

Together we drive
sustainable growth

INTEGRATED REPORT 2022



About This Report

We are pleased to present RHB Banking Group's ("RHB") Integrated Report 2022. The purpose of this report is to provide a balanced assessment of how we create value for our diverse stakeholders. The report covers our material matters, business strategies, risk and capital management, corporate governance, as well as financial and non-financial performance.

Through an integrated approach, we create shared value for current and future generations, thus aligning with our sustainability commitments. Our efforts reflect our contributions to the economy through responsible banking decisions, as well as how we drive positive change to the environment and society as a whole.

This report aims to share relevant information with our stakeholders so that they can make a fair and balanced assessment of our short to long-term performance. This includes addressing the information requirements of our long-term investors, shareholders and regulators, as well as disclosing how we create sustainable value for our customers, employees, suppliers and society at large.

SCOPE AND BOUNDARY

RHB's Integrated Report is produced and published annually. This report covers the period between 1 January 2022 to 31 December 2022, unless stated otherwise. The report encompasses all our operations and activities across the Association of Southeast Asian Nations ("ASEAN") region. It also covers our strategies, business activities and performance, as well as initiatives that impact all our key stakeholders.

MATERIALITY AND MATERIAL MATTERS

The information included in this report is shaped by our material matters. Therefore, the report focuses on the risks, opportunities and outcomes that have a material impact on our business and stakeholder value creation. Our material matters, as elaborated on page 54, also influence the development of our strategies.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements concerning our future priorities, strategies and growth opportunities. These are based on predictions and expectations that may change due to uncertainties beyond our control. Therefore, all forward-looking statements are inconclusive and have not been reviewed by auditors or other relevant independent parties. These forward-looking statements were derived from our business plans, economic forecasts and other relevant resources.

STATEMENT OF LEADERSHIP APPROVAL

RHB's senior management team acknowledges its responsibility to ensure the integrity of this Integrated Report. It is the management team's opinion that this report addresses irrelevant issues that are material to the Group's ability to create value.



Mohd Rashid Mohamad

Group Managing Director/Group Chief Executive Officer RHB Banking Group
(on behalf of RHB's Senior Management Team)

IR Integrated Report

Our primary Report used to communicate our value creation strategies, performance and outlook to our stakeholders

FR Financial Report

Details the Group's financial statements and analysis of the financial results, further supported by an independent auditor's report

SR Sustainability Report

Communicates the Group's approach to sustainability and efforts in creating sustainable value

NAVIGATION ICONS

OUR CAPITALS

- FC** Financial Capital
- MC** Manufactured Capital
- HC** Human Capital
- IC** Intellectual Capital
- SRC** Social and Relationship Capital
- NC** Natural Capital

OUR STAKEHOLDERS

- CU** Customers
- RA** Regulatory Authorities and Policymakers
- EM** Employees
- CO** Communities
- SI** Shareholders and Investors
- SB** Suppliers and Business Partners
- FI** Financial Industry Peers

STRATEGIC PILLARS

- PB** Be Everyone's Primary Bank
- CX** Prioritise Customer Experience
- QG** Drive Quality Growth

SUSTAINABILITY CORE PILLARS

- SF** Sustainable and Responsible Finance
- EP** Embedding Good Practices
- EC** Enriching and Empowering Communities

REPORTING FRAMEWORKS

We benchmark our Integrated Report against the following frameworks and disclosure requirements:

- Integrated Reporting (“IR”) Framework
- Bursa Malaysia Securities Berhad Main Market Listing Requirements (“MMLR”)
- Malaysian Code on Corporate Governance (“MCCG”)
- Bursa Malaysia Corporate Governance Guide (4th Edition)
- Companies Act 2016
- Malaysian Financial Reporting Standards (“MFRS”)
- Bank Negara Malaysia’s (“BNM”) Policy Documents and Guidelines
- International Financial Reporting Standards and other regulatory requirements, as applicable

For sustainability-related disclosures, we align with the following key sustainability guidelines and standards:

- Global Reporting Initiative (“GRI”) Standards
- Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition)
- United Nations Sustainable Development Goals (“UNSDGs”)
- Recommendations by the Task Force on Climate-related Financial Disclosures (“TCFD”)
- Greenhouse Gas (“GHG”) Protocol: Corporate Accounting and Reporting Standard



Together we drive sustainable growth

At RHB Banking Group, we are committed to achieving sustainable growth, and seek to deliver exceptional customer experiences and service excellence through our ‘*Together We Progress 2024*’ (TWP24) corporate strategy.

As a responsible financial services provider, we are dedicated to driving progress and catalysing change through the use of finance as a force for good. We understand the importance of sustainability, not just as a business strategy but also as a reflection of our values and commitment for a better tomorrow.

Hence, our cover design embodies this vision by featuring green leaves that represent our commitment in building for the future, and water and ripples that symbolise the interconnectedness of our stakeholders and the power of small actions to create change.

We believe that by working together, we can create the greatest positive impacts, as we continue to utilise our resources and expertise to Make Progress Happen for Everyone.

KEY RISKS

- | | |
|---|---|
| CR Credit Risk | SNR Shariah Non-Compliance Risk |
| MR Market Risk | SR Sustainability Risk |
| LR Liquidity Risk | IBR Interest Rate Risk in the Banking Book/
Rate of Return Risk in the Banking Book |
| OR Operational Risk | RR Reputational Risk |
| TCR Technology and Cyber Risk | CR Corruption Risk |
| RNR Regulatory Non-Compliance Risk | |

MATERIAL MATTERS

- | | | |
|---|---|--|
| ERM ESG Risk Management | DI Digitalisation and Investment in Technology | EW Employee Health, Safety and Wellness |
| CC Climate Change | GG Good Business Governance | DO Diversity and Equal Opportunity |
| SF Sustainable Financial Services | DC Data Protection and Cybersecurity | ES Environmental Stewardship |
| CM Customer Relationship Management | TM Talent Management | SC Sustainable Supply Chain |
| FC Fair Treatment of Financial Consumers | EL Employee Learning and Development | CE Community Empowerment and Enrichment |
| FI Financial Inclusion | | |

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Form of Proxy

57th

Annual General Meeting of RHB Bank Berhad



Online Broadcast Venue, Meeting Room 3, Level 16, Tower Three, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia



Wednesday, 10 May 2023



10.00 a.m

INSIDE

→ THIS REPORT

We are pleased to present
the 2022 Integrated Report
for RHB Banking Group



Online Integrated Report 2022
www.rhbgroup.com

Brand Promise, Purpose Statement & Our Values

WE ARE GUIDED BY OUR PURPOSE

Making Progress Happen for Everyone

OUR BRAND PROMISE

Together We Progress

Our strong heritage is the foundation of our commitment to continue serving the community. For more than 100 years, we have been helping people and businesses grow and succeed, and will continue to do so.

Our experience gives us an in-depth understanding of the needs of our customers and business partners, inspiring us to constantly innovate and improve to serve them better. With your continual support, we have established ourselves with a strong footprint throughout Malaysia and are in seven other countries across the ASEAN region.

We hope our legacy and pursuit for excellence continues as we tirelessly cultivate and nurture the next generation through our actions and words, preparing them for a brighter future ahead.

We thank you for believing in us and welcome everyone to join us on our exciting journey of progress. In order to realise our greater potential, we must continue to work in unison as we move forward. Our brand promise *'Together We Progress'* honours our past, celebrates the present and welcomes the future.

We invite you to join us as we work towards a better and brighter future for all.

UNDERPINNED BY OUR VALUES

PROFESSIONAL
RESPECT
INTEGRITY
DYNAMIC
EXCELLENCE

WE LISTEN TO THE NEEDS OF OUR STAKEHOLDERS

Focused on growth and innovative solutions in approaching material risks

- CU** Customers
- SI** Shareholders and Investors
- RA** Regulatory Authorities and Policymakers
- SB** Suppliers and Business Partners
- EM** Employees
- FI** Financial Industry Peers
- CO** Communities

[Read more on page 34](#)

TO CREATE POSITIVE IMPACT THROUGH SUSTAINABILITY FOCUS AREAS

SF

SUSTAINABLE AND RESPONSIBLE FINANCE

EP

EMBEDDING GOOD PRACTICES

EC

ENRICHING AND EMPOWERING COMMUNITIES

CR **PATHWAY TO A CLIMATE-RESILIENT FUTURE**

[Read more on page 133](#)



RHB BANKING GROUP
@RHBGroup · Financial Service

Customer Contact Centre

Malaysia
Tel : +603 9206 8118
Email : customer.service@rhbgroup.com

WHO WE ARE

RHB BANKING GROUP, a multinational regional financial services provider, strives to provide complete financial solutions to its customers. With a comprehensive range of services to suit its customers' evolving requirements, RHB offers a fast and seamless customer experience, supported by its dedicated team of employees.

