by all authorities and parties within the Group has contributed to the achievement of the Shariah compliance needs and enabled the Group to mitigate Shariah compliance risk.

## COMPLIANCE LIFECYCLE

Compliance activities are closely intertwined with compliance developments on the global front, existing legal requirements as well as the Group’s policies and procedures. Thus in managing compliance risk, the Group adopts a general approach which involves identifying the scope of compliance, conducting gap analysis to determine the status of compliance, and proposing recommendations to address compliance issues. The compliance lifecycle ensures the prevention of non-compliance incidents, continuous formulation of compliance tools, continuous improvements to policies, procedures and internal controls, as well as effective implementation with rigorous monitoring. The approach is derived from various compliance sources such as new regulations, sound practices, reports from relevant stakeholders as well as internal reviews conducted by the various Compliance Divisions within the Group.

## COMPLIANCE RESPONSIBILITY

Compliance is the collective responsibility of the respective Boards, Senior Management and each and every employee of the Group. Further, there is a dedicated officer and compliance team in each of the applicable entity. Hence, everyone concerned is expected to promote self-regulation and be accountable for his or her own activities while maintaining ethical principles and behaviour in everything that he or she does.

The compliance responsibility is generally divided into the following categories:

- Daily compliance management – This is the first line of defence and requires the front-line businesses and operating units to comply with internal policies, procedures, laws and regulations.
- Compliance oversight – This is the second line of defence whereby review and monitoring of specific compliance-related activities undertaken by the front-line businesses and operating units are carried out by a dedicated compliance function residing at Head Office Divisions/Departments and/or Strategic Business Groups/Strategic Functional Groups (“SBGs/SFGs”) and respective Compliance Division.
- Independent assurance – This is the third line of defence that involves independent parties such as internal auditors, external auditors and regulators who are expected to continuously assess the effectiveness of the compliance function in the Group.

Division and Department Heads of the Group are continuously engaged to ensure they inculcate compliance awareness and discharge their duties effectively to ensure their respective units comply with regulatory and internal requirements.

## KEY INITIATIVES

2013 continued to challenge the Group with the onset of new local and international regulations and laws such as the Financial Services Act (“FSA”) and the Islamic Financial Services Act (“IFSA”). As per the preceding years, regulatory scrutiny intensified with emphasis on the protection of consumer rights. Faced with these challenges, the Group adopted compliance strategies to provide a value proposition to our stakeholders. These strategies included the following:

### 1. Infusing best practices

Ongoing efforts to ensure a comprehensive set of policies and procedures that institutionalise right from wrong were put in place within the Group. The key Compliance Policies comprising the following were further reviewed and enhanced to ensure the Group kept abreast of regulations, industry best practices and the changes evolving from within:

- Compliance Framework
- Anti-Money Laundering/Counter Financing of Terrorism (“AML/CFT”) Programme
- Incident Reporting, Management and Escalation Process
- Group Code of Ethics
- Group Whistle Blower Policy
- Group Chinese Wall and Insider Trading Policy

### 2. Compliance assurance

The respective Boards and Senior Management were apprised of the Group’s state of compliance through the following actions:

- Submission of the Compliance Report on a monthly basis. The Compliance Report encompasses compliance with statutory/regulatory requirements, compliance with internal policies and procedures, operational losses incurred, AML/CFT measures, as well as root cause and trend analyses; and
- Timely incident reporting. Any incident affecting the reputation of the Group is escalated to the respective Board within 24 hours of the incident occurring. This escalation process ensures adequate oversight and guidance is provided by the Board in managing reputational risk

### 3. Compliance risk mitigation

Compliance risk mitigation is a key process in the entire Incident Reporting and Management Process. Incidences reported via an automated system (OpRisk Evo System) are duly reviewed on a daily basis to detect trends or commonalities so that losses and incidences of non-compliance, negligence or fraud can be managed proactively and minimised accordingly. Where applicable, preventive or corrective actions to be taken by staff are disseminated via the issuance of fraud alerts and Awareness Bulletins.

The respective Compliance Divisions continue to play an active role in integrating sound compliance risk management into the overall risk management strategy. They do this through reviews of policies and processes before the implementation of a product or service. Particular attention is paid to new business models or new processes that are introduced for the first time, either to the Group or to industry, to ensure that good internal controls and processes are inbuilt to avoid operational losses. In this regard the notable compliance initiatives undertaken in 2013 were as follows:

- in the case of the Commercial Banking subsidiary – enhancements to the Anti-Money Laundering Programme;
- in the case of the Islamic Banking subsidiary – Shariah compliance reviews to ensure that the operations or implementation of each product offered was Shariah-compliant;
- in the case of the Investment Banking subsidiary – the alignment of policies, procedures and practices following the merger with OSK Investment Bank Berhad; and
- in the case of the Insurance subsidiary – emphasis on preparation towards the onset of the FSA provision pertaining to pre-contract disclosure and representation in 2014.



#### 4. Enabling compliance

The respective Compliance Divisions continue with their practice of issuing regulatory alerts on an as-and-when basis to enable and assist business and operating units to respond to regulatory requirements in a speedy manner. Where industry feedback is sought from regulators, reminders are issued to relevant business or operating units to ensure that the Group provides meaningful feedback for the betterment of the financial services industry.

Recognising that an understanding of guidelines and acts is a critical factor in enabling compliance, the respective Compliance Divisions organise briefings for the relevant business or operating units, advising them on the key requirements and implications of the guidelines or acts. It also provides business and operating units a forum to discuss and resolve implementation issues. Among the notable briefings conducted for 2013 included that pertaining to the Personal Data Protection Act, the FSA and IFSA, the American Foreign Account Tax Compliance Act (“FATCA”), and the regulatory emphasis on “treating customers fairly” (“TCF”). The TCF principle aims to raise standards in the way companies carry on their business by introducing changes that will benefit consumers and increase their confidence in the financial services industry.

#### 5. Education and awareness

Effective knowledge management is key to ensuring that staff of the Group are aware of the risk issues surrounding their activities and are able to manage them accordingly when carrying out their duties. Recognising this, the Commercial Banking Compliance Division continued its organisation of the Fraud Awareness Week (“FAW”) for the third time in 2013. FAW’s aim is to continue increasing awareness of the various modus operandi of frauds and scams amongst staff and customers.

As was done in the previous two years, seminars and forums were organised wherein representatives from the Royal Malaysian Police, the Malaysian Communications and Multimedia Commission, Immigration Department, Royal Customs Department, Cyber Security, McAfee and Restrictive Security Authentication were invited to speak and share their perspectives and experiences on fraud.

FAW 2013 was also graced by a guest speaker from Action Fraud, United Kingdom, Mr Jamey Johnson. Action Fraud is the national reporting centre run by the UK National Fraud Authority (“NFA”),

a government agency that helps to coordinate the fight against fraud and scams in the UK. Mr Johnson provided insights into how Action Fraud serves as a single point of contact for fraud reporting whilst the NFA manages fraud centrally allowing information to be shared efficiently with enforcement agencies. This arrangement has significantly reduced fraud in the UK. FAW 13 also continued with activities such as interactive and educational games and quizzes which introduced a fun element to the learning process.

To further inculcate a compliance culture among staff, the Compliance Newsletter continues to be made available to staff wherein news on compliance events around the world and the repercussions of non-compliance (i.e. fines, penalties or even jail-time) are highlighted to ensure incidences of non-compliance and malpractice of a similar nature do not occur within the Group.

#### ANTI-MONEY LAUNDERING AND COUNTER FINANCING OF TERRORISM

As one of the champions of the Government and Bank Negara Malaysia’s initiatives to prevent the banking system from being used for illicit and laundering activities, the Group, in particular the commercial banking subsidiary, has been the driving force that has spearheaded the following processes and infrastructure:

- accountability of each level of employee for anti-money laundering detection and prevention;
- education and training in preventing and detecting money laundering; and
- extensive procedures covering customer identification, account opening, record keeping and recognition and reporting of suspicious transactions.

The AML/CFT measures continue to focus on ensuring the effectiveness of reporting by all business and operating units to the Compliance Division. Our investment in a robust AML system is another milestone for RHB. It will help keep the Group abreast of rapid changes in the AML/CFT domain and be more forward looking. In addition, various learning initiatives are conducted to raise awareness among employees on the important role that they play in ensuring the Group does not become a conduit for money laundering.

## VALUE OF COMPLIANCE

The Compliance strategy as detailed above ultimately aims to protect the RHB brand value by achieving compliance excellence.

As business models change, new technologies emerge and regulatory requirements increase amidst the intense focus on operational efficiencies as well as regionalisation and the consolidation of the banking industry, the Group has never been more exposed to such a myriad of risks, not to mention larger sets of rules and regulations. Thus, “making compliance smart” becomes a critical determining factor in our journey towards compliance excellence.

In this regard, the Boards and Senior Management within each respective entity have extended their fullest support and cooperation in moving compliance to the front line. They have done this by establishing the tone from the top, which is quite simply, to comply with all laws and regulations and employ ethical behaviour. All staff are aware that the Board and Management must take an uncompromising stance if such trust is breached.

The Group’s focus on Root Cause Analysis (“RCA”) and Preventive Action and Corrective Action (“PACA”) to generate a positive presence has yielded greater compliance understanding. Growing in tandem with the understanding is the cooperation between the business and operating units and the Compliance Division with regard to managing compliance risk. The Compliance Division is increasingly becoming a point-of-reference and advisor for key strategic initiatives that the Group embarks on.

The effective penetration of a proper compliance culture into all business and operating units has enhanced our public domain presence and facilitated early detection of compliance risk. This has resulted in quicker compliance risk mitigation actions being undertaken which in turn translate into a reduction of operational losses and a higher level of operational efficiency.

The Group recognises that the strengthening of a compliance culture is the foundation for good compliance practices and it is imperative that this becomes an intrinsic trait of the Group. Not only will it preserve the Group’s integrity and reputation, it will enhance our corporate image as a respectable organisation and ultimately, increase brand and shareholder value.

## COMPLIANCE CHALLENGES

In 2013, the financial services industry was exposed to new regulations, such as the FSA, IFSA, and PDPA, which emphasised stricter compliance measures. These were enforced to instil confidence and public trust, in view of the unhealthy banking incidences that came to light in 2013.

For 2014, we anticipate that the financial services environment will continue to be under the radar of financial regulators. There will most likely be a continuation of equal parts resolution of past challenges and the introduction of new ones, there will be increased emphasis on Treating Customers Fairly, and the issuance of standards by the regulators as a means to refine detailed procedures to implement regulations that were issued earlier, and greater scrutiny from regulators. Ultimately, the compliance value proposition will become even more crucial as the financial services sector tries to navigate through these challenges.

# Review of the Malaysian Economy

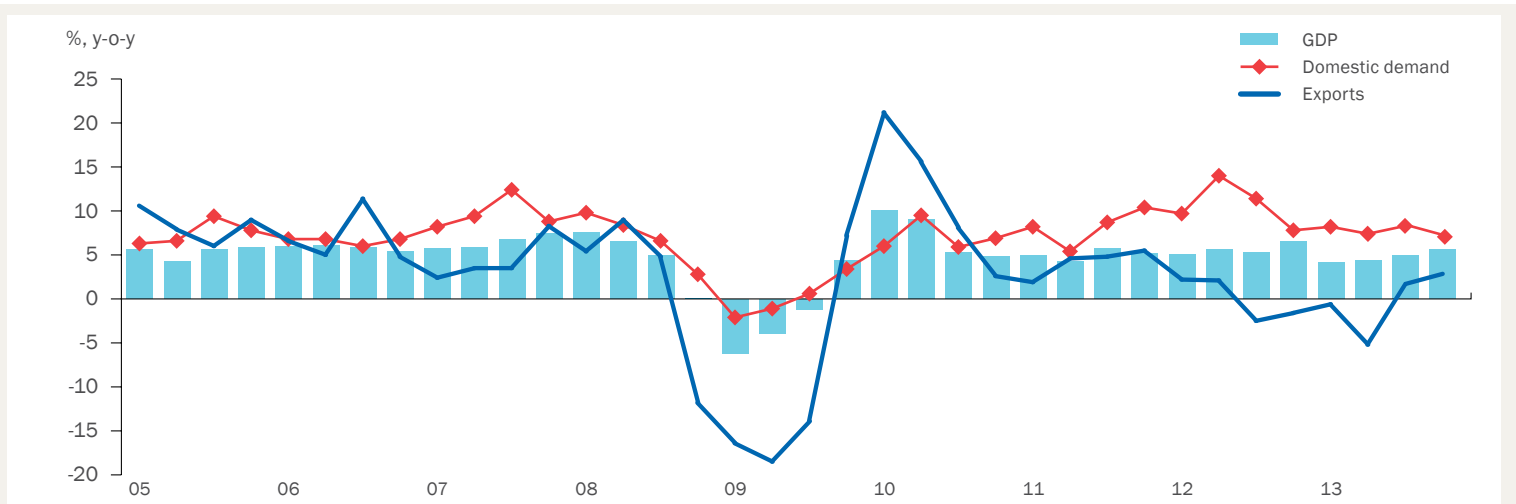
## ECONOMIC GROWTH HOLDS UP IN 2013, AMIDST A CHALLENGING EXTERNAL ECONOMIC ENVIRONMENT

The Malaysian economy trended up to 5.1% year-on-year (“y-o-y”) in the fourth quarter (4Q) of 2013, after hitting a low of +4.1% in more than three years in 1Q (see Chart 1). This was on account of stronger growth in private investment and a sustained increase in consumer spending, aided by a gradual recovery in external demand for the country’s exports of goods and services. While real exports inched higher in the 4Q on the back of an improvement in global economic activities, overall GDP growth was underpinned by resilient domestic demand, which expanded by 7.6% in 2013, compared with +10.6% in 2012.

Private investment was sustained at a growth of 13.6% in 2013, albeit at a slower pace, compared with +21.9% in 2012. The relatively strong growth in private investment was underpinned by ongoing implementation of long gestation projects from the various economic programmes, including the Economic Transformation Programme (“ETP”), Public-Private Partnership (“PPP”) programme, the Iskandar Malaysia Corridor (“IMC”) and the Sarawak Corridor of Renewable Energy (“SCORE”). These were aided by a sustained increase in consumer spending at 7.6% in 2013, slightly lower than the +7.7% recorded in 2012. Consumer spending rose on the back of favourable job market conditions as well as the Government’s financial assistance to ease the people’s



**Chart 1: More moderate economic growth in 2013, but supported by resilient domestic demand**



Source: Department of Statistics

burden. Meanwhile, public investment slowed down, partly as a result of the general election in May, while public consumption picked up during the year. Overall, real GDP grew by 4.7% in 2013, albeit at a slower pace than the +5.6% recorded in 2012 (see Table 1).

### More Moderate Growth in Key Sectors

The key economic sectors experienced a more moderate pace of growth during the year. Value added in the manufacturing sector expanded at a slower pace of 3.4% in 2013, compared with +4.8% in 2012, dragged down by sluggish exports, particularly in the first half of the year. The growth in the construction sector was sustained at a double-digit rate of 10.9% in 2013, albeit at a more moderate pace than the +18.1% recorded in 2012 (see Table 2), supported primarily by the civil engineering subsector, on the back of the implementation of a number of sizeable long gestation ETP projects. The growth in the services sector was dampened by lacklustre trade activities and as a result, it touched 5.9% in 2013, as compared with +6.4% in 2012. The mining sector also registered a slower growth of 0.5% in 2013, from +1.4% in 2012, reflecting the reduction in crude oil production amid maintenance works that occurred in the latter half of the year. The more moderate growth in the manufacturing, construction, services and mining sectors, however, were mitigated by slightly stronger growth in the agriculture sector during the year, mostly on account of the higher CPO output, reflecting better yields amid favourable weather conditions.

### Narrowing Current Account Surplus Prompts Policy Action

The current account surplus in the balance of payments (“BOP”) recorded a smaller surplus of MYR37.3bn or 3.9% of gross national income (“GNI”) in 2013, compared with a surplus of MYR57.3bn or 6.3% of GNI in 2012. This was mainly due to a smaller surplus in merchandise trade, as the new investment cycle that the country is experiencing drew in more imports of capital goods. Meanwhile, a persistent deficit in the services and income accounts as well as transfers aggravated the situation. This marked drop in surplus prompted the authorities to reschedule some low-economic multiplier impact projects and high-import content projects to curtail imports. Overall, the current account surplus in the balance of payments is projected to narrow further to MYR28.7bn or 3.4% of GNI in 2014 (see Table 3).

The financial account, on the other hand, recorded a smaller outflow, while errors and omissions, which include the revaluation gain/loss from the foreign exchange reserves, recorded a smaller deficit during the year. As a whole, the country’s overall balance of payments recorded a higher surplus of RM14.5 billion in 2013, in comparison to a surplus of RM3.9 billion in 2012.

**Table 1: GDP by expenditure components (at constant 2005 prices)**

	2012	2013	2014F
	% y-o-y		
<b>Consumption</b>			
Private sector	7.7	7.6	6.0
Public sector	5.1	6.3	4.2
<b>Gross Fixed Capital Formation</b>	19.9	8.2	8.5
Private sector	21.9	13.6	11.5
Public sector	17.1	0.7	4.0
<b>Aggregate Domestic Demand</b>	10.6	7.6	6.5
Exports of Goods & Services	-0.1	-0.3	4.5
Imports of Goods & Services	4.7	1.9	5.9
<b>GDP</b>	<b>5.6</b>	<b>4.7</b>	<b>5.4</b>

Source: Department of Statistics, RHB Estimates

F: RHBRI's forecasts

**Table 2: GDP by industrial origin (at constant 2005 prices)**

	2012	2013	2014F
	% y-o-y		
<b>Real Gross Domestic Product</b>	<b>5.6</b>	<b>4.7</b>	<b>5.4</b>
Agriculture, forestry & fishing	1.0	2.1	2.5
Mining & quarrying	1.4	0.5	1.5
Manufacturing	4.8	3.4	6.0
Construction	18.1	10.9	8.0
Services	6.4	5.9	5.8

Source: Department of Statistics, RHB Estimates

F: RHBRI's forecasts

**Table 3: Balance of payments**

	2012	2013	2014F
	RM'bn		
<b>Current Account</b>	<b>57.3</b>	<b>37.3</b>	<b>28.7</b>
(% of GNI)	(6.3)	(3.9)	(3.4)
Goods	125.6	102.7	97.6
Services	-14.0	-15.0	-15.2
Income	-36.0	-35.2	-36.7
Current transfers	-18.2	-15.2	-17.0
Capital account	0.2	0.0	0.0
Financial account	-23.0	-15.0	-11.0
Errors & omissions	-30.6	-7.7	-5.0
Overall balance	3.9	14.5	12.7
Outstanding reserves*	427.1	441.7	454.3
(US\$)*	139.7	134.9	138.9

\*: As at end-period

Source: Department of Statistics, RHB Estimates

F: RHBRI's forecasts

The country's foreign exchange reserves, however, fell to US\$134.9 billion by end-2013, from US\$139.7 billion at end-2012, due to the depreciation of the ringgit vis-à-vis the US Dollar. Despite a drop in foreign exchange reserves, the amount remains sizeable and is sufficient to finance about nine months of retained imports. This will continue to provide underlying support for the ringgit, which has weakened against the US dollar by 7.1% in 2013 (see Chart 2), after having appreciated by 3.5% in 2012. The ringgit has been under selling pressure due to the outflow of short term capital on concerns over the US Federal Reserve ("US Fed") tapering its quantitative easing programme.

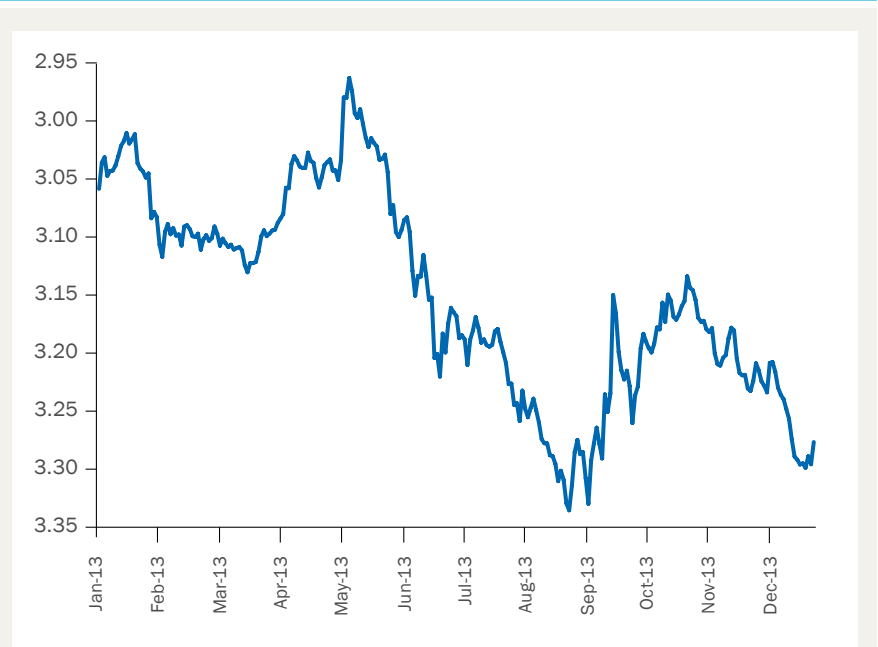
**Moderation in Monetary and Loan Growth**

The banking system's loan growth inched up to 10.6% y-o-y in December, after hitting a low of +9.1% in June but was down from a high of slightly more than +11.0% in the early part of 2013. The emergence of a new investment cycle is likely to have provided support to corporate loan growth, while households have adjusted well to the implementation of macro-prudential measures introduced by Bank Negara Malaysia ("BNM") beginning January 2012. This prompted BNM to roll out further tightening measures on 7 July 2013 to rein in the increase in household debt. Meanwhile, the broader money supply, M3, slowed down to 7.5% y-o-y in December, from the year's high of +9.5% in May and compared with +9.0% in December 2012. In terms of asset quality, the net impaired loan ratio of the banking system was relatively stable at 1.4% of total loans for the last 15 consecutive months up to November 2013, before easing marginally to 1.3% in December 2013 (see Chart 3).

