

A View From Our Chairman

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TAN SRI AZLAN ZAINOL
Chairman

*Dear Valued Shareholders,
It has been a relatively good year for RHB as we continued to meet our strategic objectives, which helped us strengthen our position in the market while building capabilities for future growth. I am therefore pleased to present to you the Group's first-ever Integrated Report which gives an overview on our efforts to create sustainable value over time for all our stakeholders.*

NAVIGATING A CHALLENGING ENVIRONMENT

Malaysia's banking industry experienced a moderation in growth in 2019, largely due to lower demand for loans across most segments as a result of slowing global growth and trade uncertainties caused by the US-China trade tensions. While Malaysia's economy was backed by solid private consumption, this was impacted by a reduction in investments due to the uncertain global trade environment and lower spending by the federal government, leading to a slower GDP growth of 4.3% in 2019 against 4.7% in 2018.

Bank Negara Malaysia's ("BNM") cuts in the Overnight Policy Rate ("OPR") in May 2019 and January 2020 were intended to rejuvenate the local economy given external factors that had dampened consumer sentiment. The third and most recent cut in March 2020, which reduced the OPR to 2.50%, was to provide a more accommodative monetary environment in light of the global COVID-19 outbreak. Business activities have been affected by the subdued market sentiment, and this has weighed on loan demand. For banks, more effort has been put in to maintain asset quality strength.

However, BNM's approach in relaxing lending guidelines for SMEs through its rescheduling and restructuring programme should provide some respite. This will support the growth in the SME sector, which has outpaced overall Malaysian GDP growth consistently over the past few years. This is important considering that SMEs make up about 98% of all business establishments and contribute to 66% of employment.

For RHB specifically, some of the challenges faced included having to overcome a sluggish real estate market and dampened investor and consumer confidence coupled with lower activity in the capital markets. FIT22, our five-year strategic roadmap - Fund Our Journey, Invest To Win and Transform The Organisation - was launched in 2018 to navigate these challenges. FIT22 is now in its second year and has shown good progress with an uplift of 30.9% in pre-tax profit since its launch. The five-year strategic plan is designed to enable

the Group to break into the Top 3 of banks in Malaysia based on performance. We will do this by focusing on core segments, leveraging on digital technology and building a good operating model via the adoption of Agile@Scale.

The adoption of Agile@Scale in 2018 has transformed our work culture by bringing together key resources from multiple disciplines to achieve the common goal of putting our customer first. By empowering our people, we have seen greater collaboration and higher levels of productivity, resulting in faster speed-to-market of our products and services. This sustained effort to innovate led to solid and incremental gains across RHB, while at the same time driving our strategic initiatives to deliver sustained value creation. The Group has proven its resilience and delivered a commendable financial performance in 2019.

DIVIDEND MILESTONE

On the back of this strong performance, we have proposed a final dividend of 18.5 sen per share to our shareholders. Together with the interim dividend of 12.5 sen per share paid in October 2019, the total dividend payout ratio of 50.1% or 31.0 sen per share is the highest ever in the Group's history.

A NEW APPROACH TO REPORTING

While the Group invests enormous resources in creating long-term value, it is equally important to ensure that we report consistently and transparently. It was therefore a conscious and collective decision to produce our first Integrated Report for this financial year, which has been benchmarked against local guidelines and frameworks and further guided by international integrated reporting frameworks.

Through this report, we not only examine how the Group creates sustainable value over time, but also provide stakeholders with insights into the thinking that goes into some of Management's decisions that are material to the business. It has been an exciting journey for the Board of Directors, Senior Management and our employees as we look forward to building on this important initiative in the coming years.

BUILDING A SUSTAINABLE FUTURE

We began our sustainability journey in 2018 and in 2019, we started to institutionalise sustainable practices into our business and operations in line with our Sustainability Framework. Driving the Framework are three pillars – Sustainable and Responsible Banking, Embedding Good Practices and Enriching and Empowering Communities. The Framework outlines how the Group can better respond to

changing stakeholder expectations and also considers the wider Environmental, Social and Governance ("ESG") contexts of our business activities. Beyond this, the Framework enables us to be strategic and measure the value or impact created through our nine (9) key focus areas.

The Framework also complements RHB Islamic's journey towards being a value-based intermediation ("VBI") bank.

The Group has sought to ensure that sustainability is embedded throughout our business and operations. Through our Sustainable and Responsible Banking pillar, we strive to play our role as a responsible financial services provider that incorporates ESG considerations into our decision-making and risk management processes. RHB has also embedded ESG considerations when identifying opportunities in order to create measurable societal and positive impact. To this end, we will continue identifying opportunities that will contribute to sustainable development. For instance, we are committed to extending RM5.0 billion by 2025 in support of green activities through lending, advisory and/or investments.

We continue Embedding Good Practices within the Group by enhancing our policies and processes as well as by adopting the highest levels of corporate governance in conducting our business and operations. We recognise the importance of investing in our talent and leadership development. To this end, we have invested more than RM40 million in learning and development, which includes investing in a structured leadership development programme.

Our third pillar is on Enriching and Empowering Communities within which we operate. We reached out to more than 11,500 secondary school students through the RHB Money Ma\$ter Programme, a structured financial literacy programme and more than 800 students through the RHB X-Cel Academic Excellence Programme, a holistic educational programme to support underprivileged students in excelling in and furthering their studies.

As we continue to progress, we will enhance our sustainability practices and engage further with our stakeholders on our sustainability efforts.



Please refer to our Sustainability Report 2019 for more details on our sustainability initiatives.

STRENGTHENING GOVERNANCE

During the year, the Board continued to uphold its commitment to maintaining the highest standards of governance. We appointed two Independent Non-Executive Directors, one each in March 2019 and January 2020 respectively, which brings the total composition of Independent Non-Executive Directors on the Board to 55%. We continue to work cohesively to provide guidance and oversight across the business and functional areas, including on the implementation of the Group's FIT22 strategic plan. To further strengthen our commitment to uphold the highest standards of corporate governance within the Group, the Board approved the formation of the Integrity and Governance Division ("IGD") in January 2020. This new function has been empowered to strengthen internal controls with the primary aim of preventing corruption, bribery, fraud and other misconduct across all levels of employees, as well as among vendors and other third parties.



Please refer to the Corporate Governance Overview Statement in the Integrated Report 2019 on pages 106 to 122 for more details.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to record our deepest appreciation to our Shareholders, Customers and Business Partners for your unwavering support and trust as we continue building on RHB's value creation journey.

To all our employees, thank you for your dedication and hard work. Likewise, my sincere appreciation to the Group Senior Management team, for their commitment in driving a high performance culture at RHB. To my fellow Board members across the Group, your insight and wisdom have steered the Group to where we are today and helped ensure the Group's best interests are taken care of at all times.

Special acknowledgements also go to the Ministry of Finance, BNM, Securities Commission Malaysia, Bursa Malaysia and all other regulatory authorities in the countries we operate in for their continuous guidance and support over the years.

AZLAN ZAINOL
Chairman
3 March 2020