As a leading financial institution in Malaysia, RHB has firmly established its presence and brand through its wide range of products and unique value propositions. With the support of over 14,000 employees Group-wide, RHB's reach also extends to seven other countries in the ASEAN region.



Market Capitalisation

RM 24,592
million



Total Employees

>14,000
employees



Presence

8 countries 314 branches and offices

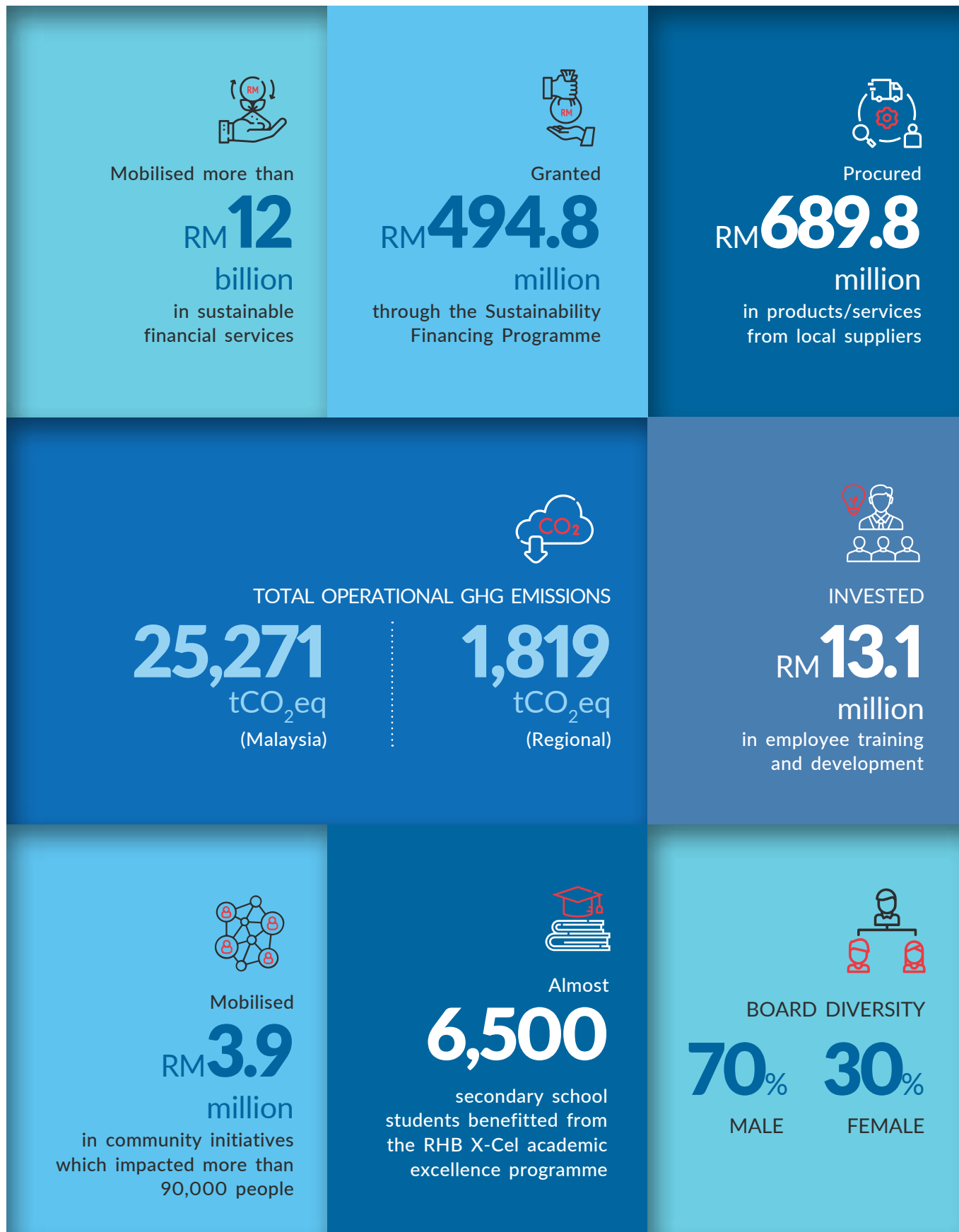


Attractive Investment Proposition

Financial Highlights



Sustainability Highlights



- OVERVIEW
- LEADERSHIP INSIGHTS
- VALUE CREATION
- MD&A
- RHB**
- SUSTAINABILITY JOURNEY
- LEADERSHIP
- OUR GOVERNANCE
- STAKEHOLDERS' INFORMATION

Our Presence



MALAYSIA

Services Offered

- Group Community Banking, consisting of Retail Banking and SME
- Group Wholesale Banking
- Group Shariah Business
- Group International Business
- Insurance Business
- Capital Markets



Employees

2022 - **12,601**
2021 - **12,555**



Branches/Offices

2022 - **268**
2021 - **309**



SINGAPORE

Services Offered

- Retail Banking
- Corporate & Investment Banking
- Treasury



Employees

2022 - **668**
2021 - **651**



Branches/Offices

2022 - **9**
2021 - **9**



CAMBODIA

Services Offered

- Retail Banking, Capital Markets and Securities Services



Employees

2022 - **378**
2021 - **308**



Branches/Offices

2022 - **13**
2021 - **14**



INDONESIA

Services Offered

- Capital Markets and Securities Services



Employees

2022 - **171**
2021 - **204**



Branches/Offices

2022 - **14**
2021 - **15**

MALAYSIA
Total Income 2022
RM7,344.2 mil
RM6,913.6 mil (2021)

SINGAPORE
Total Income 2022
SGD197.5 mil
SGD174.6 mil (2021)

CAMBODIA
Total Income 2022
USD32.0 mil
USD31.3 mil (2021)

INDONESIA
Total Income 2022
IDR214.5 bil
IDR209.1 bil (2021)

THAILAND
Total Income 2022
THB810.0 mil
 THB902.7 mil (2021)



- Services Offered**
- Retail Banking, Capital Markets and Securities Services
 - Treasury and Corporate Banking

Employees	Branches/Offices
2022 - 188 2021 - 195	2022 - 9 2021 - 10

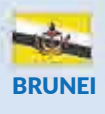
VIETNAM
Total Income 2022
VND9.5 bil
 VND8.2 bil (2021)



- Services Offered**
- Securities Services
 - Representative Office

Employees	Branches/Offices
2022 - 27 2021 - 26	2022 - 1 2021 - 1

BRUNEI
Total Income 2022
BND4.3 mil
 BND4.1 mil (2021)



- Services Offered**
- Retail Banking Services

Employees	Branches/Offices
2022 - 30 2021 - 28	2022 - 1 2021 - 1

LAO PDR
Total Income 2022
LAK41.8 bil
 LAK36.8 bil (2021)