**Stronger Inflationary Pressure Going Forward**

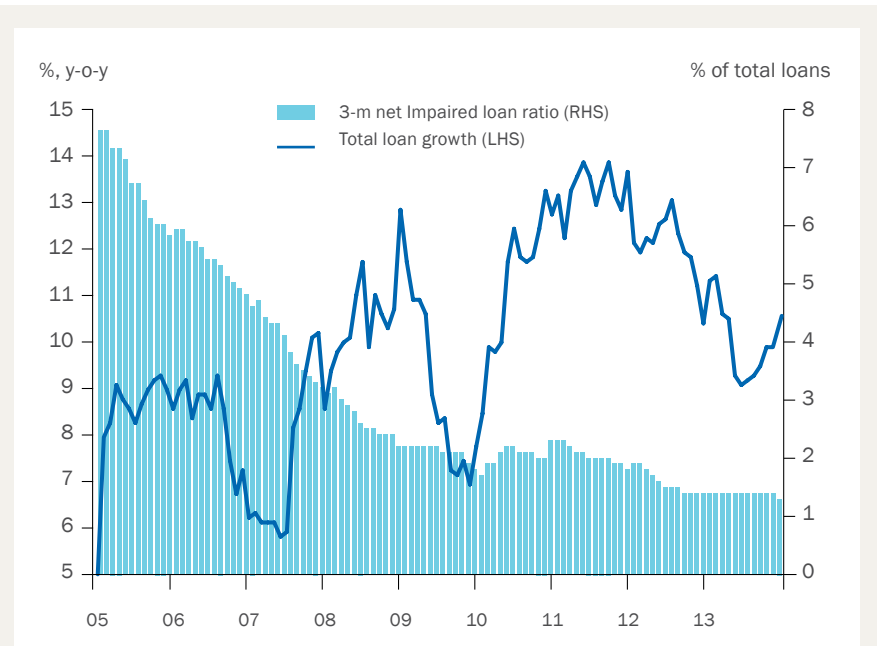
Headline inflation has been creeping up from more than a two-year low of 1.2% y-o-y in December 2012 to +1.9% in August 2013 before accelerating to +3.2% in December (see Chart 4). This was mainly on account of an increase in the core inflation rate after a fuel subsidy cut in September, as well as sustained pressure on the prices of food and non-alcoholic beverages. For the full-year, the headline inflation rose to 2.1% in 2013, from +1.6% in 2012. This is still manageable and not a major policy concern for policymakers. Going forward, inflationary pressure will likely build up due particularly to a change in administrative pricing by the Government that will spill over into other end-product and service prices. Already, the Government reduced subsidy and raised fuel prices by an average of about 11.0% on 3 September 2013. At the same

**Chart 2: Ringgit under selling pressure due to US Fed's QE tapering**

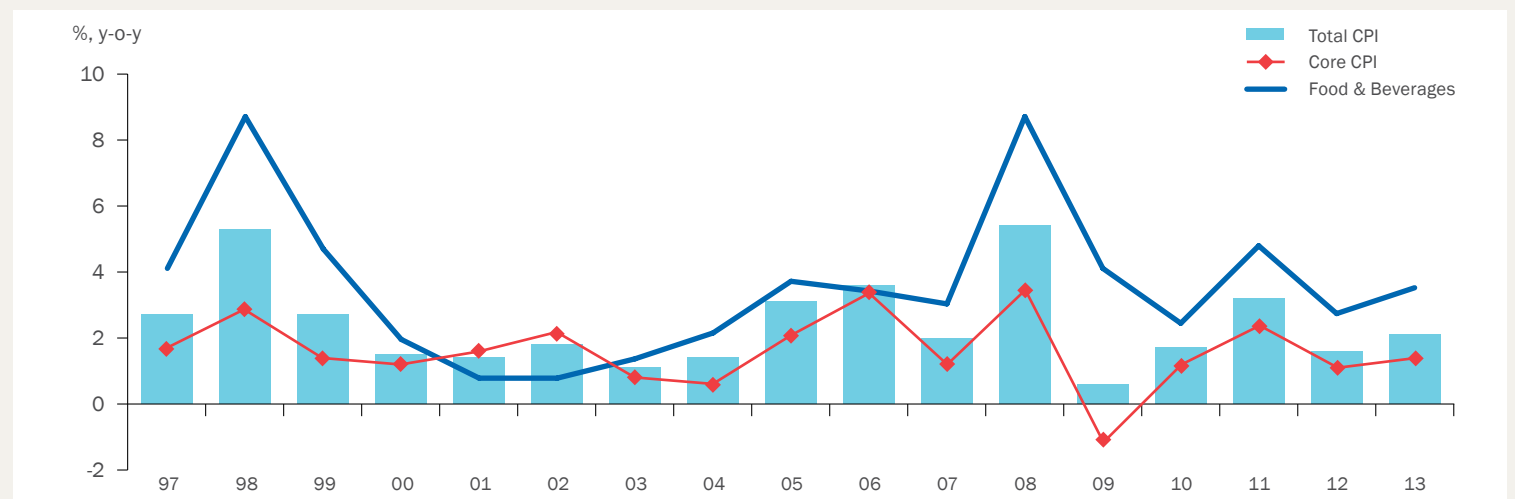


Source: Bloomberg

**Chart 3: Loan growth trending up of late and net impaired loan ratio stabilising**



Source: Bank Negara Malaysia

**Chart 4: Inflation trending up, but manageable**

Source: Department of Statistics

time, the effect of the implementation of the minimum wage policy and higher salary scheme for civil servants and security forces will translate into higher consumer prices over time, as businesses take the opportunity to pass on rising cost to consumers. Elsewhere, the power tariff hike has been raised by an average of 10.6% beginning 1 January 2014 that would result in a secondary impact on other prices of goods and services. If the Government were to further rationalise subsidies and raise fuel prices again in 2H 2014, given that the Government has proposed to reduce total subsidies by MYR7.3bn in 2014 Budget, the headline inflation is expected to trend upwards to touch some 3.0% to 3.4% in 2014.

#### Risks Tilt Policy Rate Toward Upside in 2014

Given the nature of the factors behind the increase in inflation, the Central Bank reiterated that monetary policy is not the best policy tool to manage the situation in its recent annual report. However, if higher cost-push inflation leads to inflation expectations becoming unanchored and inflation becomes more pervasive and persistent, a monetary policy response would become appropriate, according to the Central Bank. We believe it is important for BNM to make a pre-emptive move to dampen rising inflationary expectations given that inflation will be accelerating for two consecutive years over 2014-2015. As a whole, we expect BNM to increase its Overnight Policy Rate ("OPR") at some point in time, envisaged to be 25 basis points towards late 3Q 2014 to 3.25%, after keeping it unchanged at 3.0% for more than two years.

#### OUTLOOK FOR 2014

##### Improving Outlook Amid Economic Headwinds

While there are some economic headwinds ahead, the outlook is gradually improving with real GDP growth likely to pick up to around 5.4% in 2014, in line with stronger external demand for the country's exports on the back of an improvement in global economic activities. Domestic demand is envisaged to remain as a key driver of economic growth in 2014, underpinned by a double-digit rate of increase in private investment. Indeed, the country is experiencing a revitalisation of investment, on the back of progress in the implementation of a number of sizeable long gestation infrastructure related projects under the various economic programmes, including the ETP, the PPP and economic corridor programmes. This will likely be aided by resilient consumer spending, underpinned by high savings, rising consumerism from the young demographics of the population and favourable labour market conditions.

# Continuing Our Commitment to Human Capital Development

## OUR ONGOING COMMITMENT TO HUMAN CAPITAL DEVELOPMENT

RHB's "People Agenda" for the mid-term is a call to arms for us to reconfigure the organisation for growth and instil a high performance culture. Our employees are indeed the strength and driving force behind the Group and for 2013 we continued to focus our efforts on positioning the Group as "One of the Preferred Malaysian Employers in the Financial Industry" by 2015. We demonstrated our commitment to human capital development through launching new initiatives and continuing various proven programmes, all of which helped produce a more conducive working environment for our people. As a result of these efforts, RHB's workforce is today a more united one while employee performance is trending upwards.

### Workforce development

Despite a rise in the attrition level in 2013 (we recorded a 13.12% attrition level in 2013 versus 10.7% in 2012 and 10.9% in 2011), the number of our employees increased steadily with 2,620 new employees joining the Group. As of December 2013, RHB Banking Group's total headcount for full time employees stood at 16,692. Our new hires included key talent for the senior management team who have been appointed to steer the organisation under our new IGNITE 2017 transformation strategy.

Being an equal opportunity employer, the Group endeavours to uphold the principles of meritocracy and fairness when making decisions relating to employment, professional development and the promotion of our people. By the year's end, our male to female employee ratio stood at of 43:57 while on the Senior Management front, this stood at 76:24. We continue to work towards achieving healthy gender representation throughout our organisation.

#### Gender representation throughout RHB as at end 2013

Gender	Total All	%
Male	7585	43%
Female	10236	57%
Total	17821	100%

Gender	Senior Mgmt. & Above	%
Male	194	76%
Female	62	24%
Total	256	100%

As a result of ongoing efforts to develop our workforce, the RHB Banking Group was ranked among the "Best Companies to Work for in Asia" by HR Asia while we received a Silver Award in the "Employer of Choice" category from MIHRM. These underscore the good progress we are making on the human capital development front.

### Succession planning and talent management

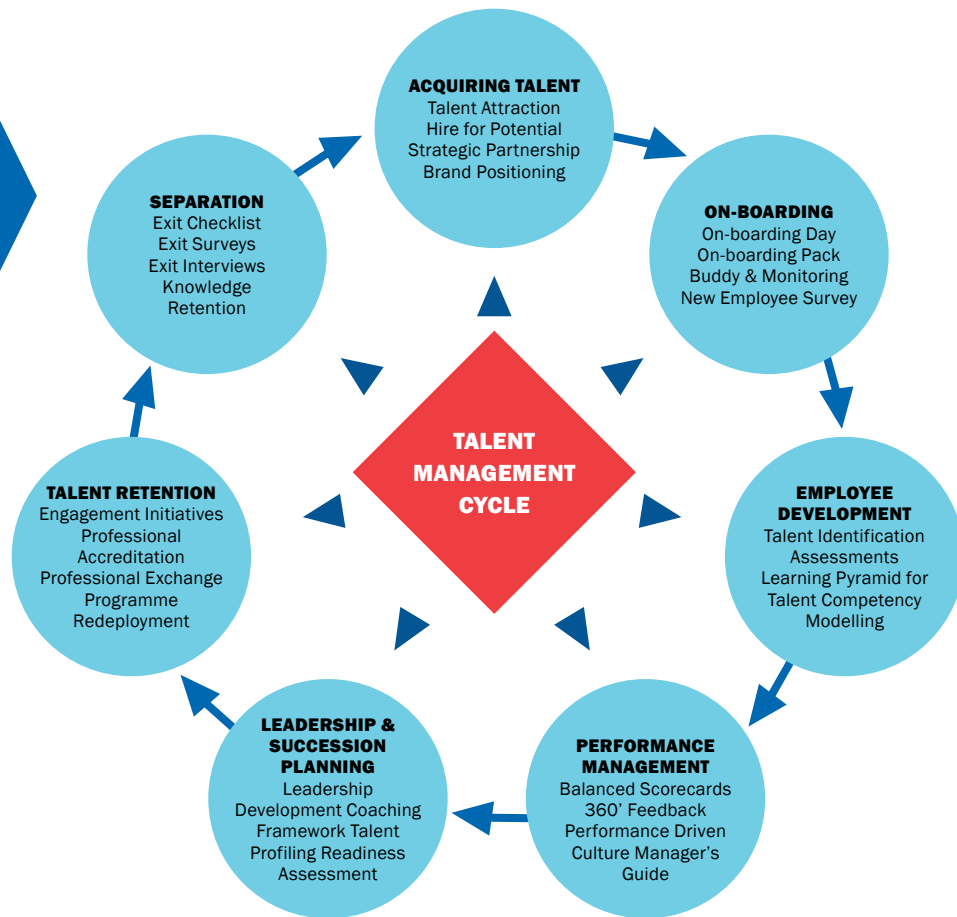
The talent war in the dynamic financial industry continues unabated with it being harder to find and retain good talent. Notwithstanding the challenges, RHB continues to actively build up our talent pipeline by developing internal talent and grooming potential successors. In other words, we are beginning to "grow our own timber".

The year saw the Group collaborating with top graduate business school, INSEAD, to deliver a customised Senior Leadership Development Programme to selected key successors. We plan to implement the programme in batches among all division heads over the next few years. We also continue to send senior talent to exclusive leadership programmes at ICLIF, Harvard Business School, PBMP, Cranfield University and the like.

We continue to implement a Talent Management Framework for the Group which approaches the employee lifecycle from a holistic perspective – from acquisition and on-boarding to development, leadership and employee exit plans.

RHB's Talent Management Framework

RHB's Talent Management Framework takes a holistic approach in the employee lifecycle, from acquisition and on-boarding to development, leadership and employee exit plans



As part of our efforts to ensure the sustainability of our businesses and the availability of talented and capable leaders for the future, we continue to build on and develop our Management Associates Programme and our new Graduate Associates Programme where we develop banking specialists from a pool of young and talented fresh graduates. In 2013, a total of 69 Associates were hired and deployed to various departments at different stages of the programme.

**Learning and development activities**

In 2013, we continued to focus on building up our human capital by organising various training programmes and workshops as well as running evaluation exercises. To build a stronger workforce, we organised performance coaching workshops for various groups including branch managers. We also embarked on a coaching certification programme for leaders that have the potential to become internal coaches. This coaching certification programme is endorsed by the Cambridge Academy of

Management and validated by the Quality Assurance Commission of the United Kingdom.

We believe that by forming beneficial partnerships with reputable learning organisations we can provide opportunities for our staff to enhance their leadership skills or to be technically accredited in their respective areas. The year saw us continuing to collaborate with current affiliates or partners such as INSEAD, International Islamic University and the Centre for Education in Islamic Finance ("INCEIF") while we entered into new relationships with institutions such as the Institute of Chartered Accountants in England and Wales ("ICAEW") and the Malaysian Institute of Certified Public Accountants ("MICPA"). The Group was appointed an Approved Training Employer by ICAEW in May 2013 and an Approved Training Organisation by MICPA in August 2013. These collaborations saw e-learning courses as well as home grown and external programmes being brought into play to develop our employees' skills.



RHB's In-House Learning Programmes



**External Certification Programmes**



**Customised Programmes**



**Development Programmes**



**In-house Courses**



**On-Line Continuous Learning (e-learning)**

Over the course of 2013, we also conducted the RHB Talks Series to inspire the Group's employees and keep them abreast of current trends and market developments:

RHB Talks Series 2013

Date	Topic	Speakers
15 March	Market Talk Malaysia: What Lies Ahead for Malaysia and Asia	Lim Chee Seng, Head & Chief Economist of RHB Research Institute; Dr Andy Xie, a renowned economist and one of the few who has accurately predicted economic bubbles
26 April	What's Hot in Banking	Cyrus Daruwala, Managing Director, IDC Financial Insights
10 May	Excellence in Execution	Robin Speculand, Founder & Chief Executive of Bridges Consultancy Int.
19 June	Think, Feel and Act with the Law of Attraction	Michael J Losier, Author of the international bestseller, <i>Law of Attraction</i>
1 July	Smart Globalisation: Building and Leveraging Global Presence	Anil K. Gupta, author of <i>The Quest for Global Dominance</i> and one of the world's experts on strategy and globalisation
5 September	The 36 Stratagems of the Chinese: Application to Business and Marketing Practices	Prof Wee Chow Hou, Professor of Strategy and Marketing, Nanyang Technological University

To further develop leadership competencies within our employees, we have constructed a talent development programme to accelerate growth and personal development in the areas of leadership and management skills as well as personal development. To ensure excellence in the quality of our work, we finalised RHB's Leadership Competencies and started to use them as basis for readiness assessment.

### **Employee engagement efforts**

After three years of consecutively running our Employee Engagement survey (since its launch in 2011), we have recorded significant improvements in the overall Engagement Index and all engagement categories. The overall improvements in the Engagement Index are apt reflection that more and more RHB employees are engaging with the Group in a positive manner and that employee sentiment is on the rise.

As part of our ongoing employee engagement efforts, we introduced the online action planning application in 2013 to monitor and track the progress of action plans for the year. We also launched the "R" factor series to boost engagement through respectful relationships. This initiative which is being implemented via an in-house training programme, also seeks to inculcate our core PRIDE values within our people.

### **Our core values**

Our customer-centric core values – PRIDE – denoting "Professional, Respect, Integrity, Dynamic and Excellence" – continue to set the tone for how RHB as a Group wishes to serve its customers externally and operate our business internally. It is successfully bringing about a cultural transformation within RHB as we evolve into becoming an enlarged regional group.

2013 marked an active year for our PRIDE programme with more than 9,000 PRIDE in ACTION workshops rolled out by the RHB Learning Centre and EASY Learning team. These highly interactive and customised workshops continue to provide a platform for participants to THINK, FEEL and ACT with PRIDE through discussions, board games and many fun-filled activities. The workshops also serve as a platform to embed our core values in matters pertaining to fraud awareness, business direction and critical success factors. To date, nearly 9,000 RHB-ians have participated in some 350 of these nationwide workshop sessions which are facilitated by RHB's internal certified trainers.

The year also saw us organising many teambuilding activities to instil PRIDE within our organisation. One of the year's highlights was a climb up Mount Kinabalu in Sabah. Organised to promote company unity and to stand as a symbol of the Group' strength, the event saw a final count of 43 climbers from 624 applicants participating in the expedition. Following the success of the previous years, we also held our second Word Search Contest and third Guess the Word Contest with more than 2,000 and 3,000 submissions coming in from across the Group. Activities such as breakfast events for all employees as well as PRIDE-related collateral including posters, t-shirts, mugs and handbooks, certainly helped embed our core values among the Group's employees.

### **Strengthening the RHB brand**

In line with our ambition of being "One of the Preferred Malaysian Employers in the Financial Industry", the Group undertook an image rebranding exercise in 2013. Our efforts included participating in local career fairs such as Graduan ASPIRE at the Kuala Lumpur Convention Centre in July 2013 and the BN Youth Job Fair at the Putra World Trade Centre in September 2013. We also reinforced our position as one of the preferred graduate employers in Malaysia by participating in the Graduan UKEC Career Fair in London, the United Kingdom for the first time.

### **Laying strong foundation for regionalisation**

As we lay the foundation for our next phase of growth to transform RHB into a regional powerhouse in ASEAN+, people and talent development activities will continue to be a critical differentiator. Going forward, we will continue to build on our PRIDE values and drive our people agenda by ensuring a strong HR organisation with the right talent management capabilities to build and manage a regional workforce. We will also focus our efforts on building a regional mindset and inculcating a culture of change. We are confident that by focusing on these key areas, we will quickly propel forward towards achieving our regional aspirations and strengthening our marketplace position as a preferred employer in Malaysia and around the region.

# Our Transformation



## PROGRAMME VISION

“Igniting the journey towards our vision, and turning aspirations into impactful outcomes that enrich our organisation, customers, industry, and community”

## PROGRAMME PRINCIPLES

**I**nnovative  
in Approach

Pushing boundaries and being innovative in the way we think, operate, execute and go-to-market



**G**rowth  
Oriented

Achieving stellar growth that will propel us towards achieving local market leadership, and rapidly scaling our regional footprint in ASEAN+



**N**imble  
in Action

Building an organisation that is nimble in anticipating market trends, able to stay ahead of the curve, and execute with speed, flexibility and scale



**I**mpactful  
in Outcomes

Creating meaningful and lasting impacts on our organisation, customers, industry and community, and making our mark as a force to be reckoned with



**T**eamwork  
to Succeed

Collaborating as a single team united by shared goals, succeeding together as one



**E**xcellence  
in Delivery

Building a high performing organisation, focused on delivery and service excellence



## OUR TRANSFORMATION JOURNEY

2007 - 2009

**STRATEGIC TRANSFORMATION PROGRAMME****Focus Areas**

- Capital and corporate restructuring for seamless product and service delivery
- Operational standardisation to a universal platform
- Customer centric focus to deepen relationship and share of wallet

**Outcomes**

- Increased ROE from 9.3% to 15.2%
- Increased PAT from RM0.44b to RM1.42b
- Reduced credit charge from 1.3% to 0.5%
- Tripled market cap from RM6b to RM18b

2010 - 2012

**SCORE 20: STRATEGIC GROWTH PROGRAMME****Focus Areas**

- Build long term competitive advantage
- Refine and develop new earnings sources
- Grow international presence
- Build strong domestic Islamic Bank
- Improve operational platform
- Strengthen and build Group HR

**Outcomes**

- Loan growth increased from 10% in 2009 to 16.2% by 2011
- Strengthened regional reach and scale through acquisition of OSK Investment Bank
- Easy by RHB launched, contributing 6.6% of Group's profit
- Launched social media and other mobile/online distribution channels

2014 - 2016

**IGNITE 2017 TRANSFORMATION PROGRAMME****Building a Regional Powerhouse****Focus Areas**

- **2014:** Strengthen value propositions and core capabilities
- **2015:** Launch differentiated and regional capabilities
- **2016:** Scale regional businesses and capabilities

**Target Outcomes:**

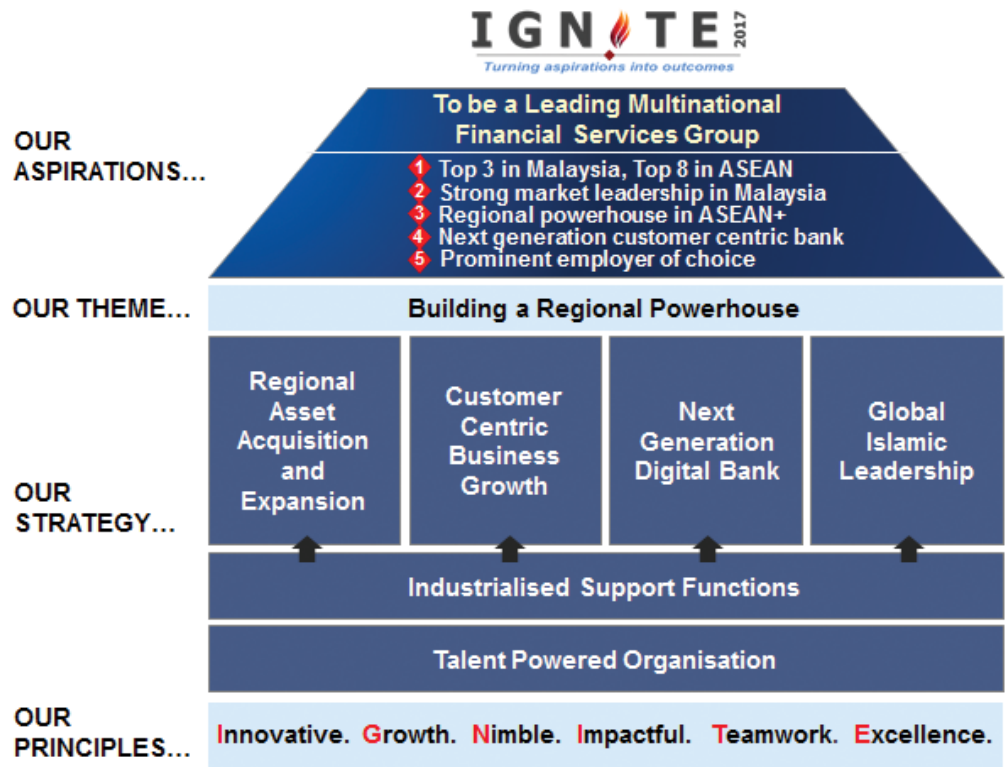
- 30% overseas revenue contribution, with Singapore's contribution doubled from 5% to 10%
- 30% of Total Group Financing Assets from Shariah-compliant assets
- Revenue growth driven by new segment value propositions, sales and service models and innovative digital offerings
- Transformed core and operational capabilities to enhance customer experience, and derive better insights through big data and analytics
- Transformed talent capabilities and competencies

**BUILDING A REGIONAL POWERHOUSE THROUGH IGNITE 2017**

RHB is on an expedited journey to build its regional footprint and become a Leading Multinational Financial Services Group by 2020. The Group has ambitious targets to have a market presence in 10 countries in ASEAN+, with offshore franchises constituting 30% of the Group’s revenue (up from current 11%) by 2017 and 40% by 2020. In order to achieve these aspirations, we recognise the need to establish a robust regional capability that will enable us to rapidly expand into new markets in a seamless and cost-effective manner.

The IGNITE 2017 Transformation Programme is launched to accelerate RHB towards achieving its 2020 vision.

IGNITE 2017, which means “to set in motion”, represents our programme vision to ignite our transformation journey towards the RHB 2020 vision, and turning aspirations into impactful outcomes that enrich our organisation, customers, industry and community.



The IGNITE 2017 Transformation Programme is driven by six strategic levers that serve as the building blocks for RHB’s regional transformation.



## CREATING THE MOMENTUM FOR IGNITE 2017

### Regional Expansion

In the past year, RHB has started executing its regional expansion strategy and building momentum towards its longer term 2020 transformation. The Group has made great strides to strengthen its existing regional franchise and explore new markets and opportunities. At present, the Group has expanded from a largely domestic business to operating regionally, with presence in 8 countries in ASEAN+ (including China).

In Thailand, we have expanded our Treasury business and are in the process of setting up our third branch to grow our network. In Singapore, we are optimising our branch distribution network through selective relocation of existing branches so as to strengthen our SME franchise. We are also increasingly leveraging on our regional presence by upgrading our Treasury and Loan Syndication capability to serve our customers regionally. In Brunei, we have been steadily growing in the consumer and SME financing business and have expanded our fee based income to include remittances and trade. Our Cambodian operations have been fully integrated with the Group and are generating financial returns.

On the mergers and acquisition front, we completed the acquisition and integration of OSK Investment Bank in April 2013 and have started realising merger synergies which surpassed our first year targets. The acquisition has provided us with immediate access to key strategic markets in ASEAN and China. We are in the process of acquiring a 40% stake in PT Bank Mestika Dharma to further penetrate the Indonesian market. RHB has also obtained a license to open a subsidiary in Lao, and has applied for licenses to open a representative office in Myanmar and a foreign bank branch in Vietnam.

All in all, we have made great strides in our aspirations to go regional and are well positioned to increase the momentum towards achieving our regional aspirations.

### Organisation Restructuring

The Group recently completed a restructuring exercise to enable the bank to achieve regional scale, operate more efficiently and go-to-market more effectively. The new Group management structure sees us moving from a siloed, entity based structure to a single Group functional organisation structure. In the new structure, Group International Business will have accountability over the Group's regionalisation strategy and will focus on setting up, driving and managing the Group's regional business. Group Corporate and Investment Banking has been reorganised to strengthen our focus and enhance proximity to the markets. This will enable us to more closely drive growth and expansion for the group in the region.

## HR AND TALENT MANAGEMENT

Recognising the importance of talent and culture in achieving our ambition of becoming a Leading Multinational Financial Services Group, the Group started its cultural transformation in 2011 with the establishment of PRIDE – Professional, Respect, Integrity, Dynamic and Excellence. PRIDE is a set of customer centric core values that set the tone for how we want to serve customers externally and operate our business internally.