- Services Offered**
- Retail Banking Services

Employees	Branches/Offices
2022 - 71 2021 - 69	2022 - 3 2021 - 3

OVERVIEW

LEADERSHIP INSIGHTS

VALUE CREATION

MD&A



SUSTAINABILITY JOURNEY

LEADERSHIP

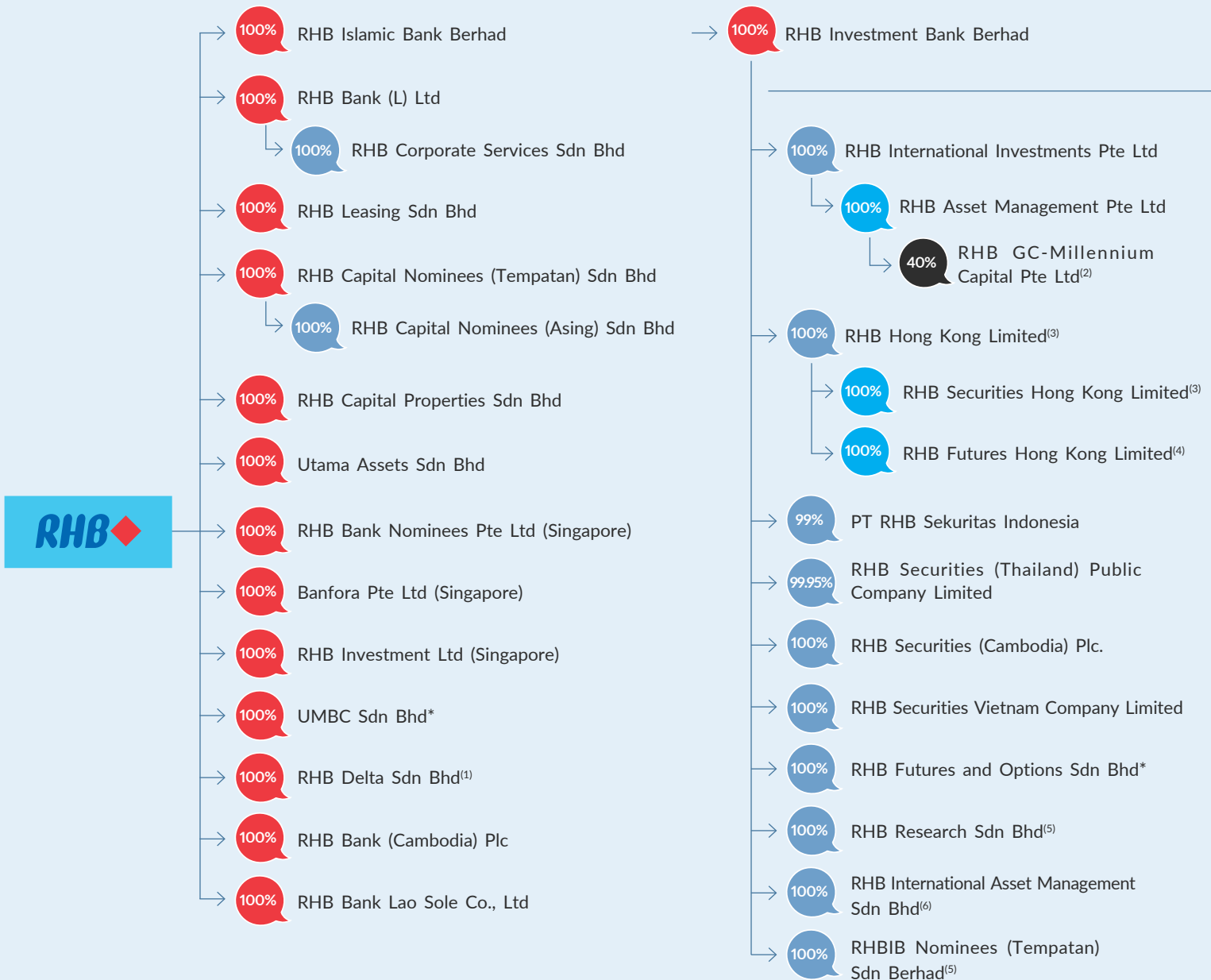
OUR GOVERNANCE

STAKEHOLDERS' INFORMATION

In addition to our strong presence in Malaysia, RHB has a regional footprint that extends across seven other countries in ASEAN.

Group Corporate Structure

28 February 2023



Notes:

* Dormant company

¹ The company commenced member's voluntary winding-up on 16 February 2011.

² Jointly controlled entity.

³ The company commenced member's voluntary winding-up on 31 December 2022.

⁴ The company commenced member's voluntary winding-up on 14 December 2022.

⁵ The company commenced member's voluntary winding-up on 30 June 2017.

⁶ The company commenced member's voluntary winding-up on 27 December 2021.

⁷ Direct shareholdings of 20.00% each held by:

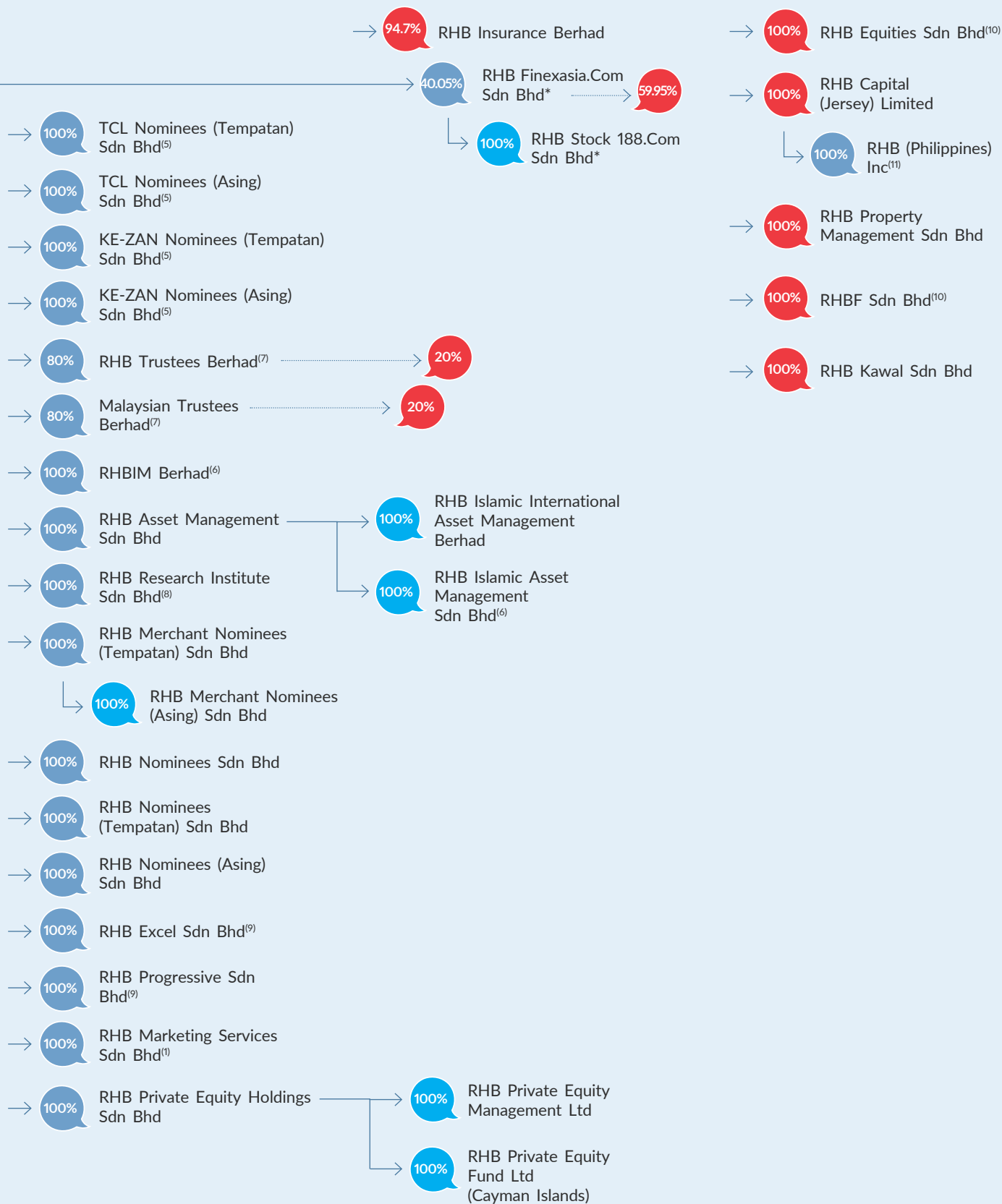
- (i) RHB Investment Bank Berhad;
- (ii) RHB Nominees (Tempatan) Sdn Bhd;
- (iii) RHB Nominees (Asing) Sdn Bhd;
- (iv) RHB Futures and Options Sdn Bhd; and
- (v) RHB Bank Berhad.

⁸ The company commenced member's voluntary winding-up on 30 September 2020.

⁹ The company commenced member's voluntary winding-up on 28 March 2012.

¹⁰ The company commenced member's voluntary winding-up on 3 August 2020.

¹¹ The company commenced the application for voluntary liquidation and dissolution on 25 June 2020.



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What We Do

WHO WE ARE

Group Community Banking (“GCB”) comprises the Retail Banking and SME Banking segments. We serve over 3.9 million individual customers and more than 200,000 businesses, providing both conventional and Shariah-compliant products and services to individual consumers and SMEs. Retail Banking provides consumer banking solutions ranging from Wealth Management, Bancassurance, Mortgages, Auto Financing and ASB Financing to Personal Financing, Credit Cards, Payments and Deposits, while SME Banking provides financing solutions to SMEs and family-owned enterprises. We are committed to serving our customers with excellence and to make banking more convenient and seamless by leveraging digitalisation to deliver innovative, market-relevant products.