As the Group lays the foundation for its next phase of growth to build RHB as a regional powerhouse in ASEAN+, people and talent will continue to be a critical differentiator to the success of the transformation and beyond. We will build on the PRIDE values and continue to drive our people agenda by leveraging the following key areas which are fundamental to the success of our regional transformation:

- ♦ **The establishment of a strong HR organisation with the right talent management capabilities to build and manage a regional workforce;**

As we move towards a regional model with further potential mergers and acquisitions in the pipeline, the Group will need to be able to effectively integrate distinct organisations and manage an integrated regional workforce. We will focus on building critical capabilities around talent retention, regional mobility programmes, standardised and repeatable HR processes, common technologies and regional learning and talent management capabilities to help the Group expand in an efficient and cost effective manner.



♦ **The building of a regional mindset;**

A true regional bank is made up of a workforce that thinks and operates in a regional manner. Awareness of regional environments and cultural differences, cross-country teaming and collaboration, openness and flexibility to work across borders and thrive in new environments are among the few critical elements that we will instil in the Group to enable it to operate and compete effectively on a regional scale.

♦ **Through inculcation of a culture of change**

As we position ourselves for a long term transformation of this scale, we can expect that change will be a constant. To ensure we are able to build and sustain the momentum required to drive the transformation and succeed in today’s dynamic environment, we will invest in building a flexible and nimble workforce that is able to adapt to new conditions and challenges, re-skill and re-focus on new areas of work with pace, in line with business needs.

The Group recognises that talent will be a key differentiator in the RHB transformation story. We will continue to build on PRIDE and drive a common set of values across the region to propel RHB towards achieving its regional aspirations.

**DRIVING THE TRANSFORMATION**

We have identified three critical components that are essential to drive the successful operationalisation of the transformation programme.

♦ **Alignment of transformation initiatives to the overall Group strategy**

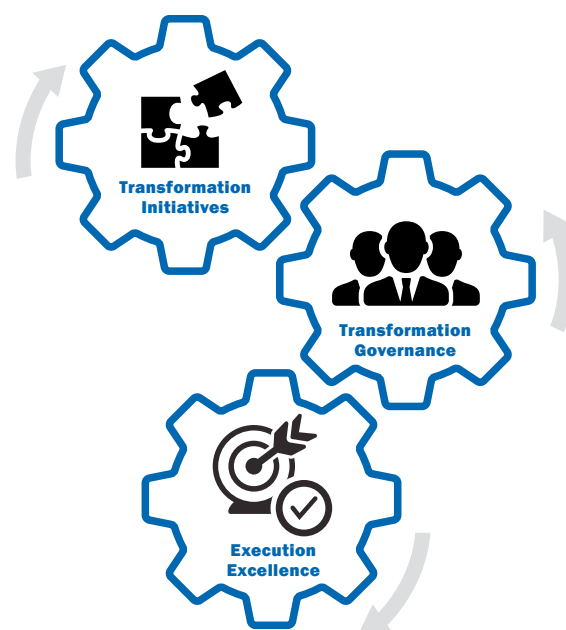
The Group has identified and prioritised a set of transformation initiatives that will position us strongly to achieve our aspiration of becoming a Leading Multinational Financial Services Group. Each of these initiatives has clear objectives, aggressive targets and measurable outcomes that are aligned to our transformation agenda.

♦ **Strong transformation governance with senior leadership sponsors**

We recognise that strong transformation governance is a key requirement for ensuring that the transformation is executed successfully in alignment with the Group’s strategy. We have put in place strong transformation governance with clear and well-defined structures, roles, responsibilities and decision-making authority. This is supported by the appointment of executive sponsors from our senior leadership team that are fully committed and accountable for driving the success of the transformation programme.

♦ **High-performing organisation focused on execution excellence**

We have put in place the right capabilities and competencies to build a high-performing organisation that is focused on execution excellence. This is pivotal in ensuring the successful delivery of the transformation outcomes.



**Group Strategy & Transformation**

Group Strategy & Transformation has been set up to spearhead the IGNITE 2017 transformation programme, with a mandate to drive the execution of the transformation programme across the Group.

Group Strategy & Transformation will be accountable for:

- Ensuring that the transformation is executed in alignment with the Group’s Strategy;
- Establishing and enforcing strong programme governance;
- Setting up a robust programme management capability to drive transformation projects across the Group;
- Pro-actively planning and managing the end-to-end transformation programme to schedule and budget; and
- Managing the programme to deliver the targeted benefits and aspirations of the Group.

# Group Senior Management





# Overview: Business & Operations

**2013 was an exciting year for RHB Banking Group even as we overcame the challenges of a tough operating environment. We brought our Investment Bank integration exercise to a close and delivered robust financial and operational results. The year saw us progressing on expanding our regional footprint and initiating the next phase of our transformation journey to make strong advances forward. Today, we are in a much stronger position than ever before and much closer to realising our ambition of becoming a regional powerhouse in the next three years.**

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## **Kellee Kam**

Group Managing Director  
RHB Banking Group



### **CELEBRATING OUR 100TH YEAR IN BUSINESS**

The year was also satisfying for us RHB-ians as 15 July 2013 marked the celebration of RHB Bank's 100th year in business. In line with RHB Bank's centennial celebrations, we embarked on a series of exciting activities that saw us engaging with our customers, employees and the community at large. From the launch of our celebration on 23 November 2012 to our grand finale at the RHB Centennial Dinner exactly a year later, celebration activities were rolled across the country - from state hi-teas, RHB concerts and RHB Runs to our centennial dinner, where the new RHB corporate song and flag were unveiled, a new esprit de corps was ignited among our people.

We also leveraged on our PRIDE values and PRIDE in ACTION workshops to further spur our teams on and truly embed PRIDE within our organisation. Our esprit de corps was taken to a new height when Team RHB scaled Mount Kinabalu together for the first time. On top of this, RHB made history by being the first financial institution to be featured in a commemorative stamp collection in Malaysia, and commissioned a coffee table book titled OUR STORY to commemorate RHB Bank's 100-year history in print. Our centennial anniversary celebrations did much to instil a new sense of pride, passion and loyalty within our organisation and we are well primed to move forward as an organisation.



**IN GOOD SHAPE**

Performance-wise, several other exciting developments took place over 2013 to strengthen our market position in several areas. RHB is now in the best shape it has ever been and is all set to improve.

Our successful completion of the full integration of OSK Investment Bank (“OSKIB”) into RHB Investment Bank (“RHBIB”) has certainly helped us grow from strength to strength. The merger enabled us to realise synergies of RM137 million in 2013, double that of the first year target of RM63 million, and it puts the Group on track to achieve its synergy target of RM324

million within three years. It has also allowed us to expand our regional footprint to eight countries in ASEAN+ (including Greater China), and enabled us to expand our distribution of investment banking products to Europe, North America and further across ASEAN and South China via several strategic partnerships.

## In 2013, RHB Bank was named “Malaysia’s Domestic Foreign Exchange Bank of the Year” at the Asian Banking & Finance Wholesale Banking Awards 2013, while it also attained five awards at the Asiamoney Cash Management Poll 2013.

Today, RHBIB continues to win market share and this is reflected in our robust bottom line. On top of this, leadership teams from both sides remain intact while the investment bank’s contribution to Group earnings has risen, with the target to increase this to 10%-15% on a consistent basis over the next three years.

We also completed the merger integration of our asset management business with OSK-UOB Investment Management to form RHB Asset Management Sdn Bhd (“RHBAM”) in late 2013. This bodes well for us as we strive to become an outstanding ASEAN fund house with Asian capabilities. With a total of RM39.3 billion Assets Under Management (“AUM”) across the region, the merged asset management business has a staff strength of close to 300 professionals and 136 funds covering equity, fixed income and alternative investments to meet the needs of diverse investors. It is also the only fund house in Malaysia with both the investment advisor and private retirement scheme licenses.

RHBAM is targeting to grow its revenue contribution from the ASEAN and Greater China regions to 40% by 2020 (from its current 9%) on organic growth, strategic partnerships and further acquisitions. On the Islamic front, RHB Islamic International Asset Management Berhad (“RHBIIAM”) aims to be in the top ten ranking globally by 2018. As at December 2013, RHBIIAM is ranked fourth in terms of retail and institutional AUM and targets to move to the Top 3 position in the country by 2018 with an AUM target of RM10 billion.

We also continue to extend our domestic footprint with our commercial bank and Islamic bank branch network today encompassing 208 branches nationwide and over 2,300 self-service terminals (“SSTs”). With 1,417 automated teller machines, 616 cash deposit machines and 312 cheque deposit machines in our network, RHB today maintains the No. 3 position in terms of market share for SSTs. On the international front, our distribution network extends to 19 overseas branches.

Our efforts to expand our online presence through multi-channel, borderless banking have proven fruitful with our internet and mobile banking platform - RHB Now, experiencing strong growth in its customer base and transaction volumes. In 2013, the number of internet and mobile banking users grew by 39.4% while customer-spend grew by 34.4%. As at December 2013, RHB Now has over 1.3 million users.

The Group’s innovative, award-winning Easy by RHB platform continues to be one of the main contributors to our retail banking business. Having grown from its two original outlets to 270 outlets as at today, the Easy business model has captured the interest of financial players abroad and continues to garner a host of accolades.

All these developments and more attest to the strong foundations we are building as we move towards positioning ourselves as a Leading Multinational Financial Services Group in the region by 2020.

### RECOGNISED FOR OUR EFFORTS

In 2013, RHB Bank was named “Malaysia’s Domestic Foreign Exchange Bank of the Year” at the Asian Banking & Finance Wholesale Banking Awards 2013, while it also attained five awards at the Asiamoney Cash Management Poll 2013. The Bank’s achievements in 2013 included the “Straight-Through Processing Award” and the Project Finance International Awards 2013

(Thomson Reuters) for the “Power Deal of the Year in Asia Pacific”. RHB Bank also received the accolade for “Best Treasury Management Project (Regional Implementation Category)” at The Asian Banker’s Technology Implementation Award 2013 event.

At the Alpha Southeast Asia 7th Annual Deal & Solutions Awards event, RHBIB received the accolades “Best Mid-Cap Equity Deal of the Year in Southeast Asia” for Sona Petroleum’s IPO; “Best Islamic Finance Deal of the Year in Southeast Asia” and “Best Bond Deal of the Year for Retail Investors in Southeast Asia” for Danalinfra ICP’s ETS issue. Recognition also came at The Asset Triple A Awards 2013 event where RHBIB was awarded “Best Islamic Project Finance 2013” for its role in the RM6.5 billion Malakoff Tanjung Bin Energy loan and Sukuk Murabahah.

At the prestigious StarMine Analysts Awards 2013 event, Mr Jason Saw of OSK/DMG in Singapore was recognised as the “Best Earnings Estimator Stock Picker for Singapore” and “Top in the Asia Awards” for the Machinery and Materials Category. Our Mr Thomas Lam, had the distinction of being named the “5th Best Forecaster in the world for the U.S.” under the Bloomberg Ranking of Top U.S. Economic Forecasters. For the fourth consecutive year, RHBAM’s Mr Hoe Cheah How was once again ranked in The Asset’s Asian Bond Most Astute Investors rankings.



## The Group's gross loans grew by 9.2% during the year to reach RM121.8 billion. Gross loans growth would have been at 11.6% if not for one large corporate prepayment in the last quarter of the year.



Our Chairman, Dato' Mohamed Khadar Merican, was awarded the "Chairman of the Year" award by the Minority Shareholders Watchdog Group for his ability to lead the Board's Corporate Governance Agenda.

### ROBUST EARNINGS AMIDST A CHALLENGING BACKDROP

In 2013, the Malaysian banking sector performed relatively well amidst volatilities in the global market which stemmed mostly from mounting worries over the uncertainty of the US Federal Reserve's quantitative easing measures. The year saw Bank Negara Malaysia ("BNM") announcing several new measures to curb Malaysia's rising household debt. These included reducing the maximum tenure for personal loans, restricting home loans and prohibiting offers for pre-approved personal loans, all of which had the effect of slowing consumer loan demand. Notwithstanding the above measures, lending to the household sector for the Group continued to register steady growth, contributing more than two-thirds of the loans growth during the year.

We experienced a challenging first six months of the year which led to a decline in our profit trajectory. Nevertheless, we responded with grit and our teams push hard to close the year on a high note, reversing the declining trend to deliver another profitable year.

For financial year 2013, the Group's total income increased 23.2% to a record RM6.0 billion while we registered a profit before tax ("PBT") of RM2.47 billion, 3.6% higher than the preceding year's PBT. We also reported a full year net profit of RM1.83 billion. What is all the more remarkable is that this was achieved despite a 11.5% decline in profitability for the first six months of 2013.

The Group registered a 14.3% year-on-year increase in operating profit before allowances on the back of strong net interest income and higher broad-based fee income. This was offset in part by an increase in impairment allowances for loans.

Net interest income increased to RM3.3 billion, up 10.6% from the preceding year due to 8.2% conventional loans growth year-on-year and a stable net interest margin. The impact of a competitive interest rate was minimised through effective balance sheet management which has enabled margins to stabilise at 2.33% from 2.35% in the last quarter of 2012 as the Group continued to drive lower cost current and saving deposits.

Other operating income recorded a strong growth of 51.2% to RM2.1 billion, largely attributed to higher fee income and net foreign exchange gain. Fee income increased by 89.4% to reach a new high of RM1.3 billion, driven by a significant improvement in investment banking and wealth management income with a full year contribution of the merged RHB-OSK business franchise.

The Group's other operating income to total income ratio rose to 35.0% from 28.6% recorded a year ago. Excluding certain one-off gains and recoveries, non-interest income ratio was at 33.4%, largely contributed by the fee income uplift from the merged RHBIB.

Merger synergies realised by RHBIB amounted to RM137 million, double the first year target of RM63 million. This was derived mainly from investment banking fee income, wealth and asset management, as well as institutional equities.

Islamic Banking income increased by 20.6% to RM590.9 million, mainly attributed to higher net funding income on the back of a 15.1% increase in the financing base to RM18.7 billion from 2012.

Other operating expenses increased by 33.1% year-on-year largely due to the full-period impact of the enlarged investment bank cost base, increase in sales-related personnel cost, higher commission and incentive compensation linked to stronger business volume and merger integration cost. Cost to income ratio of the Group stood at 51.3% for 2013.

The Group completed the full integration of RHBIB-OSKIB with Single Platform Day One on 25 November 2013. Total integration costs incurred during the year amounted to RM30.2 million, of which 71% entailed operating expenditure and the remaining, capital expenditure.

Allowance for impairment on loans and financing for the year increased to RM448.0 million from RM148.5 million recorded in 2012. This was primarily due to lower bad debts recovered, one-time bad debts written off pertaining to the refinement in application of MFRS139 (Financial Instruments: Recognition and Measurement) and higher collective allowance set aside in tandem with loans and financing growth.

### GOOD BALANCE SHEET AND ASSET QUALITY

Total assets of the Group expanded by 1.0% to RM191.1 billion as at 31 December 2013. The increase was mainly due to growth in net loans and investment portfolio, partially offset by the reduction in cash and short term funds. The Group's gross loans grew by 9.2% during the year to reach RM121.8 billion. Gross loans growth would have been at 11.6% if not for one large corporate prepayment in the last quarter of the year.

Retail and Easy by RHB continued to perform well with combined loans growth of 14.1%, higher than the industry retail loans growth of 11.2%. This was driven by an increase in loans for residential properties and purchase of securities. Domestic market share stood at 9.3% as at 31 December 2013.

Gross impaired loans ratio improved to 2.81% from 2.99% in December 2012. Total customer deposits was at RM137.7 billion, 0.4% lower than the previous year. Current and Savings Account or CASA balances grew by 9.2% and 8.7% respectively. The CASA composition improved to 23.3% from 21.3% in 2012.

The Group remained disciplined with its asset and liability management, with loans to deposits ratio standing at 88.4% as at 31 December 2013.

Shareholders' equity strengthened by 10.7% to RM16.7 billion, largely contributed by higher retained earnings that were partly offset by lower revaluation reserves of the securities portfolio available for sale and cash dividends paid. Net assets per share improved to RM6.57 against RM6.06 as at 31 December 2012.

### WELL PRIMED TO RUN AND WIN THE RACE

In 2014, we embarked on the third phase of the Group's transformation – IGNITE 2017 – which is focused on building RHB Banking Group as a regional powerhouse over the next three years. Through IGNITE 2017, we would strengthen our segment value propositions, launch differentiated and regional capabilities, and rapidly scale our regional businesses. This will accelerate our journey towards achieving our 2020 aspiration of being a Leading Multinational Financial Services Group, attaining strong market leadership in the domestic arena (Top 3 in Malaysia) and be recognised as a regional powerhouse (Top 8 in ASEAN with 40% revenue contributions from international operations).

We will continue to pride ourselves on our ethos of "Delivering More" to our customers and reaffirm our position as a next generation customer-centric bank that delivers innovative and personalised offerings to our customers.

We recognise that talent is a key enabler to our success, and we are working towards reinforcing our position as a prominent employer of choice within the region. We are on boarding new talents to the Group and in 2013, welcomed over 2,600 new members to the RHB family. We also bolstered our leadership team with experienced and industry-savvy personnel including Dato' Khairussaleh Ramli as Deputy Group Managing Director of RHB Banking Group and Managing Director of RHB Bank, while En Ibrahim Hassan joined us as Managing Director of RHB Islamic Bank.

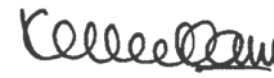
Recognising the aggressive and regional nature of our aspirations, we have restructured our organisation to enable us to achieve regional scale, operate more efficiently and go-to-market more effectively. Our core businesses now come under the ambit of three main business pillars, namely Group Retail and Commercial Banking ("GRCB"), Group International Business ("GIB") and Group Corporate and Investment Banking ("GCIB"). Today, GRCB is tasked with overseeing the majority of the Group's retail and commercial oriented businesses as well as treasury and global markets; GIB is responsible for managing and growing the Group's regional business; and GCIB is tasked with bolstering the Group's enlarged corporate and investment banking business across the region.

The new Group management structure sees us moving from an entity based structure to a single Group functional organisation structure. This new structure will be key to the realisation of our regionalisation agenda. While we are improving the way we organise ourselves to function as a regional organisation, the fundamental way we do things will not change – we will continue to place customers at the centre of our business and strive to achieve professionalism and excellence in our everyday roles, in line with our PRIDE values.

As we venture forth into the region, we are committed to balancing out healthy financial performance with good social and environmental performance in all the markets that we serve. Corporate Responsibility ("CR") will continue to be a way of life at RHB and we commit to embedding good CR practices that will bring about tangible benefits to all stakeholders in whichever market we operate in.

We strongly believe we have the right vision and are putting in place the right combination of capabilities and competencies to propel us towards our regional aspirations, deliver sustainable growth and build a wholesome multinational financial services group.

We present here an overview of the operations of our key operating businesses under our new organisational structure.



**Kellee Kam**  
Group Managing Director  
RHB Banking Group

## ♦ Group Retail and Commercial Banking

The Malaysian retail banking sector experienced a tougher environment in 2013 as compared to 2012. Interest compression continued amidst stiff competition coupled with the tighter lending practices due to increasing household debt. The sector also faced increased pressure and higher expectations from customers in terms of service delivery and technological solutions.



### GROUP RETAIL BANKING

Notwithstanding this backdrop, Group Retail Banking re-strategised its execution plans to improve the retail banking business and its contribution to the Group's overall profitability. The year saw our retail banking arm increasing sales volume and productivity, expanding fee based activities and low cost deposits, as well as strengthening product development and innovation. Group Retail Banking also worked on improving technological solutions, enhancing service delivery, developing the talent pool and building a robust credit risk management infrastructure, including collections and recovery management. There was also a realignment of sales and service management activities on the distribution and product channel fronts.

As a result of the year's efforts, Group Retail Banking outpaced industry growth on the loans and deposits fronts and increased our market share. Retail loans and financing assets increased by 12.0% against industry growth of around 9%. Retail customer deposits rose by 14.5% against industry growth of around 7%. Non-interest income rose by 18.0% while an improvement in asset quality saw our non-performing loan or NPL ratio improving from 2.9% to 2.4%. All in all, Group Retail Banking contributed 40.2% to the Group's profit.

We also registered further improvements in the Employee Engagement Index for the distribution channel. Over the course of the year, we opened an additional six branches and 25 Easy outlets extending the RHB network to 194 conventional

♦  
**RETAIL BANKING CONTRIBUTED**  
**40.2%**  
**TO THE GROUP'S PROFIT**

## We opened an additional six branches and 25 Easy outlets extending the RHB network to 194 conventional branches and 270 Easy outlets to date.

branches and 270 Easy outlets to date. For 2013, RHB maintained the No. 3 position in terms of the market share for self service banking terminals.

To further grow our retail banking business and become one of the top retail banks in Malaysia, Group Retail Banking will continue to leverage on our extensive network of branches, increase productivity and reduce cost-to-serve. On top of this, we will intensify our efforts to increase fee based income and increase low cost deposits contribution. We will also work on providing more value added services through our electronic banking channel and further strengthen service excellence, product innovation and service management.

### Residential Mortgage Loans

Group Retail Banking's residential mortgage loan portfolio made good progress as it continued to outperform industry growth and deliver impressive year-on-year growth of 12.2% in 2013. The favourable economic climate and strong developments within the property sectors in major towns helped drive the portfolio's performance. This is expected to further strengthen performance growth going forward.

New loan acceptance rose by 161% from 2012 as a result of growth initiatives that comprised a robust risk framework, an expanded feet-on-the-street sales force and an increase in productivity. Close partnerships with key developers and realtors bolstered the primary market segment which was one of the key contributors to portfolio growth. As part of our continuous efforts to facilitate better loan quality and robust risk management, the latest generation residential mortgage loan scorecard was implemented. The year saw the portfolio health improving year-on-year, as did the NPL ratio.



The Government's aim of developing Malaysia into a high-income nation by 2020 through catalysts such as the Economic Transformation Programme ("ETP") are expected to have a positive impact on the demand for residential properties. We will continue to leverage on these developments and the Group's wide network of delivery channels to grow our mortgage business.

### Group Auto Finance and Asset Based Financing

Amidst intense competition and nominal industry growth, Group Auto Finance ("AF") turned in an impressive performance in disbursements with 192% growth in 2013. In conjunction with RHB Bank's 100th Anniversary Celebrations, AF organised numerous marketing campaigns activities to show its appreciation to its business supporters. To maintain its growth momentum, AF will remain focused on growing its loan base, especially in the area of new passenger vehicle financing. We will continue to book high quality loans to improve the quality of our assets.

RHB's Asset Based Financing ("ABF") business turned in a commendable performance despite a challenging year. Through amassing an estimated market size of 13.5% in portfolio distribution, we retained our position as a leading ABF financial institution. We continued to leverage on customer and vendor relationship management activities as well as the Business Banking and Corporate Banking network to keep our competitive edge. The introduction of the ABF Loan Origination System and Scorecard encompassing a risk-based framework and faster turn-around time will assist us to stay ahead of the competition.

### Amanah Saham Bumiputera Financing

Amanah Saham Bumiputera ("ASB") financing remained one of the Group's core retail products for 2013, registering sales growth of 135% and loans growth of 23.6%. To strengthen customer relationships, a core team of dedicated ASB Sales Specialists were appointed to focus and drive ASB financing.



**Cards and Unsecured Business**

In line with BNM’s agenda to promote electronic payments, Group Retail Banking maintained a strong focus on its payments card business. Our cards-in-force and card spend recorded higher growth than the industry in 2013. Our credit card spend and cards-in-force grew 7.3% and 6.2% year-on-year respectively, whilst credit card receivables increased by 4.0%. Similarly, the debit card business also grew with new card issuance growing by 34.4% and card usage expanding by 32.3%. We garnered an 8.9% debit card market share whilst our market share for debit card usage was 10.8%.

Several new card products catering to customers’ specific needs helped to drive growth. These included the Generic Debit Card, SOGO-RHB co-branded Card and RHB Signature Card. Catering to the mid-affluent segment, the new RHB Signature Card is positioned as the cash-back card that offers 1% unlimited cash backs for overseas and online spending. To help spur the growth of RHB’s credit and debit cards, several initiatives were undertaken to promote brand awareness and card usage. The launch of a 10-minute instant card issuance programme at selected branches was one of the year’s key initiatives and this programme will be expanded to more RHB branches in 2014. RHB has also set its sights on maintaining its position as a major payment card institution via organic and inorganic growth strategies that include expansion at the regional level.

Unsecured personal loans remain one of the key growth areas for Group Retail Banking. We retained our leading position in the marketplace for personal unsecured loans with a 29.3% market share in 2013 on the back of sales contributions from the various channels including our branches, telesales and Easy outlets. This mixed retail portfolio is enabling us to continuously maximise our revenue via cross-selling activities. It is also providing Easy with an avenue to increase its loans base through new portfolios. In 2013, we re-launched the personal loan for the civil sector segment resulting in favourable loans growth.

**Consumer Deposits**

Over the course of 2013, we focused our efforts on promoting personal financial planning and pitched ourselves as a convenient hub for savings. At the grassroots level, we promoted the benefits of maintaining personal savings as the means for consumers to securely amass funds for their future.

In line with this, Group Retail Banking rolled out a wide range of deposit products and services that enabled our customers to engage in secure and convenient saving practices. These included a variety of savings accounts, basic cheque issuing products and services, as well as the My1 Account, MaxCash and Premier Current Account products which offer higher interest rates. We also launched Bonus Savers, a new savings proposition aimed at new and existing customers who are keen to set aside savings on a regular basis and capitalise on higher savings interest rates.

We rolled out numerous campaigns over 2013 to promote our wide range of product offerings. In conjunction with the many religious festivals that we celebrate in our multi-cultural nation, we launched festive-themed fixed deposits. Offering a 3.88% promotion for Chinese New Year and a double promotion of 3.78% and 3.88% for Hari Raya, these campaigns served to increase our market share for longer term deposits. On the Current Account, Savings Account (“CASA”) front, our annual Golden Treasures CASA campaign did well in 2013. To commemorate RHB Bank’s centennial celebrations, we launched the Let’s Save Mini Cooper S Coupe CASA Campaign. This campaign registered record-high participation by new and existing customers, garnering a gross amount of RM400 million from new CASA deposits over a span of four months.

Our ability to understand our customers’ savings needs and tailor meaningful products, services and campaigns for them certainly strengthened our overall performance in 2013. We outpaced overall industry growth and grew 13.5% in comparison to total industry growth of 6.8%. As

a result, RHB’s overall market share increased to 7.1%. Our fixed deposits segment also outperformed the total fixed deposits industry growth, coming in at 15.6% over industry growth of 5.8%. Our CASA segment also performed exceptionally well registering growth of 9.8%, surpassing the industry’s total growth of 8.8%.

**Wealth Management**

Following RHBIB’s merger with OSKIB, 2013 proved to be a year of exciting developments for our wealth management business. The merger gave us access to expertise that strengthened our overall wealth management and premier banking propositions. The new-found expertise also enabled us to expand the depth and breadth of our product offering which drew increased customer interest. This included the launch of seven new RHB-OSK IUTA products, some with features that catered exclusively to our premier banking customers. By investing in deeper engagement and new customer acquisition activities, sales contribution for RHB-OSK funds grew by 141% as compared to the preceding year. Our RHB-OSK funds also experienced assets under management growth of about 66%.

**Bancassurance**

2013 proved successful for RHB’s Bancassurance portfolio which achieved many of its targets in collaboration with life insurance partner Tokio Marine Life Malaysia (“TM Life”). By the year’s end, Bancassurance had surpassed its RM205 million and RM27.1 million targets for its credit related and regular premium life insurance new businesses respectively, turning in RM212.5 million and RM41.3 million respectively. As a consequence, we garnered additional fee income from TM Life, thus increasing our overall revenue.

2013’s success can be credited to initiatives that were first implemented in 2012. These included increased penetration of the customer base, particularly in relation to recurring premium life insurance products, strengthening



of distribution channels, plus improvements in the way of partner (life insurance) management. Going forward, Bancassurance will endeavour to place RHB among the top three players in this segment by enhancing the productivity of the distribution channel, developing new customer-centric products and improving sales processes to ensure exemplary customer service.

2014 will also see Bancassurance focusing on takaful activities as well as increasing the penetration of general insurance among the Bank's customer base. In line with our objective of pushing Islamic financing, takaful will be a core product line to cross-sell with RHB Islamic products. Plans are underway for Bancassurance to conclude an exclusive partnership agreement with a takaful operator in 2014.

For general insurance business, the core objective will be to increase the number of product holdings of existing RHB Bank customers and ensure that cross-selling of general insurance products is actively pushed. The increase in general insurance penetration will help boost fee income to RHB Bank as well as increase the number of product holdings per customer.

#### **Internet and Mobile Banking (RHB Now)**

Since its rebranding in 2011, our internet and mobile banking platform, RHB Now, has experienced strong growth in its customer base. Transaction volume and the number of users have improved dramatically thanks to the division's successful promotional drives to garner brand loyalty amongst Gen Y audiences. In 2013, the number of internet and mobile banking users rose by 39.4% and customer-spend grew by 34.4%. In the first quarter of the year, we achieved our milestone of one million users. Since then, there has been a marked increase in collaboration with e-commerce merchants to run campaigns that help boost customer-spend.



We have also ventured into partnerships with reputable organisations to organise major campaigns that are helping to boost transaction volume among existing e-banking users. Brand awareness campaigns such as a nationwide roadshow with Ducati and a contest with Universal Music, resulted in impressive transaction volume growth over 2013.

In terms of product and service enhancements in 2013, RHB Now rolled out an improved version of its mobile banking feature for iOS platform users. The new feature allows users to perform fund transfers, pay their bills and reload their prepaid accounts instantly. Users are now also able to send money and top up via PayPal using the RHB Now mobile banking service.

Moving forward into 2014, we will focus on rolling out more innovative and convenient enhancements to RHB Now's digital banking facilities. These will include our own version of the Virtual Account Card system which allows customers to perform bank transactions in

real time and even to shop, regardless of their location or currency. In the pipeline, we have a mobile lifestyle application which promises to go beyond conventional banking and a social banking product that will leverage on current trends and technology to engage younger users.

#### **Bank@Work**

We continue to invest and build up Bank@Work's key "on-site, real-time" account opening proposition by adding personal and Amanah Saham Bumiputra financing to the suite of products offered via RHB's renowned straight-through processing. Other initiatives to further deepen product holding and create "stickiness" include providing free delivery of road tax via RHB Insurance and roping in RHB Now for accounts opened under Bank@Work. These activities aim to support our cross-selling/road show arrangement and will increase the average product holding ratio per customer.

## All in all, Group Insurance underwriting and investment profits grew by 11% contributing PBT of RM84.6 million in 2013 as compared to PBT of RM76.4 million in 2012.

Building on the momentum of 2012's Bank@Work launch, some 1,093 companies were signed up by the end of 2013 with 54,497 new current/savings accounts opened (representing 196% growth in number of new CASA Accounts opened over 2012). In terms of CASA balances, Bank@Work grew this by 247% and contributed 12.8% towards the total CASA growth of Group Retail Banking for 2013. We will continue to develop this acquisition channel and ensure relevancy by adding more value to the Bank@Work proposition as we strive to achieve our goal of building our customer base quickly.

### Easy by RHB

Since its launch in 2009, Easy by RHB has grown considerably to become a veritable force on the national banking front. Involving a paperless application process, instant approval and on-the-spot loan disbursement, Easy opened up banking opportunities to a much overlooked market segment and brought our products closer to the community. Easy continues to bring our outlets closer to the community via our offer of extended operations during non-traditional banking hours. From its two original outlets, the Easy by RHB has now expanded to 270 outlets nationwide, making this segment one of the main contributors to RHB Group Retail Banking. Today, the Easy business has an asset balance of RM6.5 billion.

In 2013, Easy registered year-on-year growth of RM1.5 billion or 31.9%, representing 59% of personal loans and 48% of ASB of the Group's total gross loans (personal loans and ASB financing). Easy also contributed 29% of regular premium production and 33.9% of credit premium production to the Bancassurance business. The former contribution from Easy helped Group Retail Banking achieve its super bonus from TM Life in 2013. The renewal of RHB's partnership agreement with Tesco Stores (Malaysia) Sdn Bhd too augurs well for Easy for the long term.



Easy continues to receive a string of awards and accolades for innovation and its unique features. At the Global Brands Magazine Awards 2013, the Easy platform was awarded the titles "Best Banking Business Model Malaysia 2013", "Best Banking Operational Efficiency Malaysia 2013" and "Best Retail Banking Brand Malaysia 2013". RHB received this honour in recognition of our exceptional commitment to branding, quality, customer service and performance and for providing a robust nationwide banking system.

Moving forward, plans are underway to expand the Easy product suite to better serve our target audiences. Efforts are being undertaken to strengthen credit quality and drive innovation on the Easy front. At the same time, we are seizing opportunities to grow the popularity of Easy in the ASEAN+ region.

### GROUP INSURANCE

In 2013, our insurance business registered a 15% gross premium growth rate, well above the industry average of 7%. Our motor insurance segment continued to be the largest contributor delivering 39% of gross premiums, while fire

insurance turned in 28%, and PA & Medical, 11%. The rest of the insurance segments contributed 22% of the total gross premiums. All in all, underwriting and investment profits grew by 11% contributing PBT of RM84.6 million in 2013 as compared to PBT of RM76.4 million in 2012.

Continuing its sterling track record, our Insurance business has been growing its gross premium at a compounded annual growth rate ("CAGR") of 21% over the past three years. In addition, the business registered an average net return on equity ("ROE") of more than 24%.

Throughout 2013, RHB Insurance continued to capitalise on business opportunities from its four distribution channels. The focus was on building the agency force, increasing the contribution from the agency channel, as well as broadening and deepening the penetration of RHB Bank's customer base. Several new products were developed including simple, affordable "micro-insurance" type of products for the mass market that leveraged on the strength of the RHB brand which is synonymous with trust and reliability.

Among the new products developed, was Max Personal Accident or Max PA launched in November 2013. Max PA offers cashless hospital admission, discharge benefits and a cash payment of up to RM1 million in the event of death or permanent disability. Specially designed to cater to the needs of various groups of customers between 30 days and 75 years of age, Max PA covers accidental death and permanent disablement, miscarriage due to motor vehicle accidents, second and third degree burns, kidnapping, medical expenses, hospital daily allowances, funeral and travel allowances, plus a host of other benefits.

We expect this product to be a top seller and are targeting to sell 30,000 policies over a six-month timeframe. This will generate a total gross premium of RM10.0 million while increasing our PA portfolio from 8.5% to 10% by the second quarter of 2014.

While growing its top line, our insurance arm also focused its efforts on enhancing profitability through risk selection and product management as well as through utilising an actuarial pricing model. Profitability was also strengthened through enhancing claims, underwriting and risk management. We registered a net claims ratio of 56% (including MMIP losses) which was better than the industry's ratio of 57%. The year saw backroom support and operational efficiency being stepped up through process improvements, automation and an IT infrastructure upgrade.

The year's developments included the second round of adjustments on motor tariff premium rates for policies purchased or renewed beginning 15 February 2013, the increase of which was within the same range as the previous adjustment made on 16 January 2012 (of between 0% to 20% on the Act premiums). Preparations are also underway within RHB to gear ourselves up for the anticipated industry de-tariffication come 2016.



Going forward, RHB Insurance plans to introduce an internet insurance offering through RHB Now as well as continue growing the insurance direct marketing and telemarketing business. We will continue to raise brand awareness via installing more agent signboards and billboards nationwide as well as by introducing innovative insurance products.

To strengthen our support functions, capabilities and improve our efficiencies via process improvements, we are looking at tapping on the Lean Six Sigma methodology. The implementation of an automated and integrated end-to-end Enterprise Document Management System will help us modernise and streamline the policy issuance process. We are changing the way we see our customers and are leveraging on differentiated services by channel and customer segments to elevate our customer-centric offering.

An advertisement for RHB Insurance's Max Personal Accident policy. The top left corner features the RHB Insurance logo. The main headline reads "MAX PERSONAL ACCIDENT". The central image shows a family of four—a woman, a man, and two children—sitting on a grey sofa. The man is wearing a leg cast and a brace, suggesting an accident. The bottom of the ad contains contact information: "For more information, please call 1-300-22-0007 or log on to www.rhbgroup.com". It also states "Underwritten by: RHB Insurance Bhd" and includes the RHB logo and website URL "www.rhbgroup.com" in the bottom right corner.



**GROUP BUSINESS BANKING**

RHB’s Group Business Banking (“GBB”) continued to deliver a strong performance in 2013, with total loans approved and loans outstanding growing by 26% and 11% respectively. Trade financing accounted for 21% of GBB’s total financing.

The year saw our GBB intensifying efforts to promote SME growth with over 70% of total loans awarded to SMEs for working capital and business expansion needs. In line with this, the flagship SME Bizpower programme was enhanced in order to enable us to deepen and widen our relationships with SMEs. By leveraging on these enhancements, qualifying SMEs have been able to gain better access to financing. The

new model also serves to provide a more holistic assessment which reduces subjectivity and provides the necessary capital required by SMEs.

Our growth in key sectors such as Plantations, Oil and Gas as well as Education remains robust, thus making RHB the preferred bank of choice for SMEs and medium sized corporations. As a result of our focus on promoting SMEs and enhancing our systems, we achieved another year of strong consecutive double digit growth. In 2013, amidst a very liquid environment, we successfully capitalised on our online cash management system, Reflex, which grew by 31%. At the same time, GBB’s deposits increased by 16%. Against 2013’s backdrop of strong loans growth, asset quality improved as evidenced by the reduction of GBB’s gross impairment ratio to 3.6% in comparison to 4.4% in 2012.

RHB will continue to play an active role in supporting the growth of the SME segment and medium sized corporations. Capitalising on our 27 commercial business centres and our network of 194 branches nationwide, we are well positioned to serve the SME community effectively. Our continuous efforts to promote growth among SMEs via strong ties with various trade associations and business partners culminated in the Group being awarded the Sahabat Negara Award 2013 by the SMI Association of Malaysia. The Group’s strong ties with SME Corp in developing and nurturing SMEs into global players is evident in us being recognised as an E50 partner.

## GTB turned in an 11.3% increase in revenue and 12.8% increase in maintainable operating profit. Revenue and MOP for the Trade Business line grew 17.5% and 24.0% respectively.

### GROUP TRANSACTION BANKING

Group Transaction Banking (“GTB”) delivered another year of growth in 2013 spurred by the good performance of its two key business lines – Trade Business and Payment & Cash Management Solutions. GTB turned in an 11.3% increase in revenue and 12.8% increase in maintainable operating profit (“MOP”). Revenue and MOP for the Trade Business line grew 17.5% and 24.0% respectively on the back of a stronger sales focus and improved processing efficiencies, while that for the Payment & Cash Management Solutions line grew 15.4% and 14.6% respectively. Overall, there was more than 15% increase in the number of transactions processed by GTB and a corresponding 21% growth in transaction value.

Trade Business outstanding (asset and contingent liabilities) registered 19% year-on-year growth to touch an all-time high of RM14.3 billion at end 2013 (2012: RM12.0 billion). Outpacing industry growth of 7%, this business line grew RHB’s trade business market share to 10%. Similarly, Payment & Cash Management Solutions recorded a 37.5% growth in the number of subscribers and garnered a market share of 13.6% in terms of transactions processed.

Today, our transaction banking unit is delivering comprehensive transaction banking services via an integrated distribution platform that boasts the highest number of transaction banking sales service outlets/windows nationwide plus multiple application channels. Our award-winning online cash management channel, Reflex, provides RHB’s customers with

easy and secured single access to transaction banking activities for trade services, payments, collections and cash management. In addition, Reflex customers get to enjoy value added service with access to TradeInfoLink, a business solution that provides updated trade-related information and counter parties in more than 180 countries.

In 2013, GTB focused its efforts on providing more innovative solutions and value added services to its customers. In line with our vision of becoming “The Preferred Banking Choice for Transaction Banking”, RHB Bank became the first bank in Malaysia to offer Trade Service Utility (“TSU”) and Bank Payment Obligation (“BPO”) services. The TSU and BPO solutions aim to mitigate risk and improve efficiency in the supply chain in a more effective manner for customers trading via open account.

In line with the Government’s objective to promote export activities, RHB Bank partnered with Export and Import Bank Malaysia (“EXIM Bank”) to jointly conduct a series of seminars in nine cities throughout Malaysia. Themed “Trade Beyond Boundaries, Trade with Confidence,” the seminar series encouraged trade customers to explore new markets by leveraging on the capabilities of RHB and EXIM Bank. Several topics were addressed including new export markets, risk mitigation tools, global and foreign exchange outlook as well as Renminbi trade and payment settlement. Participants were also given advice on how to maximise the benefits of free trade agreements and capitalise on BPOs.

In aligning with the Financial Sector Blueprint, we are working closely with BNM to accelerate the migration to electronic payments for greater operational efficiency. We are determined to play an active role in helping the small and micro enterprises in adopting e-payment. This is because we strongly believe SMEs which represent about 90% of businesses in Malaysia form the backbone of economy development and they should continue to be supported to boost their growth. Our pricing are affordable for the SMEs and we believe this would eliminate the entry barrier for our SME customers to migrate to e-Payment. We strive to make the SMEs adoption to e-Payment a simple task by providing easy access to our application

form through online download. Besides that, our user interface has also been simplified to make it easy for any first-time user to perform transaction through our platform.

GTB is also collaborating with Group Treasury and Global Markets to introduce tier discount rates for online applications relating to foreign telegraphic transfers. This initiative rewards customers who engage in online transactions with a further discounted rate on top of the over-the-counter exchange rate.

In support of the Group’s aspiration to be a Leading Multinational Financial Services Group by 2020, GTB has begun to implement initiatives to capture the regional transaction banking market by providing customers with a wide range of trade and cash management products and services. Plans are underway to capitalise on the efficiencies of the centralised trade operations in Bangi by gradually insourcing the trade processing activities at the regional office. To further improve efficiency at the ISO-certified centre in Bangi, we have adopted a new operating model that leverages on improved processes in line with Six Sigma methodology. This has resulted in faster turnaround times at the centre without compromising service quality.

The year saw us continuing our award winning streak in the cash management segment for the fourth consecutive year. Following the Asiamoney Cash Management Poll 2013, RHB Reflex succeeded in garnering five awards in five categories which included an award for being the “Second Best Local Cash Management Bank in Malaysia” (2012: Third Best). These awards, which are given out based on the votes of medium and large-sized corporations, bear testimony to RHB’s leadership position in the transaction banking arena.

Moving forward, GTB will continue to enhance its product and service offering by leveraging on technological innovation to enable customers to integrate with the Bank’s platform for seamless transaction applications and processing. As technology is critical to transaction banking, we remain committed to making investments in system enhancements and upgrades to elevate customer experience levels and grow our transaction banking business.



## Group Treasury & Global Markets continued to record a sturdy performance contributing 25.9% and 16.2% in terms of the Group's total assets and PBT respectively.



### GROUP TREASURY & GLOBAL MARKETS

Group Treasury & Global Markets continued to be a major revenue earner to the Group in 2013 despite the challenges that stemmed from the unstable global financial climate and uncertainty surrounding Malaysia's 13th General Elections in the first half of the year. The uncertainty over QE tapering in the United States plus the expectations of interest rate hikes too contributed to a slowdown in industry business activities and Group Treasury & Global Markets' business in particular. Nevertheless, Group Treasury & Global Markets continued to record a sturdy performance contributing 25.9% and 16.2% in terms of the Group's total assets and PBT respectively.

The business' main income generators in 2013 were net interest income and foreign exchange ("FX") income which together contributed 79.7% of Group Treasury & Global Markets' total income. In order to hedge against interest rate and FX rate risks, the business embarked on marketing various interest and FX hedging structures such as interest rate swaps, cross currency swaps and structured forwards.

The year also saw Group Treasury & Global Markets focusing its efforts on new product development. 2013 saw the addition of gold and silver investment accounts into the Multi Currency Account and variation of structured forwards. Several new products are in the pipeline and will be released in 2014. These include FX Margin, re-launched principal protected structured investments and DCI Gold.

In the Islamic investments space, Group Treasury and Global Markets is expanding its product offerings by entering into yield enhancement investment products such as the Islamic Dual Currency Investment Account. This Islamic option type investment is expected to be launched in the first quarter of 2014. In addition, the Division is gearing up for the Islamic Financial Service Act ("IFSA") which has re-classified Islamic deposits and investment. Under the IFSA, all Mudharabah (profit sharing) type of funds, no longer qualify for deposits. New IFSA-compliant products have been developed to cater for both client deposit and investment requirements. These include the Commodity Murabahah Money Market Deposit, Murabahah Negotiable Certificate of Deposit and Wadiah Corporate Money Market Deposits.

On the investment product front, we are in the midst of launching the Restricted Investment Account. We believe that this closed-end non-principal guaranteed investment product will receive good response from investors seeking a real return based on risk-sharing economic activities with the Bank.

Reports from the FX markets were positive over 2013 with strong growth seen in the risk participation business. Further growth is expected in 2014 by way of financial institution solutions. Group Treasury & Global Markets also embarked on a straight-through processing project with Reuters and Bloomberg and single banks with the project coming to its full completion at end 2013.

Group Treasury & Global Markets continues to garner a host of awards and accolades for its efforts. These include the "Asian Banker's Technology Implementation Award 2013" for Best Treasury Management Project; the "Malaysia Domestic Foreign Exchange Bank of the Year Award" at the Asian Banking & Finance Wholesale Banking Awards 2013; and the "Straight-Through Processing Award" by the Bank of New York, JP Morgan and Standard Chartered. RHB Bank has also continuously upheld its Principal Dealer ("PD") status in the Malaysian capital market and continues to maintain its position as one of the top PDs in the PD league table. It was ranked No. 1 in the first half of 2013. Meanwhile, RHBIB was ranked No. 1 in secondary trading of conventional PDS and No. 2 in secondary trading of Islamic PDS on the BNM league table for 2013, while The Asset Magazine selected RHBIB's Wong Schuen Siang as one of the award recipients for "Most Astute Investors in Asian G3 Denominated Bonds" in 2013.

In respect of capital markets and distributions, Group Treasury & Global Markets has undertaken various joint distribution efforts with our capital market subsidiaries in Singapore and Indonesia to widen the geographical reach of our customers and debt issuers to the ASEAN region. Moving forward, Group Treasury & Global Markets will engage in projects on a more regional scale with Singapore poised to be transformed into the hub for Group Treasury & Global Markets' activities in ASEAN.

## ISLAMIC BANKING

RHB Islamic Banking turned in a moderate performance in 2013 as compared to the double digit growth registered in the preceding year. The year saw our Islamic Banking arm's PBT grow marginally by 4.6% from RM208.6 million in 2012 to RM218.3 million, while its NPA ratio declined by 0.2% parallel with that of the industry. Islamic Banking faced the challenge of a narrowing net profit margin resulting from higher overall funding costs, while the requirement for higher capitalisation too affected business expansion to some extent. Despite these challenges, financing and advances increased by about 15%.

While the overall performance for Islamic Banking was moderate, the various businesses within Islamic Banking satisfactorily grew over 2013. The Islamic Retail Banking segment continued to deliver a healthy growth rate of 24.4% primarily on the back of 31.6% and 11.7% increases on the mortgage and auto finance fronts respectively. In the way of mortgage financing assets and automobile financing assets, RHB Islamic Banking maintained sixth and fifth place respectively against its industry peers. The year also saw the cards financing and personal financing businesses increase by 65.1% and 64.5% respectively. By the year's end, total financing assets outstanding for our Islamic retail banking segment stood at RM10.8 billion compared to RM8.7 billion in 2012.

The mortgage and auto financing businesses remained as the backbones for asset growth within Islamic retail banking while personal financing will continue to expand steadily on the back of efforts targeting niche markets. Meanwhile, the credit card business will leverage on campaigns and promotions for growth.

On the Islamic Business Banking front, financing assets grew by 6.9% to RM774 million. Our Islamic Business Banking segment retained eleventh place among its peers in terms of financing assets size for the SME segment. Over the course of the year, there was active monitoring of all impaired cases and



containment of new ones, while along the way approvals rose by 20.2% to RM459 million.

Islamic Corporate and Investment Banking's ("Islamic CIB") turned in an admirable performance with a 4.4% increase in financing assets in 2013 (with an increase of 8.2% for unrated sukuk). In terms of financing assets, our Islamic CIB segment ranked first among the standalone Islamic Banking companies while we came in third on the list of entities operating on a full leverage business model.

RHB Islamic Banking continues to demonstrate its commitment to employee development by organising ongoing training, certification and learning programmes. These programmes aim to certify employees, enhance their Shariah expertise and elevate performance levels on the personal and company levels. November 2013 saw a new batch of RHB employees graduating from the Certificate in Islamic Law ("CIL") and other Shariah certification programmes.

In 2013, RHB Islamic Bank was shortlisted for the Islamic Business & Finance Awards (CPI Financial) in categories such as "Best Retail

Bank (Asia)", "Best Commercial Bank (Asia)", "Best Wealth Manager", "Best Credit Card (Asia)", "Best Savings Account (Asia)", "Best Corporate Account (Asia)" and "Best CSR Initiative (Banking, Asia)".

Moving forward, Islamic Banking will focus its efforts on strengthening the Group's capability as a leading provider of Islamic financial services and solutions. The focus for 2014 will revolve around several initiatives including strengthening our core business locally by reinforcing our leverage business model, rolling out new equity-based products, as well as enhancing RHB's Shariah capacity and capability, among other measures.