WHO WE ARE

Group Wholesale Banking (“GWB”) comprises the key business segments of Group Investment Banking, Group Corporate Banking, Commercial Banking, Group Treasury and Global Markets, Group Asset Management, Transaction Banking and supported by our Research and Economics teams. GWB provides comprehensive and coordinated services across a wide spectrum of products and solutions to cater to the needs and requirements of our clients both in Malaysia and in the region. We are able to help our clients’ progress as we tap the collective expertise and potential for synergies across our business segments, which is also crucial to opening up new opportunities and strengthening our business in the markets where we have presence.

WHO WE ARE

Group International Business (“GIB”) manages our overseas Commercial Banking operations. Our portfolio and solutions span five countries namely Singapore, Cambodia, Thailand, Laos, and Brunei, supported closely by expertise from our Malaysian headquarters. GIB works toward the Group’s aspiration to build an integrated overseas business that leverages localised networks to serve the needs of our diverse customers and clients through our established presence where solutions such as loans, deposits, wealth management, trade financing, regions’ premier banking, Banca and SME lending are provided such that we continue to improve, stay relevant and competitive to our valued clients.

WHO WE ARE

RHB Islamic Bank is the Group’s Islamic Banking arm, providing Shariah-compliant banking and financial services through Group Community Banking and Group Wholesale Banking. RHB Islamic also provides Shariah advisory based on the Shariah Advisory Council’s requirements and policies as well as the integration of Value Based Intermediation into the Group’s business.

WHO WE ARE

RHB Insurance provides general insurance for our retail and corporate customers. We offer a comprehensive range of general insurance and other products for better protection and peace of mind of our customers.

GROUP COMMUNITY BANKING

Strengths and Differentiators

- A leader in business banking, focusing on Small and Medium Enterprises (“SME”) with end-to-end digital onboarding capability for transactional and lending products across various channels
- Differentiated and disruptive client value propositions (“CVPs”) across both Retail & SME client segments

GROUP WHOLESALE BANKING

Strengths and Differentiators

- Market leader in corporate loans and financing, transaction banking, fixed income distribution and underwriting, equity underwriting, merger and acquisition, call warrants and asset management
- Personalised wholesale banking experience built on deep understanding and relationships with clients as well as the capability to provide customer-centric and tailored bespoke solutions
- Differentiated digital solution such as digital onboarding capability, Reflex system with API connectivity, end-to-end digitised supply chain financing and RHB Live FX with real-time FX rates

GROUP INTERNATIONAL BUSINESS

Strengths and Differentiators

- Comprehensive financial solutions supported by a localised and hyper-focused approach to target segments
- Access to regional network spanning five countries in the ASEAN region

GROUP SHARIAH BUSINESS

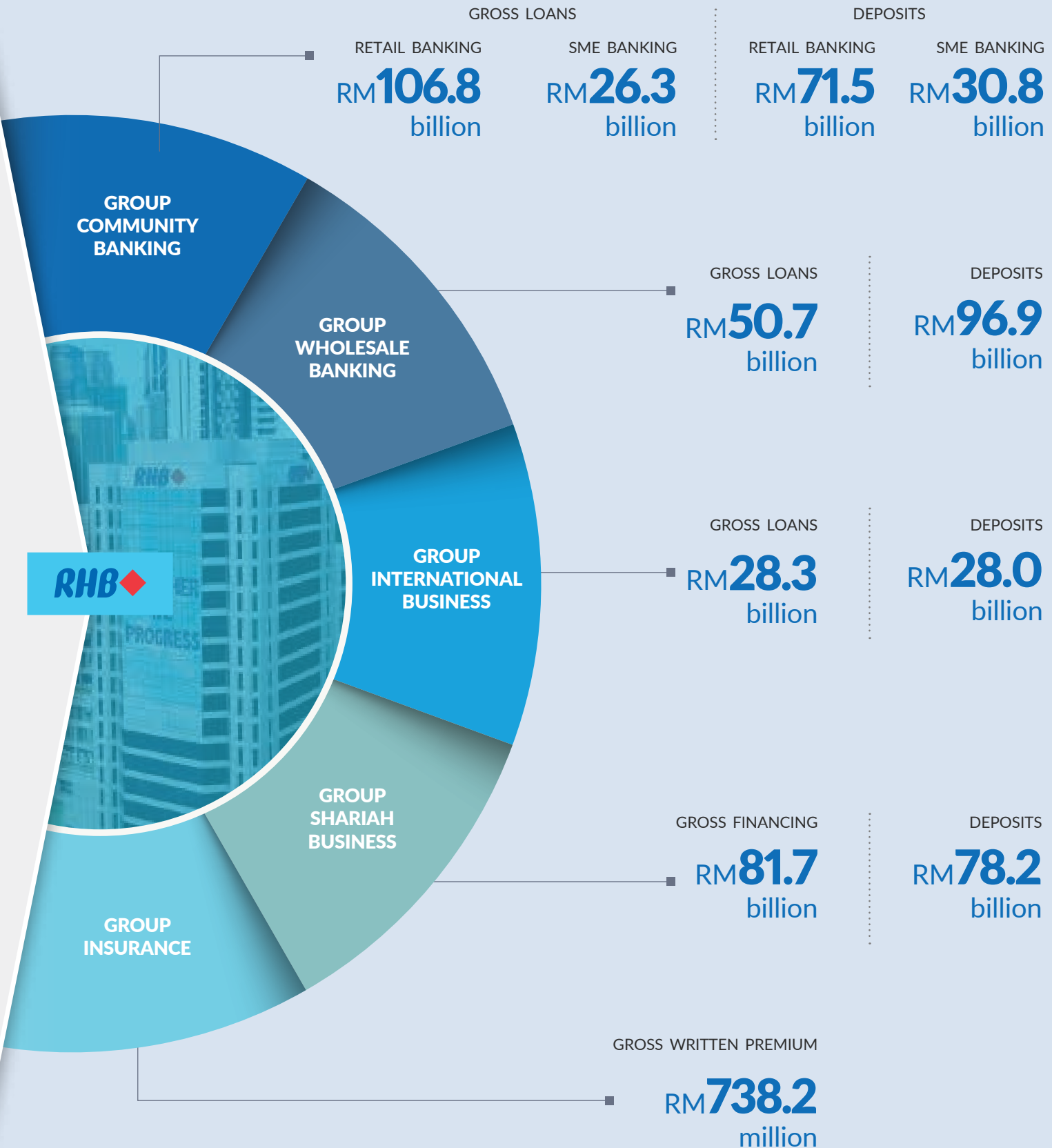
Strengths and Differentiators

- Comprehensive Shariah-ESG funds and Investment solutions

GROUP INSURANCE

Strengths and Differentiators

- Easy and convenient access to service and support through a network of 15 nationwide branches, as well as 751 Pos Malaysia branches with more than 2,200 authorised agents
- Strong rapport with strategic partners for comprehensive financial solutions