There will also be a renewed emphasis on expanding business opportunities through leveraging on all of RHB Banking Group's outlets. Currently, RHB Islamic operates from 14 dedicated branches with five of these branches offering Ar-Rahnu services. In 2014, Ar-Rahnu services will be expanded to selected conventional branches in Pahang, Perak, Terengganu and Perlis.

## ♦ Group Corporate and Investment Banking

On 13 April 2013, the merger of RHB Investment Bank and OSK Investment Bank transformed both companies into a single operating entity and a unified brand with established access to key strategic markets in ASEAN and Greater China. Today, RHBIB operates regionally with a presence in eight countries in ASEAN+ (including Hong Kong and Shanghai).



### Group Investment Banking

In line with RHB Banking Group’s aspiration to become a Leading Multinational Financial Services Group, RHBIB continues to leverage on its strategic partnership plan to expand its footprint. In July and October 2013 respectively, RHBIB announced partnerships with PT Mandiri Sekuritas of Indonesia and Espirito Santo Investment Bank of Portugal. These partnerships complement RHBIB’s existing strategic alliances with Auerbach Grayson of the USA and Okasan Securities of Japan. A few more collaborations are in the pipeline for 2014 and beyond to propel RHBIB closer towards its ambition of becoming a leading regional investment bank.

On the Malaysian front, RHBIB was involved in several landmark deals last year. In October 2013, we completed a deal as Sole Financial Adviser to Weststar Aviation Services Sdn Bhd (“Weststar”) in relation to a USD200 million investment by Kohlberg Kravis & Co. (“KKR”) into the company for a substantial minority

equity stake. This investment marked global private equity firm KKR’s maiden foray into Malaysia while it led to Weststar securing its first major equity partner for its businesses. In December 2013, RHBIB launched the world’s first Structured Covered Sukuk Programme backed by financing receivables of up to RM3.0 billion for Malaysia Building Society Berhad. RHBIB was also involved in the debut of Malaysia’s largest special purpose acquisition company (“SPAC”), SONA Petroleum Berhad, on the Main Market of Bursa Malaysia Securities in July 2013.

On the regional front, RHBIB’s subsidiary, DMG & Partners Securities Pte Ltd (“DMG”), completed a landmark bond issuance of SGD1.50 billion for the Housing and Development Board (“HDB”) of Singapore in November 2013. The deal was the largest ever SGD bond issuance done by HDB and the largest SGD bond deal last year. This was a significant achievement for DMG which only commenced its DCM business in 2013 and managed to achieve a top 10 ranking on the league table in the same period.



**RHBIB LAUNCHED THE WORLD’S FIRST STRUCTURED COVERED SUKUK PROGRAMME BACKED BY FINANCING RECEIVABLES OF UP TO**

**RM3.0 BILLION**

**FOR MALAYSIA BUILDING SOCIETY BERHAD.**





Meanwhile, our Hong Kong subsidiary, RHB OSK Securities Hong Kong Limited (“RHB OSK HK”), was involved in the launch of three Main Market IPOs on the Hong Kong Stock Exchange over the span of one week in November 2013. This helped to strengthen RHB OSK HK’s credibility in the market for more deals.

The year also saw another of our subsidiaries, RHB OSK Securities (Thailand) Public Company Limited, successfully issuing its first derivative call warrants in November 2013.

In view of our notable capital markets activities in 2013, RHBIB emerged as the top ranked investment bank on Bloomberg’s Malaysian M&A league table by deal count and Top 3 by deal value. We were also Top 3 on the Malaysian ECM league table and Top 4 on the Ringgit Bonds league table. On a regional scale, RHBIB was also ranked Top 4 on the ASEAN Domestic

Bonds league table by Bloomberg and Top 2 on the Southeast Asian M&A league table by Merger Market.

RHBIB’s achievements did not go unnoticed and we won several prominent accolades in 2013. At the Alpha Southeast Asia’s Best Financial Institution Awards 2013, RHBIB was accorded the “Best Retail Broker” award for the first time while it won the title “Best Mid-Cap Corporate Finance House in Malaysia” for the second consecutive year. Alpha Southeast Asia also awarded DMG in Singapore the “Best Mid-Cap Corporate Finance House in Singapore” for the second consecutive year.

RHBIB’s notable deals continued to garner several major awards over the course of 2013. Golden Agri-Resources Limited’s RM5 billion Islamic MTN Programme was accorded “Indonesia Deal of the Year”; DanaInfra Nasional

Berhad’s RM300 million Exchange Traded Sukuk (first tranche) won the “Malaysia Deal of the Year” award; while Malaysia Building Society Berhad’s Covered Sukuk Programme received the “Structured Finance Deal of the Year” award, all of these from the Islamic Finance News. Our equity deals also walked away with the title “Best Fundraising (Non-IPO)” award from The Edge Malaysia for Sunway Berhad’s RM732 million Rights Issue as well as the “Best Mid-Cap Equity Deal” from Alpha Southeast Asia for Sona Petroleum Berhad’s RM550 million IPO.

On the retail equities front, following the merger with OSKIB, RHBIB’s branches in Malaysia increased to 60 branches from four branches previously, while it emerged Top 3 on the Bursa Malaysia broker ranking as at end 2013. Today, RHBIB is one of the market share leaders in the retail broking space in Malaysia and it is also growing its market share elsewhere in the

## On 1 December 2013, RHB Investment Management Sdn Bhd, a subsidiary of RHBIB, successfully completed its merger with OSK-UOB Investment Management Berhad.

region, particularly in Singapore, Indonesia, Thailand and Hong Kong. The total manpower of the retail broking's paid dealers and remisiers throughout the region stands at more than 2,000 to date. The team continues to leverage on the RHB Bank network to grow the retail broking business via branch broking as well as aggressively expand the complementary share margin financing business.

In institutional equities, RHBIB's market share has been on an upward trend after pushing hard on regional account growth throughout ASEAN and Hong Kong. The focus on cross-border cooperation had led to the broadening of earnings base for the regional institutional equities business, and as this continues to mature, it will transform into a significant revenue contributor to RHBIB. In the recent Asiamoney Brokers Poll 2013, RHBIB and DMG were recognised as the No. 1 "Most Improved Brokerage over the last 12 months" in Malaysia and Singapore respectively.

The market continued to value the research coverage provided by our analysts. Last year, the Asiamoney Broker's Poll accorded the "Best Analyst" awards to Terence Wong (ranked first) and Jason Saw (ranked third) in Singapore, while RHBIB Group was simultaneously ranked first in the "Best Research Coverage - Small Caps" category in Malaysia, Singapore and Indonesia.

### Group Asset Management

On 1 December 2013, RHB Investment Management Sdn Bhd, a subsidiary of RHBIB, successfully completed its merger with OSK-UOB Investment Management Berhad. The enlarged entity, now known as RHB Asset Management Sdn Bhd ("RHBAM"), forms one of the core business pillars of the merged investment bank. Our Islamic entity, RHB Islamic International Asset Management Berhad ("RHBIIAM") was formed from the merger of RHB Islamic Asset Management Sdn Bhd and OSK-UOB Islamic Fund Management Berhad. Besides Malaysia, we have presence in Singapore, Indonesia and Hong Kong with the establishment of our subsidiaries, RHB OSK Asset Management Pte Ltd, PT RHB OSK Asset Management and RHB OSK Asset Management Ltd respectively. In line



with RHB's vision to be a Leading Multinational Financial Services Group, the combined strength of the asset management group will enable us to offer a wider range of products and services to our clientele as they expand their businesses and investments regionally.

Moving forward, the asset management business is looking to grow RHB's overseas market share via organic growth, strategic partnerships as well as further acquisitions.

As at December 2013, RHBAM was ranked first in assets under management on the institutional front and third on the retail front in Malaysia. It is also currently the only fund house in the nation to possess both investment advisor and private retirement scheme licenses. Leveraging on the Group's strong base in Malaysia, RHBAM will endeavour to maintain its position as one of the Top 3 fund houses through a host of product and service offerings that cater specifically to retail, corporate and institutional clients.

### Group Corporate Banking

The financial year saw our Group Corporate Banking ("GCB") arm maintain its position as a leading industry player via an active involvement in major award-winning deals on the power generation, construction and property fronts, to name a few. Despite the challenge of domestic and international headwinds, GCB focused its efforts on growing the loans portfolio profitably

by adopting stringent risk management measures to improve and maintain asset quality. Apart from a healthy asset base, GCB also registered a strong improvement in its non-interest income to total income ratio at 18.2%.

We are also actively leveraging on the RHB-OSKIB partnership to help our corporate clients further their regional aspirations. On the domestic front, we have seen an increase in our client base and continue to be actively involved in various corporate exercises, project financing as well as lead arranging and participation in syndicated loans. Moving forward, we will reinforce our position domestically by championing strong in-house collaboration and cross-selling activities.

To enhance the client experience, we will optimise our business structure and ensure speed-to-market through and end-to-end credit transformation. RHB's regional offices will serve as local touch points to expand customer reach particularly in relation to cross-border deals on the plantation and power generation fronts. Amidst the ever-evolving corporate landscape, we will continue to propel forward with more sophisticated products and innovative solutions to meet our corporate clients' diverse needs while reinforcing RHB's position as a preferred and trusted banker among our clientele.

## ♦ Group International Business

**2013 saw Group International Business continuing to make good inroads in relation to the markets under its purview. Our international commercial banking network in Singapore, Thailand, Brunei and Cambodia grew steadily while we put the building blocks in place to expand into Lao and Myanmar. Our international coverage has enabled us to deliver a comprehensive range of financial services to our customers in these markets while at the same time, to diversify our earnings base.**



**LOANS AND ADVANCES GREW BY**

# 30.5%

**CUSTOMER DEPOSITS INCREASED BY**

# 33.2%



The year marked a year of profitability and expansion for Group International Business (“GIB”). Despite lacklustre operating environments, drastic regulatory changes, political and economic instability in some of the countries where we operate, our network of entities continued to perform well in their core businesses. In fact, the performance of these entities improved significantly after the formation of GIB in July 2010.

In 2013, GIB registered PBT of RM68.0 million, a 3.7% increase over 2012. Loans and advances grew by 30.5%, from RM5.9 billion in 2012 to RM7.8 billion in 2013, while customer deposits increased by 33.2% from RM7.7 billion to RM10.2 billion. Total assets increased by 25% from RM12.5 billion at end 2012 to RM15.7 billion at end December 2013. Gross impaired loan ratio improved from 1.68% at end 2012 to 1.60% at end 2013.

### **SINGAPORE**

The year saw RHB Singapore (“RHBSG”) building upon the solid momentum gained previously to

make further strides forward. Despite an overall slowdown on the consumer and business loans front following tighter government regulations, our Singapore arm continued to strengthen its market position as it branched out from its traditional SME and commercial banking customer segments into the retail and corporate banking segments. In the past two years, RHBSG has made its presence felt in Singapore’s retail segment with the introduction of new products and platforms such as Internet banking and new deposit accounts which have helped expand its customer base and build brand loyalty.

The synergy with OSK-DMG is beginning to bear fruit. Meanwhile, the book value on the corporate sector is beginning to build up as a result of various initiatives implemented in 2013. These included leveraging on a higher single group exposure limit (“SGEL”) as well as capitalising on opportunities on the mid and large-cap fronts.

The good progress made by RHBSG was reflected in the string of awards and accolades it garnered in 2013. RHBSG was lauded “Customer Service Centre for Banking Services, Bureau de

Change of the Year” by the Asia Pacific Customer Service Consortium (“APCSC”). Our Singapore arm was also awarded the “Singapore Quality Class Star” and the “Singapore Service Class” awards by the Singapore Standards, Productivity and Innovation Board (“SPRING”). On top of this, 25 of RHBSG’s employees were conferred the “National Excellent Service Award 2012” by the Association of Banks in Singapore.

Over the course of 2013, RHBSG launched the SME tailored Biz Power Quad comprising a current account as well as fixed deposit, foreign exchange and remittance facilities. We also strengthened our capability through becoming a more active player in the debt capital market as well as providing structured financing for capital market transactions.

Moving forward, RHBSG will focus its efforts on growing the SME banking segment and optimising the branch distribution network. The distribution network will also be leveraged on for the investment banking business, in line with our aspiration to develop Singapore as our investment banking hub.

## THAILAND

Following 2012’s business transformation efforts, RHB Thailand experienced a period of growth in 2013 despite the nation’s unpredictable political and economic climate. Total assets grew by 30% from THB7.9 billion at end 2012 to THB11.5 billion at end 2013. This growth was the result of efforts to increase the size of RHB Thailand’s loans portfolio and a new focus on providing products and services to local and international corporate customers operating in Thailand.

Expansion was the theme for our Thailand operations. It moved beyond its SME and commercial focus to embrace the corporate segment via synergistic initiatives with RHB-OSK Thailand plc. There was also a focus on expanding the treasury business as well as expanding the network with two additional branches in the Chonburi and Ayudthaya provinces. The Sri Racha branch in the Chonburi province opened its doors on 25 November 2013, while the Ayudthaya branch is expected to be up and running in 2014.

## BRUNEI

In Brunei Darussalam, we have been steadily growing our consumer and SME financing business as well as expanding our fee based income to include remittance and trade activities. 2013 was a year of change for RHB Brunei (“RHBBN”) as the operation sought to realign its focus and goals to fit in with the changes set by the central banking authority, the Brunei Darussalam Monetary Authority or Autoriti Monetari Brunei Darussalam (“AMBD”). Following AMBD’s move to tighten lending rules and control interest rates on both deposits and loans, RHBBN shifted its attention to high yield commercial and corporate loans averaging 7.0% per annum (versus retail loans averaging 5.0% per annum).

RHBBN also faced the challenge of an impending land law in which property-based security loan transfers would be limited to locals in the housing loan portfolio market segment. RHBBN’s response to this was to shift its focus to investment bonds and the commercial and corporate segment, especially in the areas of oil and gas as well as construction. The first investment bond was launched in August 2013 with a return of about 2% to 5% per annum as compared to a return of less than 1% on deposit placement. To ensure double digit growth in the loans portfolio, we recruited experienced marketing staff. As a consequence of the shift in business focus, RHBBN expects its loans portfolio to increase from BND35 million to BND60 million in 2014.

RHBBN is currently working closely with AMBD to provide extensive information and the appropriate infrastructure to meet the latter’s requirements and standards for establishing and operating a credit bureau. The establishment of this credit bureau is in line with AMBD’s aim to ensure financial system stability and to strengthen the country’s financial infrastructure.

## CAMBODIA

Despite an unstable economy due to political tensions and uncertainties surrounding the 2013 general election, our Cambodian operations successfully integrated into the Group and is today generating positive financial returns.

RHB Indochina Bank Ltd (“RHBIBL”) officially came under GIB’s supervision effective 1 April 2013. Prior to this, this entity held the status of a commercial bank under the Cambodian law on commercial enterprises and came under the purview of the National Bank of Cambodia. With the integration of RHBIBL into the larger RHB Banking Group, its financial performance, budgeting, supervision and support activities have been placed under the ambit of GIB.

Today, our operation is better equipped to serve the needs of the people of Cambodia. RHBIBL offers a full range of retail and commercial banking products and services. All of RHBIBL’s branches are equipped with Cambodia’s first ever 24-hour, all-in-one ATMs that facilitate cash deposits, cash withdrawals, cheque deposits and cross-currency withdrawals all at the same type of machine.

RHBIBL’s expansion plans will involve new branch openings and more ATM installations as well as the relocation of the existing head office to a more strategic location. Plans are also in the pipeline to enhance the service offering by including mobile and internet banking services, a loans programme as well as cash management and treasury capabilities.

## VIETNAM

In Vietnam, RHB operates a representative office in Ho Chi Minh City. We have submitted an application to the State Bank of Vietnam (“SBV”) for a foreign bank branch license and are awaiting the outcome of SBV’s review.

## LAO PDR

Following BNM’s approval of our application to set up a subsidiary in the Lao People’s Democratic Republic (“Lao PDR”), we submitted the subsidiary banking license application to the Bank of Lao PDR (“BoL”) in June 2013 and obtained a temporary banking license in October 2013. In the meantime, the physical work-plan, business strategies and work-streams are underway to ensure the smooth setup of our operation in Lao PDR.

# Awards & Recognition



## RHB BANKING GROUP

### 1. Raja Zarith Sofiah Award

- ♦ Corporate Social Responsibility in English Language Education

### 2. HR Asia Best Companies to work for in Asia 2013

- ♦ Top 21 Best Companies to work for in Asia 2013

### 3. Malaysia HR Awards (“MIHRM”)

- ♦ Employer of Choice - Silver Award

### 4. Minority Shareholders Watchdog Group (“MSWG”) Corporate Governance Index and Award 2013

- ♦ Chairman of the Year:  
Dato’ Mohamed Khadar Merican,  
Chairman, RHB Banking Group

### 5. Malaysia Business Awards 2013

- ♦ Industry Excellence Award:  
Mr Kellee Kam,  
Group Managing Director,  
RHB Banking Group

### 6. World Bloggers & Social Media Awards 2014

- ♦ Social Media Excellence Award – Banking & Finance Industry

## RHB BANK BERHAD

### 1. Asian Banking & Finance Wholesale Banking Awards 2013

- ♦ Malaysia’s Domestic Foreign Exchange Bank of the Year  
- Winning product – the RHB Multi Currency Account

### 2. Asiamoney Cash Management Poll 2013

- ♦ 2nd Best Local Cash Management Bank in Malaysia  
- Voted by Medium-Sized Corporates  
- Voted by Large-Sized Corporates
- ♦ 3rd Best Local Currency Cash Management Bank in Malaysia - MYR  
- Voted by Financial Institutions

- ♦ 3rd Best Overall Domestic Cash Management Services in Malaysia  
- Voted by Small-Sized Corporates  
- Voted by Medium-Sized Corporates  
- Voted by Large-Sized Corporates

### ♦ 3rd Best Overall Cross-Border Cash Management Services in Malaysia

- Voted by Small-Sized Corporates
- Voted by Medium-Sized Corporates
- Voted by Large-Sized Corporates

### ♦ 5th Best Local Cash Management Bank in Malaysia

- Voted by Small-Sized Corporates

### 3. Straight-Through Processing Award

- By JP Morgan, Bank of New York Mellon, Wells Fargo and Standard Chartered Bank

### 4. Visa Malaysia Bank Awards 2012

- ♦ Highest Payment Volume Growth for Visa Debit Co-Brand Cards (Tesco-RHB Card)
- ♦ Highest Payment Volume Growth for Visa Gold Credit Card
- ♦ Highest Merchant Sales Volume Growth

### 5. Global Brands Magazine

- ♦ Best Banking Business Model Malaysia 2013
- ♦ Best Banking Operational Efficiency Malaysia 2013
- ♦ Best Retail Banking Brand Malaysia 2013

**RHB BANK BERHAD (CONTINUED)****6. Project Finance International (“PFI”) Awards 2013 - Thomson Reuters**

- ♦ **Power Deal of the Year in Asia Pacific for its participation in the Banten Independent Power Producer’s (“IPP”) deal (RHB Bank Singapore and Malaysia)**

**7. SME Sahabat Negara Award 2013**

- By SMI Association of Malaysia

**8. The Asian Banker’s Technology Implementation Award 2013**

- ♦ **Best Treasury Management Project Regional Implementation Category**

**RHB BANK SINGAPORE****1. SPRING Singapore**

- ♦ **Business Excellence Award – SQC STAR Certification**

**2. Asia Pacific Customer Service Consortium (“APCSC”) HK**

- ♦ **Customer Service Centre of the Year (Under the Corporate Category – Banking Service – Bureau-de-Change)**

**3. WDA-SMF Productivity and Innovation Awards 2013**

- ♦ **Silver Award in WSQ CPI Manager Category**

**4. BNY Mellon “STP Award”**

- ♦ **Outstanding Payment Formatting and Straight-Through rate**

**5. Project Finance International (“PFI”) Awards 2013 – Thomson Reuters**

- ♦ **Power Deal of the Year in Asia Pacific for its participation in the Banten Independent Power Producer’s (“IPP”) deal (RHB Bank Singapore and Malaysia)**

**RHB INVESTMENT BANK BERHAD****1. Islamic Finance News Awards – Deals of the Year 2013**

- ♦ **Malaysia Deal of the Year**  
Danalnfra Nasional RM300 million Exchange Traded Sukuk (first tranche)

Joint Lead Manager

♦ **Musharakah Deal of the Year**

SP Setia RM700 million Sukuk Musharakah Programme

Joint Principal Adviser, Joint Lead Arranger & Joint Lead Manager

♦ **Perpetual Deal of the Year**

SP Setia RM609 million Sukuk Musharakah (first issuance)

Joint Lead Manager

♦ **Structured Finance Deal of the Year**

Malaysia Building Society Berhad RM495 million Structured Covered Sukuk (first issuance)

Sole Lead Manager

♦ **Indonesia Deal of the Year**

Golden Agri-Resources RM5 billion Islamic MTN Programme

Sole Principal Adviser, Sole Lead Arranger, Sole Lead Manager & Sole Bookrunner

**2. Alpha Southeast Asia - 7th Annual Deal & Solution Awards - 2013**♦ **Best Mid-Cap Equity Deal of the Year in Southeast Asia**

Sona Petroleum RM550 million IPO

Joint Principal Adviser, Joint Placement Agent, Joint Managing Underwriter & Joint Underwriter

♦ **Best Islamic Finance Deal of the Year in Southeast Asia &**♦ **Best Bond Deal of the Year for Retail Investors in Southeast Asia**

Danalnfra Nasional RM300 million Exchange Traded Sukuk (first tranche)

Joint Lead Manager

♦ **Best IPO Deal of the Year in Southeast Asia &**♦ **Best IPO Deal of the Year for Retail Investors in Southeast Asia**

UMW Oil & Gas USD820 million IPO

Joint Underwriter

**3. Alpha Southeast Asia - 7th Annual Best Financial Institution Awards - 2013**♦ **Malaysia Awards**

- **Best Mid-Cap Corporate Finance House** – second consecutive year
- **Best Retail Broker**

♦ **Singapore Awards**- **Best Mid-Cap Corporate Finance House**

(DMG & Partners Securities, Singapore) - second consecutive year

**4. The Asset Triple A Islamic Finance Awards - 2013**♦ **Best Highly Commended Corporate Sukuk**

Golden-Agri Resources RM1.5 billion Sukuk (first issuance)

Sole Lead Manager & Sole Bookrunner

♦ **Best Islamic Project Finance**

Tanjung Bin Energy Issuer RM6.5 billion Loan and Sukuk Murabahah

Joint Lead Manager (Sukuk), Joint Lead Arranger (junior equity bridge loan) & Joint Lead Arranger (senior loan)

♦ **Highly Commended/Most Innovative Deal**

Cagamas RM500 million Multi-tenor Sukuk Wakala Bil Istithmar

Joint Lead Manager

♦ **Best Local Currency Sukuk**

Danalnfra Nasional RM2.4 billion Sukuk (third issuance)

Joint Lead Manager

**5. 10th Annual RAM League Awards**♦ **RAM Award of Distinction Blueprint Award – Most Innovative Deal of the Year**

Tanjung Bin Energy Issuer RM3.29 billion Senior Sukuk Murabahah Under Tawarruq

Joint Lead Manager

♦ **RAM Lead Manager Award**

- **Conventional Bonds by Number of Issues** – Joint 3rd
- **Islamic Bonds by Number of Issues** – Joint 3rd

♦ **First RAM-rated Foreign Entity from Republic of Indonesia**

First Resources Ltd RM2.0 billion Sukuk Musharakah Programme

Sole Principal Adviser, Sole Lead Arranger, Sole Lead Manager & Sole Bookrunner

**RHB INVESTMENT BANK BERHAD (CONTINUED)****5. 10th Annual RAM League Awards (Continued)**

- ◆ **First RAM-rated Foreign Entity from United Arab Emirates**  
Abu Dhabi Commercial Bank PJSC RM3.5 billion MTN Programme

Joint Lead Arranger & Joint Lead Manager

- ◆ **First RAM-rated Foreign Entity from State of Kuwait**  
Gulf Investment Corporation GSC RM1.0 billion Dual Tranche Fixed Rate Bonds

Joint Lead Manager & Joint Bookrunner

**6. The Edge Malaysia Best Deals of the Year 2013**

- ◆ **Best Fundraising for Non-IPOs**  
Sunway Berhad RM732 million Rights Issue

Sole Adviser

- ◆ **Best M&A Deal (Notable Mention)**  
USD200 million Investment by KKR & Co. LP, in Weststar Aviation Services Sdn Bhd

Sole Financial Adviser

- ◆ **Best IPO (Notable Mention)**  
Tune Ins Holdings Berhad RM283.8 million IPO

Sole Principal Adviser, Managing Underwriter & Joint Bookrunner

**7. BrandLaureate-SMEs Best Brand Awards 2012**

- ◆ **Most Preferred Brand in the Financial-Investment Bank Category (OSK Investment Bank)**