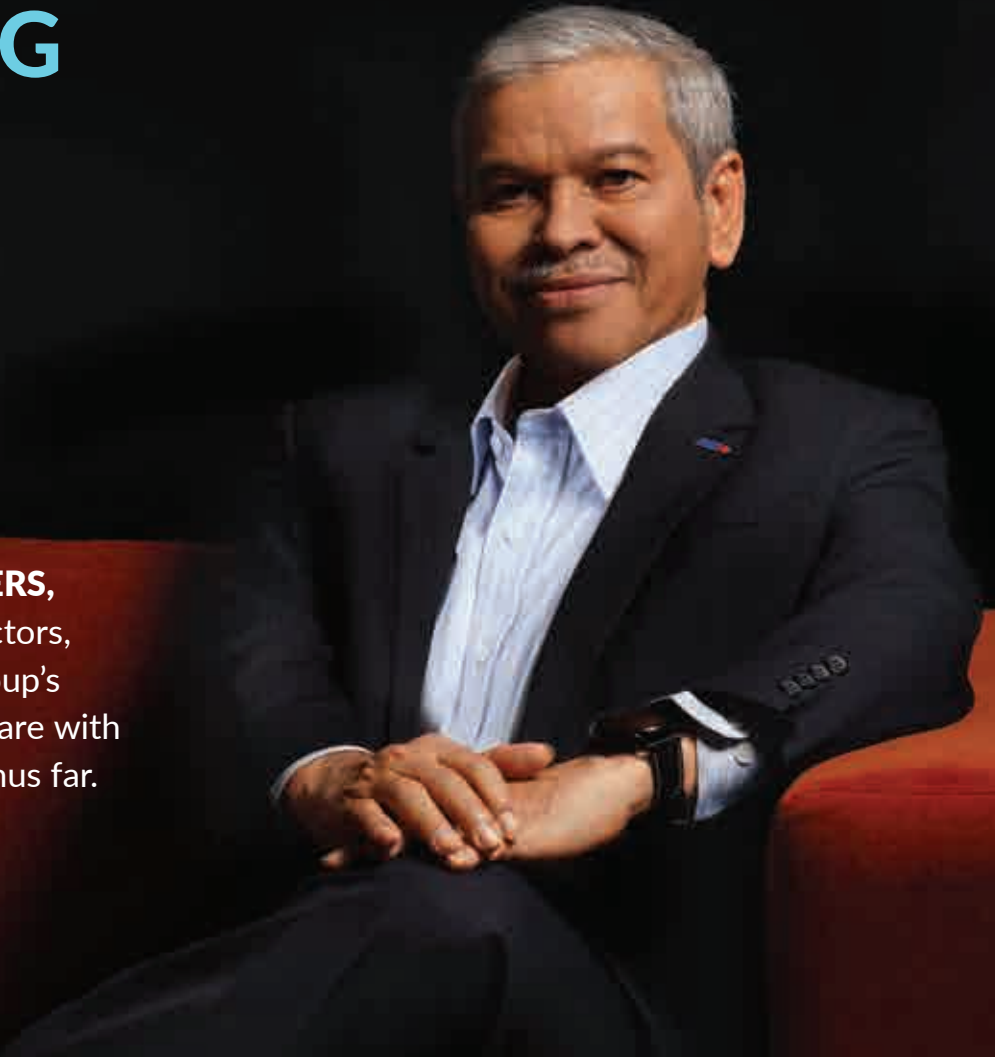
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ADVANCING VALUE CREATION



TAN SRI AHMAD BADRI MOHD ZAHIR
Chairman

DEAR VALUED SHAREHOLDERS,
On behalf of the Board of Directors,
I am pleased to present the Group's
Integrated Report 2022, and share with
you our journey and progress thus far.



TOTAL DIVIDEND
PER SHARE

40 sen
per share

DIVIDEND
PAYOUT RATIO

62.5 %

DIVIDEND
YIELD

6.9 %

BASIC EARNINGS
PER SHARE

64.7 sen
per share

A Message From Our Chairman



OVERVIEW OF 2022

RHB Banking Group (“RHB” or “Group”) demonstrated continued financial resilience in FY2022, reflective of our ability to withstand the aftershock and challenges brought about by the COVID-19 pandemic. We made significant progress in driving value creation and in supporting our customers, colleagues, and especially the communities, throughout their journey of recovery and growth. We strive to fulfil our purpose responsibly in ways that are meaningful to all our key stakeholders.

In line with our value creation journey, the Group launched its new corporate strategy that defines our aspirations, growth strategy, and key focus areas for the Financial Years 2022-2024, themed Together We Progress 24 (“TWP24”).

OUR TWP24 STRATEGY AND ACHIEVEMENTS

Our value-creating strategy guides us in delivering our Brand Promise, **Together We Progress**. TWP24 places shared value at the heart of its objectives – to Be Everyone’s Primary Bank, Prioritise Customer Experience, and Drive Quality Growth.

Building on the momentum of TWP24, we continued to deliver sustainable value on the back of strong fundamentals. In this regard, the Group’s financial performance for FY2022 remained strong, recording a Net Profit of RM2,707.7 million, a 3.4% growth from the previous year.

Despite a challenging economic environment, the banking sector remained resilient with healthy liquidity buffers, forming a stable backbone to the economy. This is significant, given the special focus within the sector on protecting asset quality in view of the prolonged health crisis. Domestic loans grew 5.3% Y-o-Y in 2022, reflecting public confidence in the economic outlook. The sector as a whole, progressed in restoring value in line with economic recovery. We continue to plan ahead and prudently anticipate potential headwinds. At the same time, we are well prepared to move past the recovery phase – as we have done – underlined by our Purpose Statement of **Making Progress Happen for Everyone**.

EXCELLENCE IN SERVICE

As we work towards the next phase of growth, we are placing greater emphasis on enhancing customer experience as a key differentiator to further deepen penetration into targeted customer segments. This is largely driven by the RHB Way Service Culture, an initiative that will drive our ambitions to be a leader in Service Excellence through people, process, technology, and products.

We continuously refine our customer-centric culture to create a coherent and seamless customer journey and brand interaction across our physical and digital touchpoints. It is now more important than ever that our digital service quality is consistent and continuously refreshed to keep pace with customer expectations and rapid technological advancements. This will ensure our digital platforms fully realise their potential in enhancing accessibility and inclusion, bringing the signature RHB experience to all our customers including underserved segments, the B40 community, as well as the SME. This is supported by investments into digitalisation, which are channeled towards growing our Digital, IT, and Analytics (“DIA”) workforce mix to 7.7% of total employees from 6.5% in December 2021.

Enhanced by the Agile way of working and design thinking, our Workforce of the Future will better adapt to service delivery in the digital realm, which has become the preferred way of banking among our customers. Our overall efforts towards service excellence was rewarded with a record performance in Net Promoter Score (“NPS”) of +12 and achieving the Top 3 rank among banks in Malaysia.

OVERVIEW

LEADERSHIP INSIGHTS

VALUE CREATION

MD&A



SUSTAINABILITY JOURNEY

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A Message From Our Chairman

OUR SUSTAINABILITY JOURNEY

In tandem with our achievements in service excellence, the Group also made significant progress in our sustainability journey. The Group embarked on Phase 2 of its Sustainability Journey with the launch of our Sustainability Strategy and Roadmap in February 2022.

The Group Sustainability Strategy and Roadmap is anchored against three core pillars of Sustainable and Responsible Finance, Embedding Good Practices, and Enriching and Empowering Communities. Underlining that is a sub-pillar for developing a pathway to a climate-resilient future that is aligned to the Group's corporate strategy, and supports the national commitment, as well as aligned to the Sustainable Development Goals, while meeting regulatory expectations.

We aspire to mobilise RM20 billion in sustainable financial services by 2026 and empower more than two million targeted individuals and businesses across ASEAN in the same period. As at December 2022, we achieved more than RM12 billion in Sustainable Financial Services, exceeding our year-to-date target by more than 40%.

We are cognisant that as a financial services group, we play a significant role in ensuring that we support the national agenda of transitioning to a low-carbon economy. Hence, we are committed to achieving carbon-neutral operations by 2030, while developing a pathway to net zero by 2050. Our journey in developing a pathway to net zero kicked off in the first quarter of 2022 with the launch of the Group Climate Action Programme ("GCAP"), which will be implemented over a two-year period, towards enhancing RHB's climate risk management practices and build expertise in managing climate-related risks. This includes integrating Bank Negara Malaysia's Climate Change and Principle-based Taxonomy ("CCPT") into our risk management process.

Meanwhile, our community empowerment and enrichment programmes nurture future generations and communities across Malaysia and ASEAN, targeting SMEs, micro-SMEs, youth, and the young-to-workforce with relevant financial products and services, skills development and financial literacy. This is evident through initiatives such as RHB Money Ma\$ter programme, RHB X-Cel Academic Excellence programme, and other campaigns aimed at improving the financial ecosystem for students and facilitate cashless campuses.

Critical to the success of our Sustainability journey is a robust governance structure that will ensure effective implementation of our sustainability key focus areas. Towards this end, in August 2022 a Board Sustainability Committee ("BSC") comprising three Independent Non-Executive Directors and one Non-Executive Director, was established to assist the Board of Directors in providing strategic

oversight and ensuring the integration of Sustainability and climate-related considerations into the Group's long-term corporate strategy and decision-making process. I am pleased to share that the Group has achieved commendable performance against all its Sustainability Key Performance Indicators ("KPIs").

Looking ahead, we are attuned to future growth opportunities with due recognition of even faster transitions in operating models on the heels of accelerated sustainability adoption nationally and globally, heightened regulatory expectations, as well as greater stakeholder awareness. Our sustainability focus in 2023 will be on driving forward implementation of the Group Sustainability Strategy and Roadmap, as well as GCAP.

For an in-depth disclosure of the Group's sustainability journey, material matters, KPIs and achievements, I would like to invite all our stakeholders to peruse the RHB Sustainability Report 2022.