**8. Advertising + Marketing's Inaugural Marketing Excellence Awards 2013**

- ◆ **Gold in the Excellence in Digital Marketing category**  
for OSK Investment Challenge (OSKIC) Campus Edition 2012

**RHB RESEARCH INSTITUTE SDN BHD****1. Wall Street Journal Asia's Best Analysts**

- ◆ **Best Analyst in Singapore:**  
Mr Tan Han Meng,  
Head of Regional Consumer,  
DMG & Partners

**2. Asiamoney Brokers Poll 2013**

- ◆ **Malaysia**
  - **Best Research Coverage for Small Caps** (ranked 1st)
  - **Most Improved Brokerage over the last 12 months** (ranked 1st)
  - **Best Local Brokerage** (ranked 3rd)
  - **Best for Overall Country Research** (ranked 3rd)
  - **Best Overall Sales Services** (ranked 3rd)

- ◆ **Singapore**
  - **Best Research Coverage for Small Caps** (ranked 1st)
  - **Best Analyst: Mr Terence Wong (ranked 1st) & Mr Jason Saw** (ranked 3rd)
  - **Most Improved Brokerage over the last 12 months** (ranked 2nd)
  - **Best Local Brokerage** (ranked 2nd)

- ◆ **Indonesia**
  - **Best Research Coverage for Small Caps** (ranked 1st)

**3. StarMine Analysts Awards 2013**

- ◆ **Singapore**
  - **Best Earnings Estimator Stock Picker for Singapore &**
  - **Top in the Asia Awards Machinery & Materials Category: Mr Jason Saw** – (OSK/DMG Singapore)
  - **4th Best Real Estate Stock Picker in Singapore: Mr Pang Ti Wee** – (OSK/DMG Singapore)
  - **Top Brokerage Firm in Singapore: OSK/DMG**

**4. Bloomberg Ranking of Top U.S. Economic Forecasters**

- ◆ **5th Best Forecaster in the world for U.S.:**  
Mr Thomas Lam,  
Chief G3 Economist,  
(OSK/DMG Singapore)

**RHB ASSET MANAGEMENT SDN BHD****1. Morningstar Malaysia Fund Awards 2013**

- ◆ **RHB-OSK KidSave Trust (MYR Allocation)**

**2. Fundsupermart – The Recommended Unit Trust Awards 2013/14**

- ◆ **Category - Balanced**
  - **RHB-OSK Global Multi Manager Fund**
  - **RHB-OSK Smart Balanced Fund**
  - **RHB-OSK KidSave Trust**
- ◆ **Category - Equity**
  - **RHB-OSK-GS BRIC Equity Fund**
  - **RHB-OSK Emerging Opportunity Fund**

**3. The Asset – Asian Bond Most Astute Investors 2013**

- ◆ **Mr Hoe Cheah How, Malaysia - 4 Consecutive Years Ranked No. 2 in 2013**

**4. The Edge-Lipper Malaysia Fund Awards 2014**

- ◆ **Best Performing Funds for the year ended 31 December 2013**
  - **RHB-OSK Emerging Opportunity Fund: Equity Malaysia Diversified, 3 years**
  - **RHB-OSK Smart Balanced Fund: Mixed Asset MYR Balanced – Malaysia, 3 years**
  - **RHB-OSK Smart Income Fund: Mixed Asset MYR Conservative, 3 years**
  - **RHB-OSK Islamic Bond Fund: Bond Malaysia Ringgit (Islamic), 3 years**



# A Journey of a 100 Years

1913 - 2013





The Kwong Yik (Sel.) Banking Corp.  
Opening of new head office building

First locally owned bank in Malaya

THE KWONG YIK BANKING CORPORATION LTD.

offers the widest modern banking facilities in Kuala Lumpur  
• Cheque Book • Passbook  
• Life Saving • Night Safe  
• Auto Paying System  
82 (Banking) Summers Terrace



## On-line for better service



**KWONG YIK BANK TO GO COMPUTER BY THE END OF NEXT YEAR**

Phong Guan, the managing director of Kwong Yik Bank, said the bank will have an on-line computer system by the end of next year.

The bank's on-line system will have an on-line network and is expected to be completed by the end of next year.

The bank's on-line system will have an on-line network and is expected to be completed by the end of next year.



## Kwong Yik champs in bank tourney

KWONG YIK Bank defeated Hong Kong and Shanghai Bank 4-1 in the final of the inter-bank badminton tournament held at the Sun Yat Sen Sports Centre.

The doubles pair of Razali Rida and Tee Song Koh clinched the winning point for Kwong Yik when they defeated Tan Hui Yoo and E. Gunasekaran 15-7, 15-5.

Earlier, Razali Rida and Tee Song Koh gave Kwong Yik their first point when they defeated Wong Nyuk Thong 15-8, 15-12 in the men's singles. Song Lay Shi, playing in the women's singles, won the first set with a 12-10, 12-10 victory over Loh Fui Min.

Choi May Siew and Lay Shi defeated Fui Min and Sokki 15-2, 15-1 in match 4.

IBM, got their only point in the mixed doubles when Wong Nyuk Thong and Lillian Quirk defeated Razali and Johnny Yoo 15-10, 15-7.

Public Bank beat D & C 4-1 for third place.



## A humble beginning

100 years ago, a group of Chinese miners and businessman founded the first financial house in Malaya, the Kwong Yik (Selangor) Banking Corporation Limited, and embarked on a journey that charted new grounds, partnering the nation as it entered a new era of change.



# The RHB Journey

The Group began with a single Kwong Yik Bank branch in 1913. The RHB Banking Group of today was forged through a series of strategic alliances that helped build a sturdy foundation and acquire the know-how to effectively steer the Group in an increasingly dynamic environment.

It has been an exciting journey to where the Group is today, with each step an important milestone towards building a brighter future for the RHB Banking Group.



## Growing together

1913

1985

Now **BOSS** at 12 branches in KL, PJ & Kelang.



**KWONG YIK BANK BERHAD**

**Sime Bank Berhad**

1997

**1999**  
RHB Bank merges with Sime Bank on June 30 after RHB Capital acquires a 90.36 percent stake from Sime Darby Berhad and KUB Malaysia Berhad. The merged entities have 200 branches between them, allowing RHB Bank to extend its reach in Singapore, Thailand and Brunei.



Tan Sri Rashid Hussain (right) continued to expand the Bank's stronghold in the country

1999

## A new bank is born



**RHB Bank**  
RHB Indochina Bank

**RHB Indochina Bank continues to scale greater heights**

2003 and beyond

## A new frontier

**U T A M A**

Kuching-based Bank Utama Berhad was a subsidiary of UBG, owned by Cahya Mata Sarawak Berhad. The principal activities of UBG included investment holding and management services. Its banking subsidiary was incorporated on May 26, 1978. At the time of the merger, Bank Utama had a total of 35 branches nationwide, with 16 each in Sarawak and Peninsular Malaysia, two in Sabah and one in Wilayah Persekutuan Labuan. Its dominant East Malaysian presence offered a complementary synergy to the RHB stable.



**RHB Bank**  
RHB Bank Lao Limited



**RHB OSK**  
RHB Asset Management





## Customers remain our core focus

In an industry that is constantly evolving and dynamic, the RHB Banking Group has only one goal: building relationships that are enduring. The RHB team is committed to creating sustainable value and long term strength. Customers will always remain the Group's core focus in our aim to be a Leading Multinational Financial Services Group.

## A Humble Thank You

As the Group prepares to embark on the next phase of its journey, we are reminded that the Group's achievements would not have been possible without the support and confidence customers have in RHB.

To our customers, business partners, regulatory authorities, government bodies and our employees, we humbly say:

**Thank You.**





# We Care

At RHB, we constantly ask ourselves what the Group can do to make a difference. RHB's commitment is to enrich the community it operates in, especially the younger generation. The Group has always cared for our children, in wanting to keep them safe and ensuring a better tomorrow for them.



# Analysis of the Financial Performance

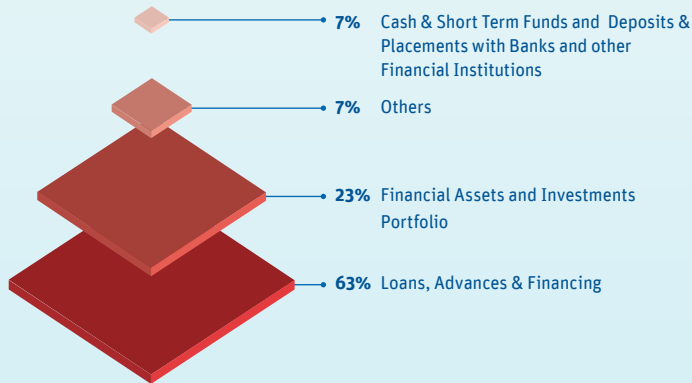
The following analysis of financial performance should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013.

## ANALYSIS OF THE STATEMENTS OF FINANCIAL POSITION

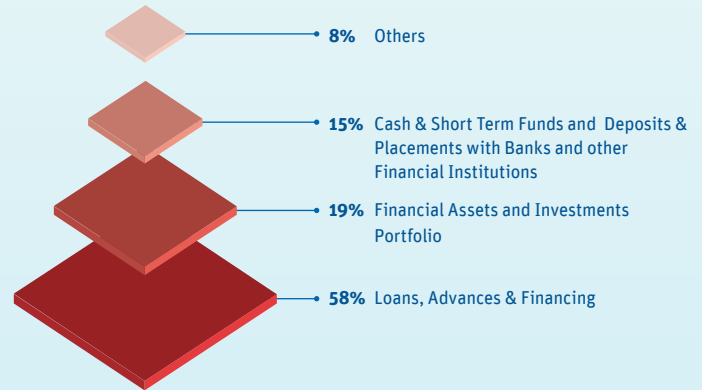
### Total assets

The Group's total assets stood at RM191.1 billion as at 31 December 2013, an increase of 1.0% over the previous financial year. The increase was mainly due to growth in net loans and investments portfolio, partly offset by reduction in cash and short term funds. Loans, advances and financing remain as the largest component of the total assets at 62.6% (2012: 57.8%).

### ASSETS MIX 2013



### ASSETS MIX 2012



### Cash & Short Term Funds and Deposits & Placements with banks and other financial institutions

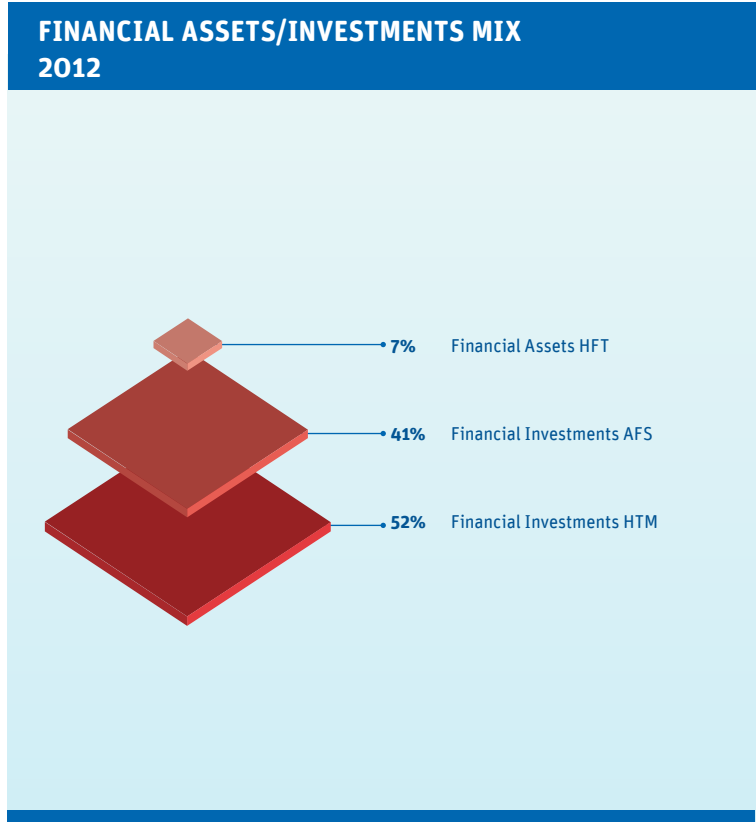
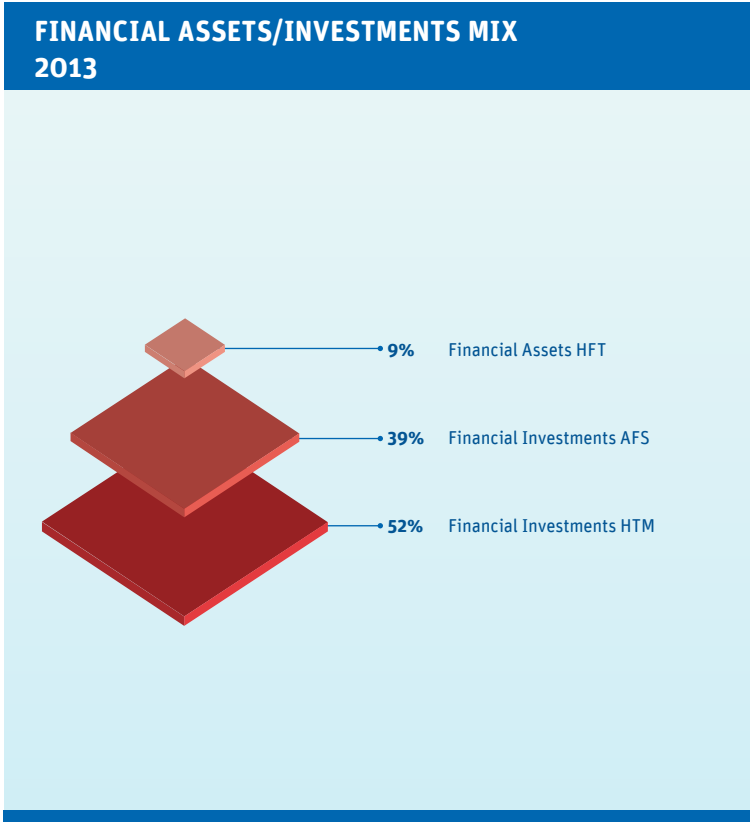
The Group's cash and short term funds decreased by RM14.0 billion or 58.3% to RM10.0 billion in 2013, while deposits and placements with banks and other financial institutions decreased by RM0.9 billion or 23.8% to RM2.8 billion in 2013.

**Financial assets and investments portfolio**

The Group’s financial assets and investments portfolio comprises financial assets held-for-trading (“HFT”), financial investments available-for-sale (“AFS”) and financial investments held-to-maturity (“HTM”).

As at 31 December 2013, financial investments HTM remained the largest component which accounted for 52% of the Group’s financial assets and investments portfolio, followed by 39% in financial investments AFS and 9% in financial assets HFT.

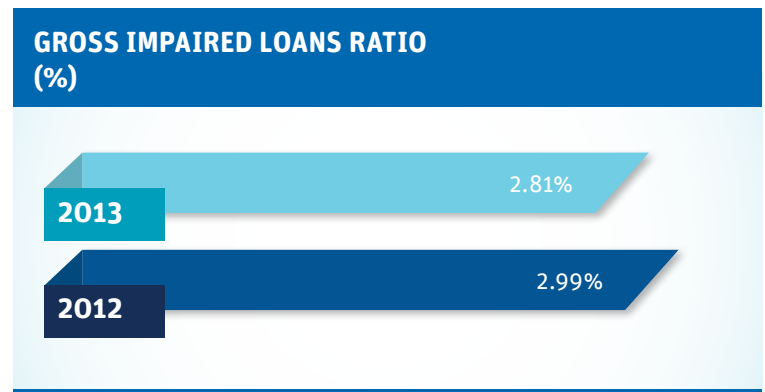
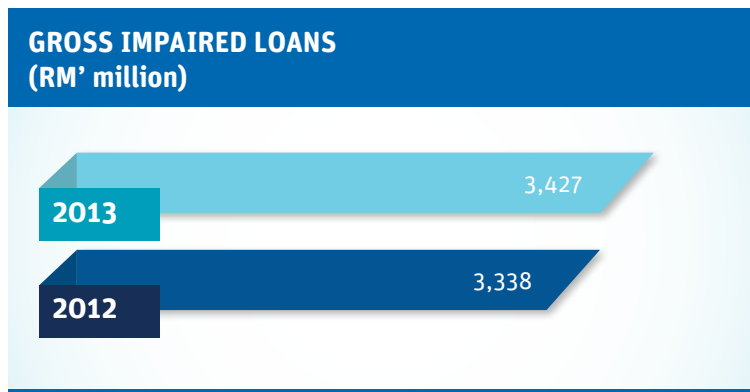
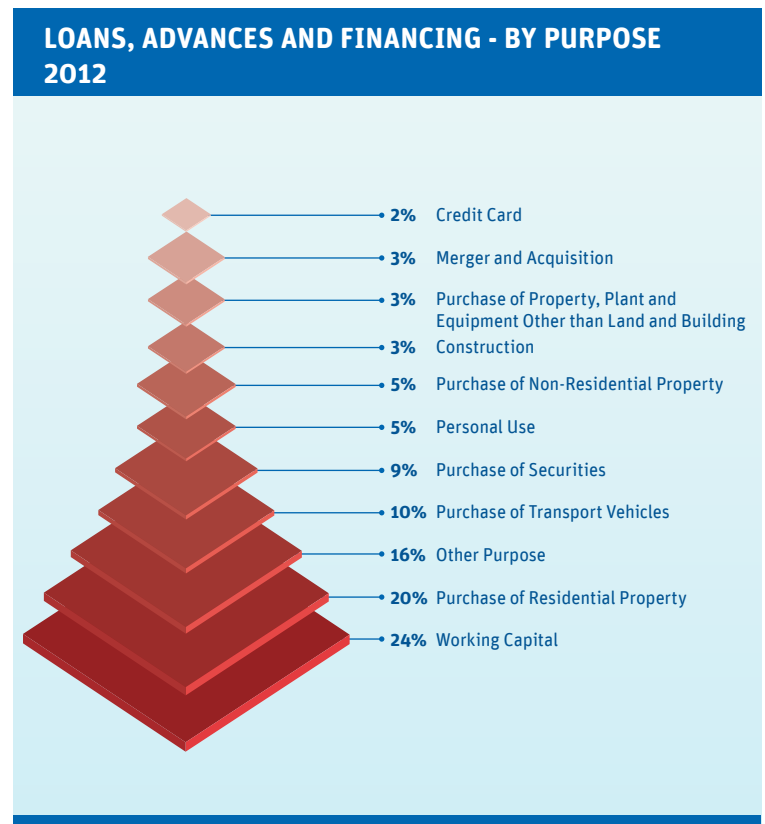
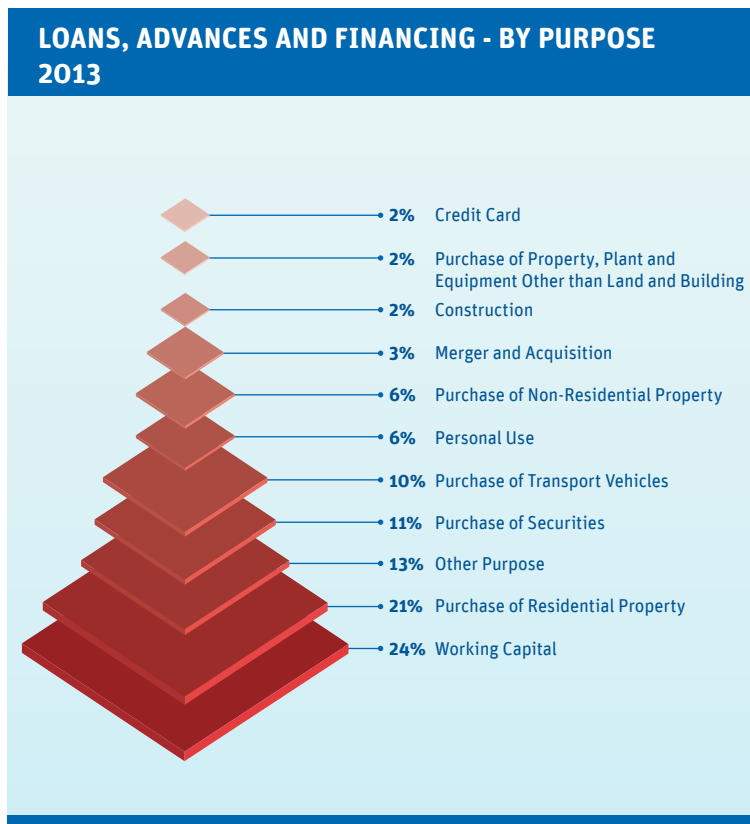
The Group’s financial assets and investments portfolio increased by RM6.9 billion or 19% due to higher holding of Private and Islamic debt securities as well as government-related securities.



**Loans, advances and financing**

The Group's gross loans grew by 9.2% during the year to reach RM121.8 billion. Gross loans growth would have been at 11.6% if not for one large corporate prepayment in the last quarter of the year.

Retail and Easy by RHB continued to perform well with combined loans growth of 14.1%, higher than the industry retail loans growth of 11.2%. This was driven by an increase in loans for residential properties and purchase of securities. Domestic market share stood at 9.3% as at 31 December 2013.





**Total liabilities and equity**

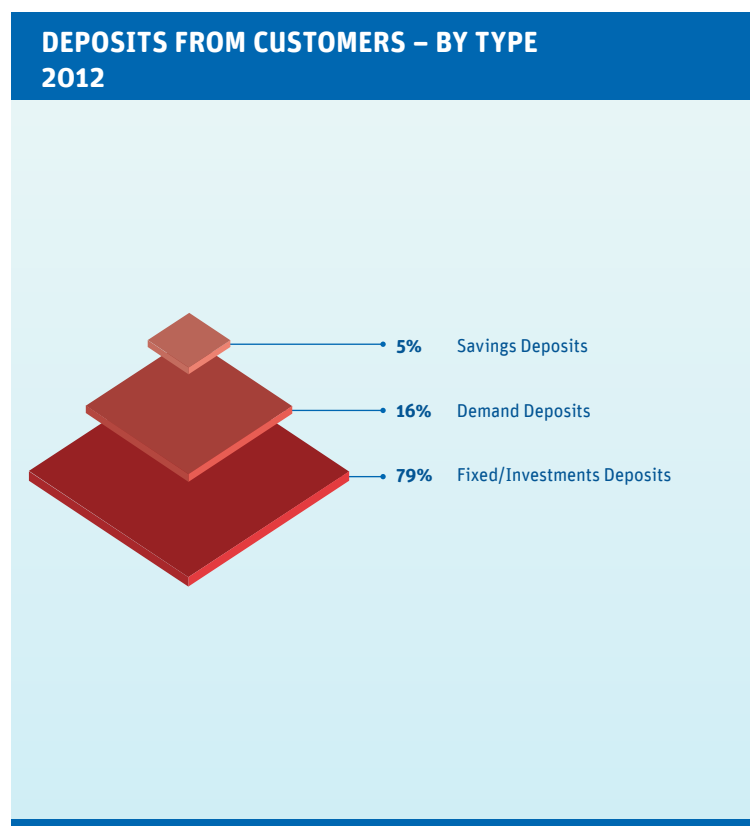
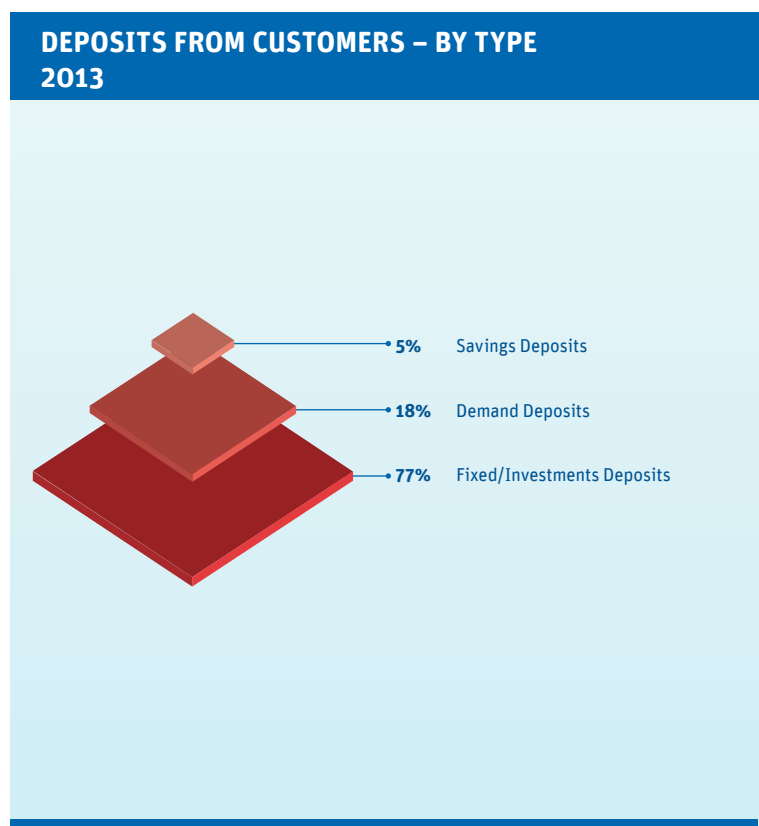
Total liabilities increased by RM375.4 million or 0.2% to RM174.1 billion in 2013, mainly due to the increase in deposits and placements of banks and other financial institutions, partly offset by the decrease in bills and acceptances payable, borrowings, clients’ and brokers’ balances and customer deposits.