GOVERNANCE AS A CONDUIT FOR TWP24

Our commitment to maintaining a sustainable business continues to be underpinned by strong governance measures, where we maintain a robust governance framework that is aligned with industry best practices and regulations.

The Board holds dear the conviction that integrity in business is necessary for continued performance. One noteworthy effort is the introduction of our Group Organisational Anti-Corruption Plan ("OACP") that reaffirms our zero-tolerance stance towards bribery and corruption in alignment with the National Anti-Corruption Plan ("NACP") 2019-2023. Implementation of the OACP will reinforce our commitment to ethical conduct, contributing to a nationwide movement to eradicate the threat of corruption from our business and operations.

RHB's risk management and internal control system comprises policies and due processes that ensure the integrity of our day-to-day business dealings. This system is aligned with regulatory and international best practices. We actively manage and monitor key risks and ensure alignment with the Group's risk appetite. The approach we take is forward-looking, anticipating emerging risks and evaluating the associated risk controls. The Board Risk Committee reviews and assesses principal risks against the business model, performance, solvency or liquidity, its likelihood, and costs. Furthermore, a Responsible, Accountable, Consulted, and Informed ("RACI") framework was implemented across various Board committees to strengthen their decision-making authority over emerging ESG and climate-related risks and opportunities.



ESG RATINGS

- **3.9** and **74th** percentile in **FTSE4Good Bursa Malaysia Index**
- **49/100** in the **Corporate Sustainability Assessment**, an improvement of 2 points from the previous year
- Maintained **AA (Leader)** rating in **MSCI ESG Ratings** for the fourth consecutive year

EMPOWERING OUR PEOPLE

RHB strives to maintain a safe, diverse, and inclusive culture, acknowledging that a positive working environment is a constant work in progress. The Board fully supports efforts to accommodate, embrace, and celebrate diversity within our ranks towards building a strong leadership pipeline founded on the values of Diversity, Equity, and Inclusion (“DEI”).

RHB’s flagship Women in Leadership League (“WILL”) programme is a structured leadership development programme to provide selected female employees the opportunity to develop their leadership skills through a women-led perspective. This is in line with our priority to improve female representation in Top and Senior Management positions, supported by structured learning and development programmes and strategic succession planning. In addition, 2022 saw us proactively baselining the level of DEI culture and awareness across the Group as we recognise that a strong DEI-friendly culture helps foster innovation, value creation and ultimately, financial resilience.

Our people are given targeted development opportunities to support their careers and their ability to drive the Group’s strategic objectives. Sustainability and climate-related knowledge as well as design thinking are among the key areas of development that is relevant to support our sustainability aspirations and to futureproof our workforce. In this regard, the Group has invested RM13.1 million in future-proofing our employees for financial year 2022.

DELIVERING SHAREHOLDER VALUE

In appreciation of the continued trust and support of our shareholders, I am pleased to share that the Board has declared a second interim dividend of 25 sen per share, consisting of cash payout of 20 sen per share and an electable portion under the Dividend Reinvestment Plan of 5 sen per share. Together with the first interim dividend of 15 sen per share, total dividend for FY2022 amounts to 40 sen per share or 62.5% payout ratio, translating into a dividend yield of 6.9%.

FORGING AHEAD WITH YOUR SUPPORT

Allow me to start by thanking all my fellow members of the Board of Directors for their sound oversight and guidance as well as their relentless focus in driving the adoption of good governance, strong risk management culture, and a holistic Sustainability agenda across the Group’s business and operations.

Our sincere appreciation to our shareholders, customers, business partners and all other stakeholders for your continued support, trust, and loyalty in progressing with us through a challenging business environment.

To the Group Senior Management, led by the Group Managing Director, thank you for your commitment, hard work, and dedication in driving the Group’s TWP24 strategy and in delivering a commendable performance in 2022. Your collective leadership has brought the Group to where it is today. Our appreciation also goes to all RHBians who have contributed countless hours to deliver results, in many cases going over and beyond what is required. You represent what it means to create value for our customers, shareholders, communities, and all other stakeholders. Indeed, it is a pleasure to be part of a dynamic working environment together with such a dedicated team.

Last but not least, our sincere gratitude goes to the Ministry of Finance, Bank Negara Malaysia, the Securities Commission, Bursa Malaysia, and all other regulatory authorities within the countries where we have a presence, for your continued guidance throughout the year.

In closing, I am confident that we will continue RHB’s story of sustainable progress in the years ahead, and we remain committed to value creation by *Making Progress Happen for Everyone*.



Tan Sri Ahmad Badri Mohd Zahir
Chairman

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From the Desk of Our Group Managing Director

SERVING CUSTOMERS THE RHB WAY

MOHD RASHID MOHAMAD

Group Managing Director/Group Chief Executive Officer



DEAR VALUED SHAREHOLDERS,

The financial year 2022 has been a fulfilling year, as I began my journey as Group Managing Director/Group Chief Executive Officer of RHB Banking Group. The past year was immersed in new discoveries and a renewed determination that centres on steering the Group towards new levels of growth and enhanced value creation for our stakeholders.

This report takes you through our journey of recovery and growth where we continue to build a more inclusive and sustainable financial ecosystem for our customers, employees, and communities, to better serve all our stakeholders.

With this, I am pleased to present to you RHB's Integrated Report 2022.

A REVIEW OF 2022

On a macroeconomic level, economic recovery was mild, influenced heavily by interest rate movements in major economies, high inflation, and volatile commodities resulting from continued geopolitical unrest.

Resilience in domestic demand was buoyed by private consumption as the main driver of growth, with well-established norms and practices having unravelled following the public health and resultant supply chain crisis. Natural disasters during the year brought further pressure to the financial conditions of both individuals and businesses.

Nevertheless, the banking sector remained resilient, withstanding pressures in the operating environment to maintain profitability and attractive returns. Similarly, RHB had remained steadfast in addressing customers' financial concerns to help them navigate through challenges and together with them, we continue progressing even more rapidly towards greater recovery.

For more on the operating landscape in 2022, refer to the Economic Review on pages 44 to 47.

PERFORMANCE HIGHLIGHTS

I am pleased to share that RHB has delivered yet another year of commendable results, focused on quality growth, service excellence, and operational efficiency.

The Group achieved a 3.4% increase in net profit to RM2,707.7 million for the financial year ended 31 December 2022, while total income grew 6.7% to RM8,308.8 million, mainly from higher net fund-based income. Our business remained resilient with strong performance in the Retail and SME segments, while our Group Wholesale Business faced a challenging year due to tough market conditions.

The Group's gross loans and financing grew 6.9% year-on-year to RM212.2 billion, largely contributed by strong growth in mortgage, auto finance, SME and Commercial. Our SME loans grew 7.9% YoY, making our SME business one of the strongest in the Malaysian banking sector.

Our International businesses continued to be important engines of growth in FY2022, with our two key markets in the ASEAN region, Singapore and Cambodia, posting a strong performance in terms of profitability and loan growth.

For more on RHB's performance in 2022, refer to the Performance Review on pages 73 to 75.



PROFIT BEFORE TAX

RM **4,170.8**
million

NET PROFIT

RM **2,707.7**
million

EARNINGS PER SHARE

64.7
sen

TOTAL OPERATIONAL
GHG EMISSION

25,271
tCO₂eq
(Malaysia)

1,819
tCO₂eq
(Regional)

INVESTED

RM **13.1**
million

in employee training
and development

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A NEW STRATEGIC FOCUS



DRIVING QUALITY GROWTH

A significant development in 2022 was the launch of the Group's new corporate strategy, Together We Progress 2024 ("TWP24"), that spans from 2022 - 2024. TWP24 revolves around the Group's ambition to become a leader in Service Excellence in its quest to deliver sustainable value, with these key strategic objectives: Be Everyone's Primary Bank, Prioritise Customer Experience, and Drive Quality Growth. The shorter three-year implementation period for the strategy positions the Group to be even more agile in navigating and responding to future challenges within the increasingly fluid business environment.

SR For more on the TWP24 strategy, refer to Strategic Review on pages 70 to 71. [🔍](#)

CUSTOMERS AT THE HEART OF RHB

Customer-centricity is engineered into TWP24, and driven largely by our group-wide RHB Way service transformation programme. We recently launched RHB Way 2.0, which drives our ambition of becoming a leader in service excellence and is anchored by three fundamentals of our service commitment, namely to Build Trust, Deliver Convenience, and Create Value.

Our efforts in elevating customer experience have reaped notable results, as evidenced by a record-high Net Promoter Score of 12+ and third ranking in the Malaysian banking industry – a first for RHB. This achievement is further amplified by our Silver Award in Banking, Investment, and Insurance at the Putra Brand Awards 2022, reflective of the strong, lasting, and meaningful connection that we have created between the RHB brand and our customers.

The Group's digital transformation has contributed to our drive towards greater customer experience. To this end, the Group has committed RM500 million to improve customer experience, of which RM400 million has been earmarked for automation and modernisation of our systems. The remaining RM100 million will be invested into upskilling employees to build a future-ready workforce that is critical in driving an integrated and responsive service excellence culture within the organisation.

SR For more on our customer-centric initiatives, refer to Customer Relationship Management on pages 72-75 of RHB's Sustainability Report 2022.

SUSTAINING ESG MOMENTUM

We are at the tipping point of a new era in the industry, where Environmental, Social and Governance (“ESG”) considerations have taken centre-stage in all aspects of our business and operations. The integration of ESG in the financial services space has gained momentum among our customers and regulatory authorities who expect banks to step up in facilitating sustainable practices. This development has prompted financial institutions to ramp up efforts in embracing, catalysing, and championing sustainable best practices. Integrating sustainability considerations into our business strategy and financing approach has long been a dedicated commitment of the Group.

The Group Sustainability Strategy and Roadmap is built on three core pillars: Sustainable and Responsible Finance, Embedding Good Practices, and Empowering Communities. It is further strengthened by our sub-pillar of developing a Pathway to a Climate-Resilient Future. Our Sustainability Strategy and Roadmap are underpinned by three aspirations, which are constantly reviewed to ensure they are aligned with the Group’s immediate and long-term corporate strategy, societal needs, as well as evolving regulatory requirements and national Sustainable Development agenda. Our three Sustainability aspirations are:

- Support sustainable development by mobilising RM20 billion in sustainable financial services by 2026
- Empower more than two million targeted individuals and businesses across ASEAN by 2026
- Achieve carbon-neutral operations by 2030 and develop a pathway to net zero by 2050

We aspire to mobilise RM20 billion in sustainable financial products and services by 2026. We will achieve this by working across our businesses in lending and financing, capital markets and advisory, wealth management, investments, and insurance. This has translated into the launch of new products and better access to financial services that serve the needs of various segments of the community. We have extended over RM12 billion in Sustainable Financial Services as at end December 2022, setting us strongly on track to realise the total committed amount.

RHB is also committed to financial inclusion by providing access to financial products and services to targeted individuals including students, youth, new to the workforce, as well as businesses (SMEs, microenterprises). In 2023, we will kick-start our programme to support and facilitate SMEs in their transition journey through knowledge building, advisory and making available sustainable financing solutions.

“We have extended over RM12 billion in Sustainable Financial Services as at end December 2022, setting us strongly on track to realise the total committed amount.”

We continue to place emphasis on greater diversity within the Group, and we aim to nurture a fair, diverse, and inclusive workforce. As at 31 December 2022, RHB has achieved 30.3% women representation in leadership positions. We view this as the beginning of greater representation for women in management and senior management positions. Through structured development programmes such as our Women in Leadership League (“WiLL”) programme, we aim to empower more of our people with professional development opportunities and remove barriers to inclusion.

In March 2023, we introduced our Sustainability Capability Building Framework (“SCBF”), which aims to foster among our people the skills needed to achieve the Group’s sustainability and climate agenda. The programme anticipates the workforce-related challenges of sustainable growth, especially of the low-carbon transition.

On the social front, RHB’s community enrichment and empowerment initiatives focus on Nurturing Future Generations and Lifting Communities. These programmes promote growth and resilience in children and young adults through holistic learning and self-development, while improving the lives of vulnerable and underserved segments through meaningful community empowerment programmes, which include capacity building and skills development.

SR For more on our approach to the Group Sustainability Strategy and Roadmap, refer to RHB’s Sustainability Report 2022.

“We aspire to mobilise RM20 billion in sustainable financial products and services by 2026.”

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DRIVING CLIMATE ACTION

A key sub-pillar of the Group Sustainability Strategy and Roadmap is developing a pathway towards a climate-resilient future. The Group Climate Action Programme (“GCAP”), rolled out in 2022, outlines our net-zero pathway to a climate-resilient future. Phase 1 was completed in 2022, focusing on climate risk management, ambition setting, and blueprint benchmarking against industry best practices and the relevant regulatory requirements. Now in Phase 2 of implementation, our initiatives cover the end-to-end spectrum of Climate risk strategy, governance, risk management, and disclosure that are aligned with Bank Negara Malaysia’s guidelines towards developing the Group’s pathway to net zero by 2050. The GCAP is further supplemented by a roadmap and blueprint for achieving carbon-neutral operations by 2030, which will guide us towards reducing our operational emissions while offsetting residual emissions.

Managing our financed emissions is an integral component of our climate strategy, and the Group has formalised its stance to no longer finance new thermal coal projects. This is further enhanced by the institutionalisation of a new No Peat, Deforestation, and Exploitation (“NDPE”) policy which is now part of the Group Credit Policy on Prohibited Credits. We continue to assess ESG and climate risks in our portfolio through the ESG Risk Assessment Tool (“ERA”), which was further enhanced in 2022 and is now aligned with BNM’s Climate Change and Principles-based Taxonomy (“CCPT”). At the same time, we are committed to engaging with our clients on their own decarbonisation strategies.

SR For more on RHB’s response to climate change, refer to RHB’s Sustainability Report 2022.

NURTURING A WORKFORCE OF THE FUTURE

Our sustainability and business aspirations place an exacting demand on the skills and capabilities of our people. At RHB, the Workforce of the Future that we envision will be well equipped for the challenges and opportunities of a digital economy. This means the transformation of old habits and practices into new and innovative approaches, supported by the Agile Way of Working. With this in mind, we continue to channel efforts and resources towards accelerating our ongoing digitalisation journey, operationalising new technologies, as well as enhancing capacity and knowledge building throughout the Group.

The structured development programmes that we have in place for employees target various skill-based and role-based needs, while running alongside our comprehensive talent management strategies and initiatives. Training is focused on enabling and empowering employees holistically, blending delivery methods to inculcate a stronger customer-centric mindset. At the same time, we acknowledge the importance of mental health in the workplace; as such, we have implemented numerous wellness campaigns for the benefit of our employees. To inculcate a conducive working environment for our employees, we have also made the option of working from home a fixed benefit to allow for greater freedom and flexibility in our employees’ lives.

SR For more on our People strategies, refer to Talent Management on pages 90-92 and Employee Learning and Development on pages 92-95 of RHB’s Sustainability Report 2022.

VENTURING OPTIMISTICALLY INTO 2023

RHB remains optimistic in navigating through challenges that may come our way, despite the subdued outlook for 2023. Expectations of higher domestic demand in Malaysia as well as among ASEAN economies will present pockets of growth opportunities, where we will progress further ahead through the execution of our TWP24 strategy. We will continue to carve inroads along the same guiding principles that have been key to other areas of achievement, with a special focus on investments in digitalisation and human capital while being guided by our customer-centric aspirations and greater commitment to sustainable value creation.

ACKNOWLEDGEMENTS

On behalf of the Group Senior Management and my fellow RHBians, I would like to express our gratitude to our shareholders, customers, business partners, and all other stakeholders for their continued support and trust. We look forward to the many years ahead of growing and progressing together.

Our utmost appreciation to the Chairman and the Board of Directors, whose continued guidance, advice, and foresight have enlightened, challenged, and motivated us towards achieving greater success. Similarly, to my colleagues on the Group Management Committee, thank you for your invaluable support and commitment throughout the past year.

Our gratitude also extends to the Ministry of Finance, Bank Negara Malaysia, Securities Commission, and Bursa Malaysia, as well as the relevant regulatory authorities both in Malaysia as well as regionally for their invaluable support and guidance.

Last but certainly not least, to all RHBians, I would like to express my sincere appreciation and gratitude for your continued hard work and dedication in delivering sustainable value to all our stakeholders. Let’s continue to drive our business towards greater achievements in the years to come.



Mohd Rashid Mohamad
Group Managing Director/Group Chief Executive Officer

In Conversation with the GMD

Q This is your first year as GMD of RHB. What are your thoughts on entering this exciting new role?