Shareholders’ equity strengthened by 10.7% to RM16.7 billion, largely contributed by higher retained earnings that was partially offset by lower revaluation reserves of the financial investments AFS, and cash dividend paid.

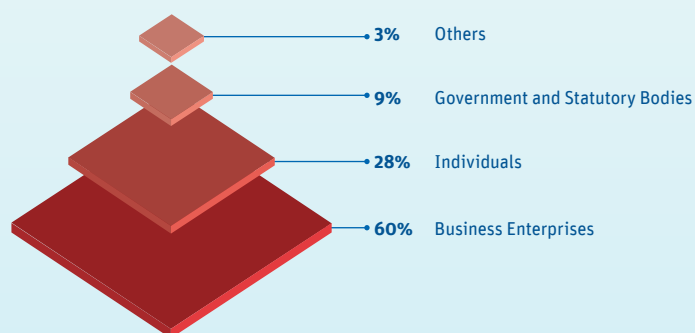
**Deposits from customers**

Deposits from customers was at RM139.7 billion, slightly lower than the previous year. Current and savings account (“CASA”) balances both grew by 9.2% and 8.7% respectively. CASA composition improved to 23.3% from 21.3% in 2012.

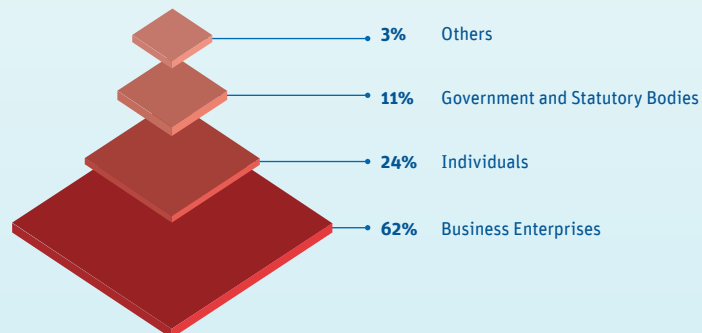
The Group remained disciplined with its asset and liability management, loans to deposits ratio at 88.4% as at 31 December 2013.



### DEPOSITS FROM CUSTOMERS - BY CUSTOMER 2013



### DEPOSITS FROM CUSTOMERS - BY CUSTOMER 2012



#### Deposits and placements of banks and other financial institutions

Deposits and placements of banks and other financial institutions increased by RM3.5 billion or 26% to RM17.0 billion in December 2013, mainly due to the increase in deposit with licensed banks and other financial institutions.

#### Borrowings and senior debt securities

Borrowings and senior debt securities decreased by RM605.1 million, mainly due to the repayment of Commercial Papers/Medium Term Notes and revolving credits.

#### Capital adequacy

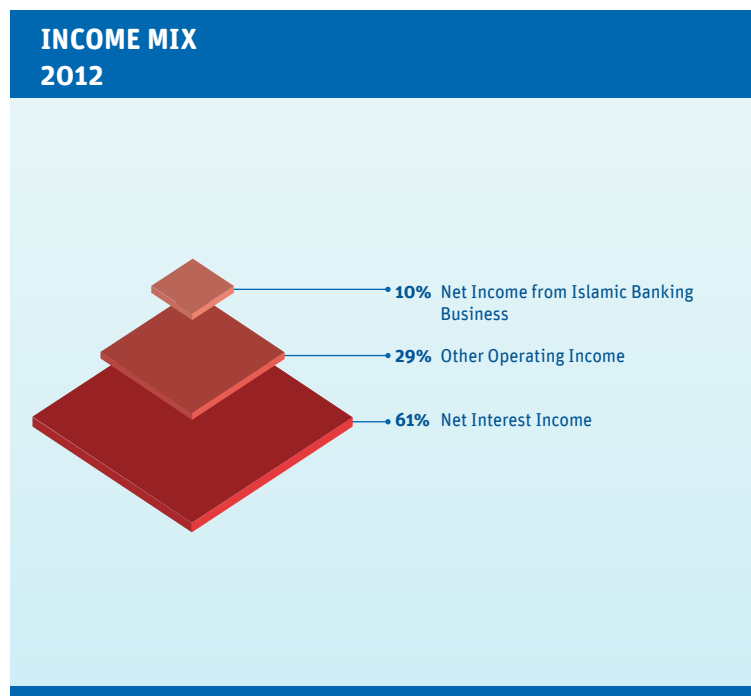
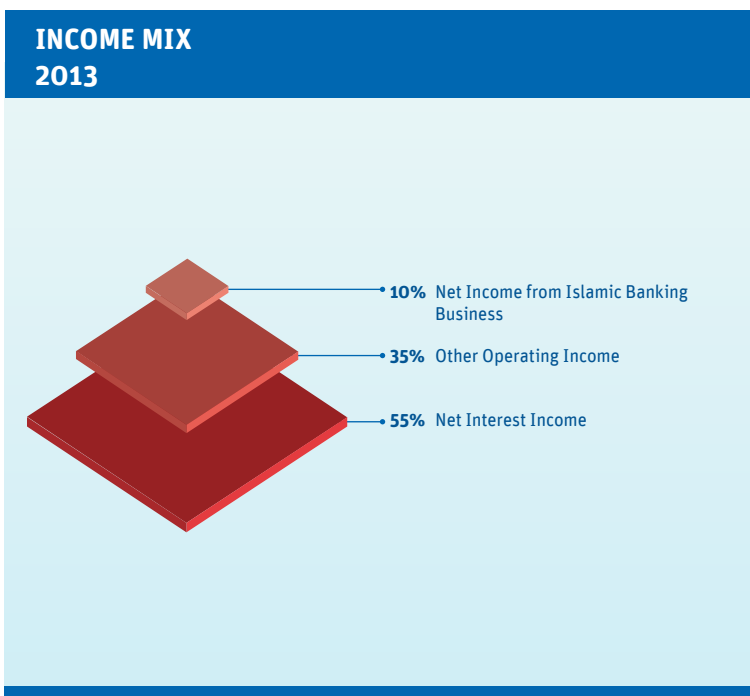
The Group's capital ratios remained healthy.

	CET I Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
RHB Bank Berhad	11.103%	11.647%	13.997%
RHB Islamic Bank Berhad	13.864%	13.864%	14.424%
RHB Investment Bank Berhad	24.556%	24.556%	24.556%

**ANALYSIS OF THE INCOME STATEMENTS**

For the financial year ended 31 December 2013, the Group reported a net profit of RM1.8 billion, 2.6% higher as compared with previous year. Total income reached a new high of RM6.0 billion for the first time due to growth in net interest income and customer-driven non-interest income.

The major components of income are net interest income, net income for Islamic Banking business and other operating income.



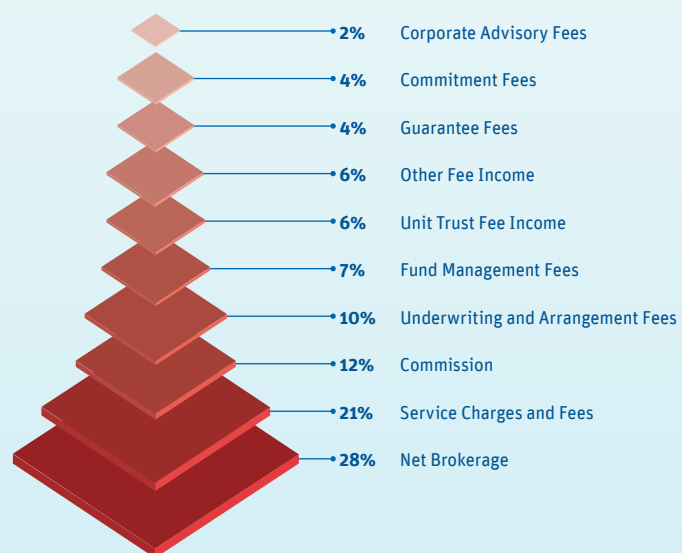
**Net interest income**

Net interest income grew to RM3.3 billion, up 10.6% from the same period last year due to 8.2% conventional loans growth year-on-year and a stable net interest margin. Effective balance sheet management efforts have helped to minimise the impact of a competitive interest rate environment, enabling margins to stabilise at 2.33% from 2.35% last year as the Group continued to drive lower cost current and saving deposits.

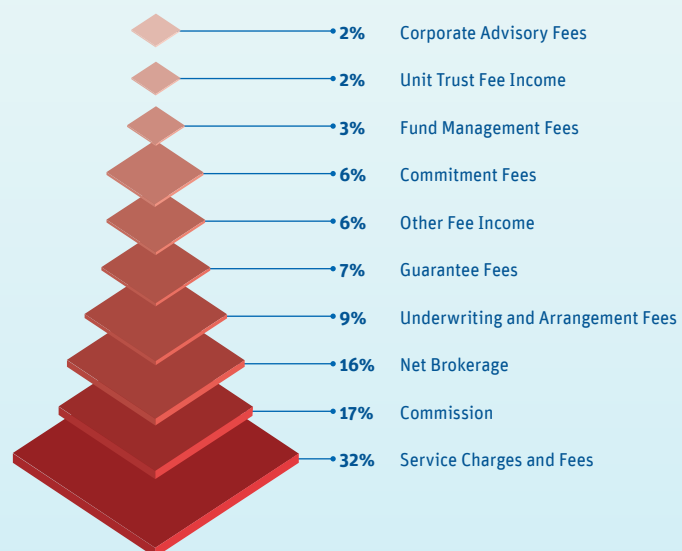
**Other operating income**

Other operating income increased by 51.2% to RM2.1 billion from 2012, underpinned by higher fee income and net foreign exchange gain. Fee income increased by 89.4% to reach a new high of RM1.3 billion. This was driven by a significant improvement in the investment banking and wealth management income with a full year contribution of the merged RHB-OSK business franchise.

### FEE INCOME MIX 2013



### FEE INCOME MIX 2012



### Net income from Islamic Banking business

Net income from the Islamic Banking business grew by 20.6% to reach RM590.9 million. This was mainly attributable to higher net funding income on the back of a 15.1% increase in financing base to RM18.7 billion in 2013.

### Other operating expenses

Other operating expenses rose 33.1% year-on-year, largely due to the full-period impact of the enlarged investment bank cost base, increase in sales-related personnel cost, higher commission and incentive compensation linked to stronger business volume and merger integration cost. Consequently, cost to income ratio increased to 51.3% for 2013.

	2013 RM'000	2012 RM'000	Variance RM'000
Personnel costs	<b>1,734,224</b>	1,340,264	393,960
Establishment costs	<b>617,350</b>	471,754	145,596
Marketing expenses	<b>345,378</b>	228,921	116,457
Administration and general expenses	<b>355,209</b>	252,787	102,422
	<b>3,052,161</b>	2,293,726	758,435

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

Allowance for impairment on loans, financing and other losses for the year increased to RM448.0 million from RM148.5 million recorded in 2012. This was primarily due to lower bad debts recovered, one-time bad debts written off pertaining to the refinement in application of MFRS 139 "Financial Instruments: Recognition and Measurement" and higher collective allowance set aside in tandem with loans and financing growth.

### Impairment losses on other assets

A writeback of impairment loss was reported in 2013 at RM18.9 million as compared to impairment losses of RM3.9 million due to reversal of impairment on financial investments HTM and AFS during the financial year.

# Analysis of Shareholdings

As at 3 March 2014

Authorised Share Capital	:	RM5,000,000,000.00 comprising 5,000,000,000 ordinary shares of RM1.00 each
Issued and paid-up Share Capital	:	RM2,546,909,962.00 comprising 2,546,909,962 ordinary shares of RM1.00 each
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	Each shareholder present in person or by proxy at any Shareholders' Meeting shall be entitled to a show of hands of one vote and on a poll, each shareholder who is present in person or by proxy shall have one vote for each ordinary share held.
Number of Shareholders	:	14,722

Category	No. of shareholders	% of shareholders	No. of shares held	% of shareholdings
Less than 100	1,054	7.15	31,658	0.00
100 – 1,000	3,860	26.22	3,121,098	0.12
1,001 – 10,000	7,848	53.31	26,024,467	1.02
10,001 – 100,000	1,557	10.58	42,629,289	1.67
100,001 – less than 5% of the issued shares	400	2.72	638,479,000	25.08
5% and above of the issued shares	3	0.02	1,836,624,450	72.11
<b>Total</b>	<b>14,722</b>	<b>100.0</b>	<b>2,546,909,962</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS AS AT 3 MARCH 2014

No.	Name of Substantial Shareholders	No. of Shares			
		Direct	%	Indirect	%
1	Employees Provident Fund Board ("EPF") <sup>1</sup>	1,052,922,512	41.34	-	-
2	Aabar Investments PJS	545,787,168	21.43	-	-
3	International Petroleum Investment Company PJSC <sup>2</sup>	-	-	545,787,168	21.43
4	OSK Holdings Berhad	252,304,688	9.91	-	-
5	Tan Sri Ong Leong Huat @ Wong Joo Hwa <sup>3</sup>	-	-	252,304,688	9.91
6	OSK Equity Holdings Sdn Bhd <sup>4</sup>	-	-	252,304,688	9.91

### Notes:

- <sup>1</sup> The interest of EPF is held through various fund managers.
- <sup>2</sup> Deemed interested pursuant to Section 6A(4)(c) of the Companies Act, 1965 through control of its subsidiary, Aabar Investments PJS.
- <sup>3</sup> Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in OSK Holdings Berhad.
- <sup>4</sup> Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of its substantial shareholdings in OSK Holdings Berhad.

## DIRECTORS' INTEREST IN SECURITIES OF THE COMPANY AND ITS RELATED CORPORATION AS AT 3 MARCH 2014

The Company	Ordinary Shares of RM1.00 each	
	No.	%
Dato' Mohamed Khadar Merican - Direct	64,486	*
Dato' Teo Chiang Liang - Indirect <sup>#</sup>	5,358	*

### Note:

- \* Negligible percentage.  
<sup>#</sup> Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in Intereal Corporation Sdn Bhd.

# List of Thirty (30) Largest Shareholders

As at 3 March 2014

RANK	NAME	UNITS	%
1	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	1,038,532,594	40.78
2	RHB NOMINEES (TEMPATAN) SDN BHD AABAR INVESTMENTS PJS	545,787,168	21.43
3	OSK HOLDINGS BERHAD	252,304,688	9.91
4	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	107,195,870	4.21
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	96,186,887	3.78
6	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	43,891,270	1.72
7	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	25,700,026	1.01
8	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	22,453,678	0.88
9	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	15,351,719	0.60
10	LEMBAGA TABUNG ANGKATAN TENTERA	14,646,900	0.58
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	13,717,713	0.54
12	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	12,696,904	0.50
13	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEXFUND	12,661,635	0.50
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	11,298,842	0.44
15	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	8,681,146	0.34
16	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	8,453,690	0.33
17	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK NATIONAL ASSOCIATION (U.S.A.)	7,353,153	0.29

RANK	NAME	UNITS	%
18	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK NATIONAL ASSOCIATION (U.A.E)	6,606,861	0.26
19	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK NATIONAL ASSOCIATION (NORGES BK LEND)	6,559,299	0.26
20	CARTABAN NOMINEES (ASING) SDN BHD RBC INVESTOR SERVICES BANK FOR ROBECO MULTIMANAGER ASIA-PACIFIC EQUITIES (EUR-RCGF)	6,060,141	0.24
21	AMANAHRAYA TRUSTEES BERHAD SEKIM AMANAH SAHAM MALAYSIA	5,326,821	0.21
22	CARTABAN NOMINEES (ASING) SDN BHD GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	5,324,115	0.21
23	HSBC NOMINEES (ASING) SDN BHD TNTC FOR SAUDI ARABIA MONETARY AGENCY	5,011,973	0.20
24	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.	4,784,700	0.19
25	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	4,507,271	0.18
26	CARTABAN NOMINEES (ASING) SDN BHD RBC INVESTOR SERVICES BANK FOR ROBECO CAPITAL GROWTH FUNDS	4,007,405	0.16
27	AMANAHRAYA TRUSTEES BERHAD PUBLIC GROWTH FUND	3,902,993	0.15
28	MALAYSIA NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	3,766,375	0.15
29	MALAYSIA NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	3,652,841	0.14
30	CITIGROUP NOMINEES (ASING) SDN BHD LEGAL & GENERAL ASSURANCE (PENSIONS MANAGEMENT) LIMITED (A/C 1125250001)	3,394,627	0.13
		<b>2,299,819,305</b>	<b>90.30</b>

# List of Top Ten (10) Properties

Location	Owner	Description of Property	Area (sq m.)	Usage	Age of building (Years)	Tenure	Year of Expiry on Lease	Net Book Value 30.12.2013 (RM'000)	Year of Acquisition or Revaluation
<b>MALAYSIA</b>									
<b>Kuala Lumpur</b>									
1. 424 Jalan Tun Razak	RHB Hartanah Sdn Bhd	12 storey office building	20,440	Office Space	24	Freehold	-	113,913	1989
2. 426 Jalan Tun Razak	RHB Hartanah Sdn Bhd	16 storey office building	22,516	Office Space	18	Freehold	-	109,431	1989
<b>Penang</b>									
3. 44 Lebuhraya Pantai Georgetown	RHB Bank Berhad	1 unit of 6½ storey commercial building	702	Bank Branch	54	Freehold	-	3,927	1999
<b>Selangor</b>									
4. Lot No. 8 Jalan Institusi Bandar Baru Bangi	RHB Bank Berhad	6 storey office Block, 5 storey Training Block, 7 storey IT Block & 5 storey Car Park Block	56,188	Training Centre	13	Leasehold	2090	78,938	1999
<b>Perak</b>									
5. No. 2, 4, 6 & 8 Jalan Tun Sambathan Ipoh	RHB Bank Berhad	4 storey office building	630	Bank Branch	16	Freehold	-	5,273	1999
<b>SINGAPORE</b>									
6. 90 Cecil Street	Banfora Pte Ltd	2 commercial buildings	796	Commercial Building	34	Leasehold	2980	128,481	1997
7. 10, Jalan Besar 01-03 Sim Lim Tower	RHB Bank Berhad	Ground Floor of Office buildings	543	Bank Branch	35	Freehold	-	26,361	1999
8. 14A/B, 16A/B & 18A/B East Coast Road	RHB Bank Berhad	3 units of 3 storey shophouses	442	Bank Branch	55	Freehold	-	13,908	1999
9. 1/1A/1B Yio Chu Kang Road	RHB Bank Berhad	First Floor of Office buildings	101	Bank Branch	33	Freehold	-	10,301	1999
10. No. 537/539 Geylang Road	RHB Bank Berhad	3 storey shophouses	374	Bank Branch	90	Freehold	-	8,401	1999



# Group Branch Network

## COMMERCIAL BANKING

### MALAYSIA

#### CENTRAL REGION 1

##### Regional Director:

**Nazri Othman**

Level 7, Tower 1

RHB Centre, Jalan Tun Razak

50400 Kuala Lumpur

Tel : (03) 9280 5338

Fax : (03) 9280 2891

##### Branches

- KL Main Branch, RHB Centre
- Menara Yayasan Tun Razak
- Plaza OSK
- Jalan Ipoh
- Taman Shamelin
- Jalan SS21/39, Damansara Utama
- SS2, Petaling Jaya
- Paradigm Mall
- Damansara Jaya
- Section 14, Petaling Jaya
- Taman Megah, Petaling Jaya
- New Town, Petaling Jaya
- Kenanga Wholesale City
- KL Sentral
- Jalan Bukit Bintang
- Taman Tun Dr. Ismail
- First Avenue, Bandar Utama
- Plaza Damas 3, Sri Hartamas
- Jalan Tun H.S. Lee
- Damansara Heights
- Mid Valley
- Overseas Union Garden
- The Sphere, Bangsar South
- Pasar Borong, Selayang
- Rawang
- Bandar Sri Damansara
- Kampung Baru Sungai Buloh
- Bandar Baru Sungai Buloh
- Jinjang Utara
- Kepong
- Kajang
- Seri Kembangan
- Taman Sungai Besi
- Salak South
- Taman Suntex
- Taman Taming Jaya
- Taman Indah
- Mines Shopping Fair
- Bandar Baru Ampang
- Ampang Point
- Pandan Indah
- Dataran Wangsa Melawati
- Setapak
- Jalan Pasar
- Segambut
- Taman Connaught
- Jalan Niaga, Shah Alam
- Jalan T. Amp Zabedah, Shah Alam
- Giant Shah Alam

- Jalan SS15/4D, Subang Jaya
- UEP Subang Jaya
- Putrajaya (Precinct 8)
- Kota Kemuning
- Bangsar Shopping Centre
- Kota Damansara
- Taman Midah
- Setia Alam
- Alam Avenue
- Kuala Lumpur City Center (KLCC)
- IOI Boulevard
- RHB Islamic, Kelana Jaya
- RHB Islamic, Jalan Raja Laut
- RHB Islamic, Bandar Baru Bangi
- RHB Islamic, Laman Seri, Shah Alam
- RHB Islamic, Cawangan Utama, Jalan Pinang

#### CENTRAL REGION 2

##### Regional Director:

**Bernadette Sun Fui Ling**

Level 7, Tower 1

RHB Centre, Jalan Tun Razak

50400 Kuala Lumpur

Tel : (03) 9280 6364

Fax : (03) 9280 7100

##### Branches

- Meru
- Jalan Stesen, Klang
- Persiaran Sultan Ibrahim
- Port Klang
- Bandar Bukit Tinggi
- Bandar Baru Klang
- Tanjong Karang
- Jenjarom
- Tanjung Sepat
- Bandar Baru Nilai
- Sungai Pelek
- Kuala Pilah
- Taipan Senawang
- Seremban
- Rantau
- Simpang Pertang
- Bahau
- RHB Islamic, Taman Bayu Tinggi

#### NORTHERN REGION 1

##### Regional Director:

**Yong Kin Leng**

Level 5, 44 Lebuhraya Pantai

10300 Georgetown, Penang

Tel : (04) 263 3112

Fax : (04) 263 2112

##### Branches

- Lebuhraya Pantai, Penang
- Jelutong
- Bayan Baru
- Ayer Itam
- Jalan Burma
- Sungai Dua
- Jalan Chain Ferry, Prai
- Kulim

- Butterworth
- Jalan Raja Uda, Penang
- Sungai Bakap
- Bukit Mertajam
- Kangar
- Jalan Tunku Ibrahim, Alor Setar
- Mergong, Alor Setar
- Taman Pekan Baru, Sungai Petani
- Padang Serai
- Pulau Langkawi
- Kuala Kedah
- Jalan Bakar Arang, Sungai Petani
- Jitra, Kedah
- RHB Islamic, Sungai Petani
- RHB Islamic, Auto City, Prai

#### NORTHERN REGION 2

##### Regional Director:

**Loh Soon On**

1st Floor, No. 2, 4, 6 & 8

Jalan Tun Sambanthan

30000 Ipoh, Perak

Tel : (05) 253 1814

Fax : (05) 243 2809

##### Branches

- Air Tawar
- Bagan Serai
- Kuala Kurau
- Teluk Intan
- Kuala Kangsar
- Parit Buntar
- Simpang Empat, Hutan Melintang
- Sitiawan
- Taiping
- Sungkai
- Jalan Tun Sambanthan
- Kampar
- Sungai Siput
- Menglembu
- Ipoh Garden South
- Tasek
- Gunung Rapat
- Gopeng
- Jelapang
- Persiaran Greenhill

#### SOUTHERN REGION

##### Regional Director:

**Ahmad Zaini Bin Sofian**

1st Floor, 14 & 16

Jalan Padi Emas 6/1

Bandar Baru UDA

81200 Johor Bahru, Johor

Tel : (07) 237 7825

Fax : (07) 235 0616

##### Branches

- Jalan Dedap, Taman Johor Jaya
- Jalan Bandar, Pasir Gudang
- Taman Pelangi
- Permas Jaya
- Johor Bahru City Square
- Ulu Tiram

**COMMERCIAL BANKING  
(CONTINUED)****MALAYSIA (CONTINUED)****SOUTHERN REGION (CONTINUED)****Branches**

- Taman Sentosa
- Taman Mount Austin
- Kota Tinggi
- Taman Ungku Tun Aminah
- Senai
- Bandar Baru Uda
- Kulai
- Pontian Kechil
- Plentong, Masai
- Taman Molek
- Taman Nusa Bestari
- Jalan Dato' Rauf, Kluang
- Segamat
- Batu Pahat
- Jementah
- Simpang Renggam
- Bekok
- Yong Peng
- Jalan Abdullah, Muar
- Bukit Baru, Melaka
- Tangkak
- Jalan Hang Tuah
- Melaka Raya
- 1 Lagenda
- RHB Islamic, Taman Setia Tropika
- RHB Islamic, Taman Flora Utama

**EAST COAST REGION****Regional Director:****Shaharuddin Bin Ming**

Lot 2, 4 & 6 (Level 2 Malay Town)  
Jalan Putra Square 1, Putra Square  
25200 Kuantan, Pahang  
Tel : (09) 505 7009  
Fax : (09) 505 7003

**Branches**

- Bentong
- Jerantut
- Raub
- Kuantan, Putra Square
- Mentakab
- Jalan Air Puteh
- Triang
- Jalan Tok Hakim, Kota Bharu
- Kuala Dungun
- Kerteh
- Ketereh
- Pasir Mas
- Kemaman
- Kuala Terengganu
- RHB Islamic, Kuala Terengganu
- RHB Islamic, Kubang Kerian

**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 : (088) 528 688  
Fax : (088) 528 779

**Branches**

- Jalan Gaya, Kota Kinabalu
- Inanam
- Jalan Tun Mustapha, Labuan
- 1-Borneo Hypermall
- Lintas Station Complex
- Keningau
- Metrotown
- Prima Square, Sandakan
- Wisma Khoo, Sandakan
- Tawau
- Lahad Datu
- RHB Islamic, Kota Kinabalu

**SARAWAK REGION****Regional Director:****Hjh Johanna Binti Abdullah**

1st Floor, Lot 363  
Jalan Kulas, 93400 Kuching  
Sarawak  
Tel : (082) 274 834  
Fax : (082) 274 854

**Branches**

- Kanowit
- Dalat
- Jalan Tunku Osman, Sibu
- Sungai Merah, Sibu
- Kapit
- Sarikei
- Batu Kawah, Kuching
- UNISQUARE, Kota Samarahan
- Wisma Mahmud
- Lundu
- Sri Aman
- Matang Jaya, Kuching
- Tabuan Jaya
- Jalan Padungan
- Jalan Kulas
- Simpang Tiga
- Siburan
- Boulevard Centre, Miri
- Jalan Nakhoda Gampar, Miri
- Lawas
- Jalan Masjid, Bintulu
- Marudi
- Limbang
- RHB Islamic, Jalan Satok

**INTERNATIONAL****SINGAPORE****Country Head:****Jason Wong****Cecil Branch**

Ground Floor 90 Cecil Street  
Singapore 069531  
Tel : (65) 6320 0602 / 0603  
Fax : (65) 6225 5296

**Branches**

- Jalan Besar
- Upper Serangoon
- Katong
- Geylang
- Bukit Timah
- Westgate

**THAILAND****Country Head:****Thiti Musuwan****Bangkok**

18th Floor M. Thai Tower  
All Seasons Place, 87 Wireless Road  
Lumpini, Pathumwan, Bangkok  
10330 Thailand  
Tel : (662) 126 8600  
Fax : (662) 126 8601 / 8602

**Branches**

- Sriracha

**BRUNEI****Country Head:****Ng Moon Kwee**

Unit G, 02 Ground Floor  
Block D Komplek Yayasan  
Sultan Hj Hassanah Bolkiah  
Brunei 8711  
Tel : (673) 222 2515 / 2516 / 3687  
Fax : (673) 223 7487

**CAMBODIA****Country Head:****Lim Loong Seng****Phnom Penh**

No. 263, Ang Duong Street (St. 110)  
Sangkat Waat Phnom  
Khan Baun Penh  
Phnom Penh, Cambodia  
Tel : (855) 23 992 833  
Fax : (855) 23 991 822  
Email : customerservice@kh.oskgroup.com

**COMMERCIAL BANKING  
(CONTINUED)****INTERNATIONAL  
(CONTINUED)****CAMBODIA (CONTINUED)****Branches**

- City Mall Olympic
- Stoeung Meanchey
- Kbal Thnal
- Pet Lok Song
- Kampong Cham
- Batlambang
- Siem Reap
- Preah Sihanouk

**LAO****Country Head:****Danny Ling Chii Hian**

Unit No. 01, House No. 006  
Kaisone Phomvihane Road  
Phonxai Village, Saysettha District  
Vientiane Capital, Lao PDR

**VIETNAM****Country Representative:****Apandi Klompot**

Room 1208, 12th Floor  
Sun Wah Tower  
115 Nguyen Hue, Dist 1  
Ho Chi Minh City  
Vietnam

Tel : (84-8) 3827 8498  
Fax : (84-8) 3827 8499

**INVESTMENT BANKING****MALAYSIA****PRINCIPAL OFFICE**

Level 3A, Tower One  
RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (03) 9280 2374  
Fax : (03) 2141 6575

**CENTRAL REGION****Kuala Lumpur Main**

Tingkat 12, 20 (sebahagian) 8 & 21  
Plaza OSK, Jalan Ampang  
50450 Kuala Lumpur  
Tel : (03) 2333 8333 (General Line)

**Branches**

- Bentong
- Kepong
- Pandan Indah
- Seri Petaling

**SELANGOR REGION****Supervisory Office  
SS2, Petaling Jaya**

24, 24M, 24A, 26M, 28M, 28A, 30  
30M & 30A,  
Jalan SS2/63  
47300 Petaling Jaya  
Selangor  
Tel : (03) 7873 6366  
Fax : (03) 7873 6566

**Branches**

- Kajang
- Klang
- Rawang
- USJ Taipan
- Kota Damansara
- Bandar Puchong Jaya

**NORTHERN REGION****Supervisory Office  
Ipoh**

21-25, Jalan Seenivasagam  
Greentown  
30450 Ipoh  
Perak Darul Ridzuan  
Tel : (05) 241 5100  
Fax : (05) 255 3903

**Branches**

- Cameron Highlands
- Kampar
- Sitiawan
- Taiping
- Teluk Intan

**Supervisory Office  
Penang**

No. 64 & 64-D, Tingkat Bawah –  
Tingkat 3 & Tingkat 5 – Tingkat 8  
Lebuh Bishop  
10200 Pulau Pinang  
Tel : (04) 263 4222  
Fax : (04) 262 2299

**Branches**

- Alor Setar
- Bayan Baru
- Bukit Mertajam
- Butterworth
- Farlim
- Kangar
- Kulim
- Parit Buntar
- Sungai Bakap
- Sungai Petani

**SOUTHERN REGION****Supervisory Office  
Melaka 1**

No. 19, 21 & 23 Jalan Merdeka  
Taman Melaka Jaya  
75000 Melaka  
Tel : (06) 283 3622  
Fax : (06) 281 9271

**Branches**

- Labis
- Segamat
- Tangkak
- Tampin

**Supervisory Office  
Melaka 2**

579, 580 dan 581  
Taman Melaka Raya  
75000 Melaka  
Tel : (06) 282 5211  
Fax : (06) 284 4871

**Branches**

- Seremban
- Port Dickson

**Supervisory Office  
Batu Pahat**

53, 53-A dan 53-B, Jalan Sultanah  
83000 Batu Pahat, Johor  
Tel : (07) 438 0288  
Fax : (07) 438 0277

**Branches**

- Kluang
- Muar

**Supervisory Office  
Johor Bahru**

Tingkat 6, Wisma Tiong-Hua  
8, Jalan Keris, Taman Sri Tebrau  
80050 Johor Bahru, Johor  
Tel : (07) 278 8821  
Fax : (07) 278 8011

**Branches**

- Taman Molek
- Kulai
- Sutera Utama

**EAST COAST REGION****Supervisory Office  
Kuantan**

B32 & B34, Lorong Tun Ismail 8  
Seri Dagangan II  
25000 Kuantan, Pahang  
Tel : (09) 517 3811  
Fax : (09) 517 3911

**Branches**

- Kemaman
- Kota Bharu
- Kuala Terengganu

**INVESTMENT BANKING  
(CONTINUED)****MALAYSIA (CONTINUED)****SABAH REGION****Supervisory Office  
Kota Kinabalu**

Tingkat 5, Wisma BSN Sabah  
Jalan Kemajuan, Karamuning  
88000 Kota Kinabalu, Sabah  
Tel : (088) 269 788  
Fax : (088) 260 910

**Branches**

- Sandakan
- Lintas

**SARAWAK REGION****Supervisory Office  
Kuching 2**

Lot 170 dan 171, Seccion 49, K.T.L.D  
Jalan Chan Chin Ann  
93100 Kuching, Sarawak  
Tel : (082) 422 252  
Fax : (082) 240 955

**Branches**

- Kuching 1
- Bintulu
- Miri
- Sarikei
- Sibu

**INTERNATIONAL****SINGAPORE****DMG & Partners Securities Pte Ltd**

10 Collyer Quay, #09-08  
Ocean Financial Centre  
Singapore 049315  
Tel : (65) 6533 1818  
Fax : (65) 6532 6211

**INDONESIA****Main Office****PT RHB OSK Securities Indonesia**

Plaza CIMB Niaga, Lantai 14, Jl. Jend.  
Sudirman Kav.25, Jakarta Selatan  
12920, Indonesia  
Tel : (6221) 2598 6888  
Fax : (6221) 2598 6777

**Branches**

- Bandung
- Kebon Jeruk
- Kelapa Gading
- Makassar
- Malang
- Mangga Dua
- Medan
- Palembang
- Pontianak
- Puri
- Slipi
- Pekanbaru
- Pluit
- Surabaya Bukit Darmo
- Surabaya Kertajaya
- Yogyakarta
- Mangga Dua Selatan (Eka Jiwa)

**THAILAND****Main Office****RHB OSK Securities (Thailand) Public  
Company Limited**

10th Floor, Sathorn Square Office  
Tower, 98 North Sathorn Road, Silom  
Bang Rak, Bangkok 10500, Thailand  
Tel : (662) 862 9999  
Fax : (662) 862 9900

**Branches**

- Hat Yai
- Pakin Building
- Samut Sakhon
- Silom
- Sukhumvit 16
- Yaowaraj
- Pinklao

**HONG KONG & CHINA****RHB Holdings Hong Kong Limited**

12/F, World-Wide House  
19 Des Voeux Road Central  
Hong Kong  
Tel : (852) 2525 1118  
Fax : (852) 2810 0908

**RHB OSK (China) Investment Advisory Co Ltd**

Suites 4005, 40 F, CITIC Square  
1168 Nanjing West Road  
Shanghai 200041, China  
Tel : (8621) 6288 9611  
Fax : (8621) 9688 9633

**ASSET MANAGEMENT****MALAYSIA****RHB Asset Management Sdn Bhd**

(formerly known as RHB Investment  
Management Sdn Bhd)  
19th Floor, Plaza OSK, Jalan Ampang  
50450 Kuala Lumpur  
Malaysia  
Tel : (03) 2333 8333

**RHB Islamic International Asset  
Management Berhad**

(formerly known as OSK-UOB Islamic Fund  
Management Berhad)  
19th Floor, Plaza OSK, Jalan Ampang  
50450 Kuala Lumpur  
Malaysia  
Tel : (603) 2161 2599

**INDONESIA****PT RHB OSK Asset Management**

Sequiz Plaza, 20th Floor, Suite 2001  
Jalan Jendeval Sudirman Kav.25  
Jakarta 12920 Indonesia  
Tel : (6221) 5292 0598

**SINGAPORE****RHB OSK International Asset Management  
Pte Ltd**

10 Collyer Quay  
#09-08 Ocean Financial Centre  
049315 Singapore  
Tel : (65) 6323 2508  
Fax : (65) 6323 2314

**HONG KONG****RHB OSK Wealth Management Hong Kong  
Limited**

12/F, World-Wide House  
19 Des Voeux Road Central  
Hong Kong  
Tel : (852) 2525 1118  
Fax : (852) 2810 0908

**INSURANCE****HEAD OFFICE**

Level 12, West Wing, The Icon  
No.1, Jalan 1/68F  
Jalan Tun Razak  
55000 Kuala Lumpur  
Tel : (03) 2180 3000  
Fax : (03) 9281 2729

# Notice of Nineteenth Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Nineteenth (19th) Annual General Meeting (“AGM”) of the Company will be held at Ballroom 1 & 2, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 8 May 2014 at 11.00 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 2013 and the Directors’ and Auditors’ Reports thereon.
2. To approve a single-tier final dividend of 10.3% in respect of the financial year ended 31 December 2013 as recommended by the Board.
3. To re-elect the following Directors retiring under Article 80 of the Company’s Articles of Association and being eligible, offer themselves for re-election:
  - (i) Tan Sri Azlan Zainol; and
  - (ii) Datuk Haji Faisal Siraj.
4. To consider and, if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:
 

“**THAT** Dato’ Nik Mohamed Din Datuk Nik Yusoff, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting.”
5. To approve the increase of Directors’ fees from RM100,000.00 to RM180,000.00 per annum for Non-Executive Chairman and from RM80,000.00 to RM150,000.00 for Non-Executive Directors retrospective from 1 January 2013 and further to approve the payment of Directors’ fees totalling RM1,080,000.00 for the financial year ended 31 December 2013.
6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company, to hold office until the conclusion of the next AGM of the Company, at a remuneration to be determined by the Directors.

**(Please refer to Explanatory Note 1)**

**Ordinary Resolution 1**

**Ordinary Resolution 2  
Ordinary Resolution 3**

**Ordinary Resolution 4**

**Ordinary Resolution 5**

**Ordinary Resolution 6**

### AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following ordinary resolutions:

7. Authority for Directors to issue shares

“**THAT** subject always to the Companies Act, 1965, the Company’s Articles of Association and approval of the relevant government/regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being.”

**Ordinary Resolution 7**

8. Proposed renewal of the authority to allot and issue new ordinary shares of RM1.00 each in RHB Capital Berhad (“RHB Capital Shares”), for the purpose of the Company’s Dividend Reinvestment Plan (“DRP”) that provides the Shareholders of RHB Capital Berhad (“Shareholders”) the option to elect to reinvest their cash dividend in new RHB Capital Shares

“**THAT** pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting held on 6 April 2011 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of new RHB Capital Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting upon such terms and conditions and to such persons as the Directors of the Company at their sole and absolute discretion, deem fit and in the interest of the Company PROVIDED THAT the issue price of the said new RHB Capital Shares shall be fixed by the Directors based on the adjusted five (5) market days volume weighted average market price (“VWAP”) of RHB Capital Shares immediately prior to the price-fixing date after applying a discount of not more than 10%, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price and the issue price may not be less than the par value of RHB Capital Shares;

**AND THAT** the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they, in their absolute discretion, deem fit and in the best interest of the Company.”

**Ordinary Resolution 8**

9. To transact any other business of which due notice shall have been given.

By Order of the Board

**Azman Shah Md Yaman (LS 0006901)**  
**Ivy Chin So Ching (MAICSA No. 7028292)**  
Company Secretaries

Kuala Lumpur  
14 April 2014

**NOTES:****Appointment of Proxy**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 30 April 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 19th 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 and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to 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. The Form of Proxy or other instruments of appointment must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd, at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

**Explanatory Notes**

1. Item 1 of the Agenda

This Agenda is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 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

- Proposed increase of Directors' fees

The proposed increase of Non-Executive Directors ("NEDs") fees is in accordance with Article 77 of the Company's Articles of Association and if passed, shall authorise the increase in NEDs' fees from RM100,000.00 to RM180,000.00 per annum for the Non-Executive Chairman and from RM80,000.00 to RM150,000.00 per annum for the NEDs with retrospective effect from 1 January 2013 for the financial year ended 31 December 2013.

The proposed increase of the NEDs' fees is to be in line with the increasing complexity of the duties, responsibilities, expectation and commitment of the NEDs relative to the expanding scope of the Group's initiatives, particularly on regional business expansion. Based on a peer group benchmarking and the available market survey, the Board believes that the proposed revised NEDs' fees is aligned to the accepted industry range.

3. Ordinary Resolution 7

- Authority for Directors to issue shares

This Proposed Ordinary Resolution 7 is a general mandate for issuance of shares by the Company pursuant to Section 132D of the Companies Act, 1965. The resolution, if passed, will give powers to the Directors of the Company to issue ordinary shares in the capital of the Company up to an aggregate amount of not exceeding 10% of the issued and paid-up share capital of the Company for the time being, without having to convene a general meeting. This general mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM.

The rationale for this proposed general mandate is to allow possible share issues and/or fund raising exercises including placement of shares for the purpose of funding current and/or future investment projects(s), working capital and/or acquisition(s) as well as in the event of any strategic opportunities involving equity deals which may require the Company to allot and issue new shares on an urgent basis and thereby reducing administrative time and costs associated with the convening of additional shareholders' meeting(s). In any event, the exercise of the mandate is only to be undertaken if the Board considers it to be in the best interest of the Company.

4. Ordinary Resolution 8

- Proposed renewal of the authority to allot and issue new ordinary shares of RM1.00 each in RHB Capital Berhad ("RHB Capital Shares"), for the purpose of the Company's Dividend Reinvestment Plan ("DRP") that provides the Shareholders of RHB Capital Berhad ("Shareholders") the option to elect to reinvest their cash dividend in new RHB Capital Shares

This proposed Ordinary Resolution 8 will give authority to the Directors to allot and issue shares for the DRP in respect of dividend declared in this AGM and subsequently until the next AGM. A renewal of this authority will be sought at the next AGM.

**Statement Accompanying the Notice of 19th 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 Capital Berhad's Annual Report 2013.

## ANNEXURE A

# Statement Accompanying Notice of Nineteenth 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 as per Agenda 3 of the Notice of 19th AGM:

## Resolution 2

Name of Director	: <b>Tan Sri Azlan Zainol</b> <i>Non-Independent Non-Executive Director</i>
Nationality/Age	: Malaysian / 64
Academic/Professional Qualifications	: 1) Fellow of the Institute of Chartered Accountants in England & Wales 2) Member of the Malaysian Institute of Accountants 3) Member of the Malaysian Institute of Certified Public Accountants
Working Experience	: 1) Chief Executive Officer, Employees Provident Fund (2001 – 2013) 2) Managing Director, AmBank Berhad (1994 – 2001) 3) Managing Director, AmFinance Berhad (1982 – 1994) 4) Partner, BDO Binder (1980 – 1982)
Other Directorships in Public Companies	: <b>RHB Banking Group</b> 1) RHB Bank Berhad (Chairman) 2) RHB Investment Bank Berhad 3) RHB Holdings Hong Kong Limited ( <i>formerly known as OSK Holdings Hong Kong Limited</i> )
	: <b>Other Public Companies</b> 1) Malaysian Resources Corporation Berhad (Chairman) 2) Kuala Lumpur Kepong Berhad 3) Jardine Cycle & Carriage Limited 4) Rashid Hussain Berhad (In Members' Voluntary Liquidation)

## Resolution 3

Name of Director	: <b>Datuk Haji Faisal Siraj</b> <i>Senior Independent Non-Executive Director</i>
Nationality/Age	: Malaysian / 68
Academic/Professional Qualifications	: 1) Fellow of the Institute of Chartered Accountants in England & Wales 2) Member of the Malaysian Institute of Accountants 3) Member of the Malaysian Institute of Certified Public Accountants
Working Experience	: 1) Senior Group Director, DRB-HICOM Berhad (1995 – 2005) 2) Group Executive Director, Malaysia Mining Corporation Berhad (1976 – 1995)
Other Directorships in Public Companies	: <b>RHB Banking Group</b> 1) RHB Islamic Bank Berhad 2) RHB Insurance Berhad 3) RHB Trustees Berhad ( <i>formerly known as OSK Trustees Berhad</i> ) 4) Malaysian Trustees Berhad



**Statement Accompanying Notice of  
Nineteenth Annual General Meeting**  
(Pursuant to Paragraph 8.27(2) of the Main Market  
Listing Requirements of Bursa Malaysia Securities Berhad)

(ii) Further details of individual who is standing for re-appointment as Director as per Agenda 4 of the Notice of 19th AGM:

**Resolution 4**

Name of Director	: <b>Dato' Nik Mohamed Din Datuk Nik Yusoff</b> <i>Non-Independent Non-Executive Director</i>
Nationality/Age	: Malaysian / 71
Academic/Professional Qualifications	: Barrister-at-law, Lincoln's Inn
Working Experience	: 1) Non-Independent Non-Executive Chairman, OSK Holdings Berhad (2009 – Present) 2) Executive Chairman, OSK Ventures International Berhad (2003 – Present) 3) Executive Chairman, OSK Property Holdings Berhad (2000 – Present) 4) Executive Chairman, OSK Holdings Berhad (1998 – 2009) 5) Executive Chairman (last position held), Bursa Malaysia Securities Berhad (1988 – 1997) 6) Executive Chairman, OSK Investment Bank Berhad (1984 – 1988)
Other Directorships in Public Companies	: <b>RHB Banking Group</b> 1) Malaysian Trustees Berhad 2) RHB Trustees Berhad ( <i>formerly known as OSK Trustees Berhad</i> )

**Other Public Companies**

- OSK Holdings Berhad (Chairman)
- OSK Property Holdings Berhad (Chairman)
- OSK Ventures International Berhad (Chairman)
- Jerasia Capital Berhad (Chairman)
- QBE Insurance (Malaysia) Berhad (Chairman)
- Federation of Public Listed Companies (Vice-President II)
- Ke-Zan Holdings Berhad
- Datin Seri Ting Sui Ngit Foundation

(iii) The Directors' direct and indirect interests in the securities of the Company as at 3 March 2014:

Name of Directors	Direct Interest		Indirect Interest	
	No. of issued shares	% of issued shares	No. of issued shares	% of issued shares
Dato' Mohamed Khadar Merican	64,486	*	-	-
Tan Sri Azlan Zainol	-	-	-	-
Datuk Haji Faisal Siraj	-	-	-	-
Dato' Teo Chiang Liang#	-	-	5,358	*
Dato' Saw Choo Boon	-	-	-	-
Dato' Nik Mohamed Din Datuk Nik Yusof	-	-	-	-
Mr Kellee Kam Chee Khiong	-	-	-	-

Notes:

\* Negligible percentage

# Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in Intereal Corporation Sdn Bhd.

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# Proxy Form



**RHB Capital Berhad**

(Company No. 312952-H)

(Incorporated in Malaysia under the Companies Act, 1965)

No. of Ordinary Shares held

I/We \_\_\_\_\_ NRIC/Passport/Company No. \_\_\_\_\_  
(Name in block letters)

of \_\_\_\_\_  
(Full address)

being a member of **RHB CAPITAL BERHAD** hereby appoint:

(Name & NRIC No.) \_\_\_\_\_ of \_\_\_\_\_  
and/or\*  
(Name & NRIC No.) \_\_\_\_\_ of \_\_\_\_\_

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 Nineteenth (19th) Annual General Meeting of the Company to be held at Ballroom 1 & 2, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, on Thursday, 8 May 2014 at 11.00 a.m. and 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:

	<b>Resolutions</b>	<b>For</b>	<b>Against</b>
Ordinary Resolution 1	To approve a single-tier final dividend of 10.3% in respect of the financial year ended 31 December 2013 as recommended by the Board.		
Ordinary Resolution 2	To re-elect Tan Sri Azlan Zainol as Director.		
Ordinary Resolution 3	To re-elect Datuk Haji Faisal Siraj as Director.		
Ordinary Resolution 4	To re-appoint Dato' Nik Mohamed Din Datuk Nik Yusoff as Director.		
Ordinary Resolution 5	To approve the increase of Directors' fees from RM100,000.00 to RM180,000.00 per annum for Non-Executive Chairman and from RM80,000.00 to RM150,000.00 for Non-Executive Directors retrospective from 1 January 2013 and further to approve the payment of Directors' fees totalling RM1,080,000.00 for the financial year ended 31 December 2013.		
Ordinary Resolution 6	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 7	To approve the authorisation for Directors to issue shares pursuant to Section 132D of Companies Act, 1965.		
Ordinary Resolution 8	To approve the proposed renewal of the authority to allot and issue new ordinary shares of RM1.00 each in RHB Capital Berhad for the purpose of the Company's Dividend Reinvestment Plan.		

(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 \_\_\_\_\_, 2014

\_\_\_\_\_  
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 30 April 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 19th 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 and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to 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. 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.
7. Registration counter will open from 10.00 a.m. to 11.00 a.m. on the meeting day to facilitate shareholders/proxy registration.

PLEASE FOLD HERE

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Postage  
Stamp

The Share Registrar of **RHB CAPITAL BERHAD**  
**SYMPHONY SHARE REGISTRARS SDN BHD**  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor

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**RHB Capital Berhad**

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