A My history with RHB Bank dates back to 2014. The business is certainly not new to me, but this new leadership position is a fresh and welcome change. I am grateful for a prior understanding of the inner workings of RHB and its culture and legacy. Coming from this background, I am all too aware of RHB's current position and what it needs to do to move forward.

As I started my new role and responsibility, I was confronted by the kind of leadership legacy that I would like to leave behind. My mentor early in my career has been a source of inspiration. She provided clear direction and leadership, qualities particularly important in recent times. I also believe that leaders should be able to leverage their teams to double the impact that they would achieve alone.

Q As you embark on this new role, how do you ensure stakeholder needs are met?

A On my first day in this position, my immediate priority was to establish a deep level of engagement with the Group's diverse stakeholders. I will continue to be personally involved in stakeholder engagement sessions. In this process, trust is a necessary condition. Trust is such an intangible asset, but it forms the foundation for customer loyalty, making a relationship based on shared growth possible.

Q If you have to select one thing, what would be the core of TWP24?

A I have had the opportunity to be involved in developing and formulating RHB's strategy over the years, including the newest strategy, TWP24. I have three years to deliver the promises of TWP24, and I believe this hinges on how we serve our customers. My experience in Treasury and Wholesale Banking has shaped my understanding of client needs and how to meet those needs. That is a space that RHB can still win in. Every bank talks about customer service, but how many can actually reach customers on the ground with the same level of service? In developing TWP24, the vision amongst the Management team was very clear - that customer experience would be central to the strategy.

Q Any final thoughts to share?

A I personally want to walk the talk with our purpose statement, Making Progress Happen for Everyone. As a trusted bank, our purpose resonates particularly strongly with our SME customers. As digital innovation and sustainable financing pick up momentum at RHB, we want to assure our SME customers that they will not be left behind. Advancing and facilitating SMEs to transition towards sustainable practices is a clear intent of our engagements, which aligns with our purpose. This is how we are building trust with our customers and becoming a bank that they can rely on amid the currents of change.

“The success of RHB's newest strategy, TWP24, is dependent on how the bank serves its customers. I believe that RHB can win by focusing on meeting client needs and providing excellent customer service to all.”



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Our Approach to Value Creation

Our approach to value creation is a holistic process taking into consideration multiple key influential factors that affect our business outcomes. These interconnected factors are the operating environment, our key capitals, stakeholders, material matters, risks and opportunities, our business strategy, and the value created. The chart below outlines the definitions and connections between these factors in our value-creation journey.

01 Evaluate Our Operating Environment

See page 44

The **political, socioeconomic, and environmental landscape** in which the Group operates encompasses the entire ecosystem of players and factors that can directly or indirectly influence our ability to operate on a **local, regional, and global scale**.

02 Identify Risks and Opportunities

See page 56

The risks and opportunities surrounding our material matters and core businesses are governed by our risk management framework and strategic priorities.

- | | |
|---|---|
| CR Credit Risk | SNR Shariah Non-Compliance Risk |
| MR Market Risk | SR Sustainability Risk |
| LR Liquidity Risk | RR Reputational Risk |
| OR Operational Risk | CR Corruption Risk |
| TCR Technology and Cyber Risk | IBR Interest Rate Risk in the Banking Book/Rate of Return Risk in the Banking Book |
| RNR Regulatory Non-Compliance Risk | |

03 Strengthen Stakeholder Relationships

See page 34

We create and derive value for and from the stakeholder groups with whom our business interacts. They are impacted by our business and, at the same time, create impacts on our business.

- | | |
|---|---|
| CU Customers | SI Shareholders and Investors |
| RA Regulatory Authorities and Policymakers | SB Suppliers and Business Partners |
| EM Employees | FI Financial Industry Peers |
| CO Communities | |

04 Identify and Prioritise Material Matters

See page 54

The most relevant topics to our business and stakeholders based on a review of stakeholder concerns and business concerns.

- | | |
|---|--|
| ERM ESG Risk Management | DC Data Protection and Cybersecurity |
| CC Climate Change | TM Talent Management |
| SF Sustainable Financial Services | EL Employee Learning and Development |
| CM Customer Relationship Management | EW Employee Health, Safety and Wellness |
| FC Fair Treatment of Financial Consumers | DO Diversity and Equal Opportunity |
| FI Financial Inclusion | ES Environmental Stewardship |
| DI Digitalisation and Investment in Technology | SC Sustainable Supply Chain |
| GG Good Business Governance | CE Community Empowerment and Enrichment |

05 Embed Best ESG Practices

See page 122

Our unwavering commitment to stakeholder value is reflected in our alignment with the sustainability and climate-related agenda. We strive to create shared value and make a positive impact by integrating **ESG considerations** into every decision we make. We have developed a comprehensive **5-Year (2022-2026) Sustainability Strategy & Roadmap**, which outlines our focus and commitment to sustainability across the following pillars:



06 Shaping and Executing Our Strategies

See page 26

RHB's corporate strategy guides the Group to achieve its vision and purpose. Our strategies cover the management approaches of the material matters as well as risks and opportunities. We deploy the six capitals to execute and deliver the goals of RHB's brand promise, *Together We Progress*.

TWP24 is RHB's new 3-year Corporate Strategy from 2022-2024



Be Everyone's Primary Bank

Prioritise Customer Experience

Drive Quality Growth

Focus Areas

These strategic objectives will be delivered through 7 focus areas:

- Be the Primary Financial Services Provider
- Integrate into Key Islamic Ecosystems
- Build an Integrated Overseas Business
- Catalyse Sustainability
- Employ Cutting Edge Technology
- Develop a Future-ready Workforce
- Accelerate Intelligent Banking Services

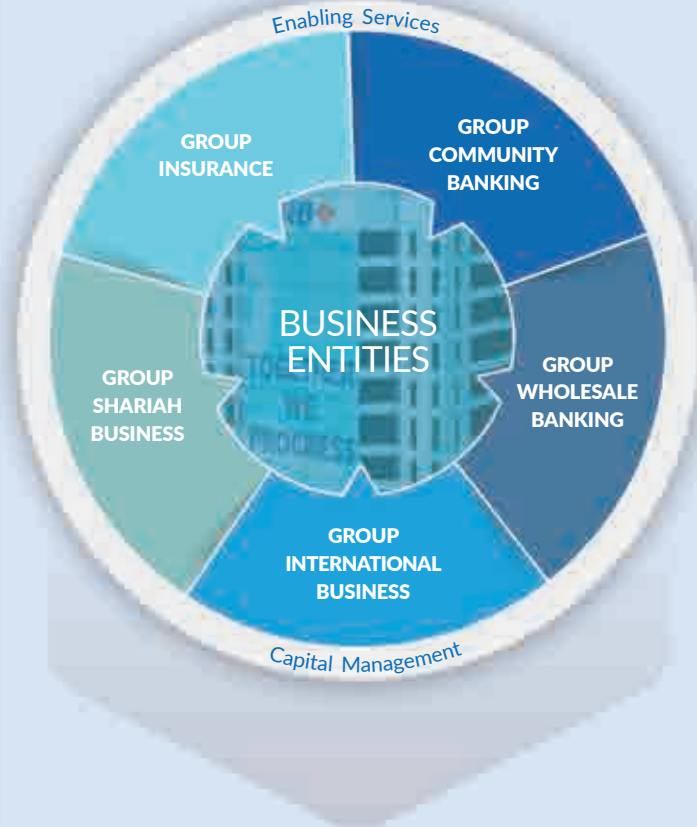
07 Disciplined Capital Allocation and Trade-Offs

See page 28

The six capitals are the main inputs and resources that drive our operations. We invest in all six capitals and balance the growth of each to maximise output, making suitable trade-offs where necessary.

- | | |
|----------------------|-------------------------------|
| Financial Capital | Intellectual Capital |
| Manufactured Capital | Social & Relationship Capital |
| Human Capital | Natural Capital |

08 Integrate Into Value Creation Model



09 Value Created

See page 38

At the core of RHB lies a deep commitment to **creating sustainable value** for all our stakeholders. Whether it's our valued customers, shareholders or employees, we are dedicated to positively impacting everyone we interact with, including the wider society. To ensure that we stay on track and hold ourselves accountable to our long-term goals, we meticulously track our progress against a set of Key Performance Indicators ("KPIs"). By doing so, we can continue to progress with our stakeholders in **building a sustainable tomorrow**.

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Our Value Creating Business Model

We leverage various resources...

to drive our business...

INPUTS

HUMAN CAPITAL

- 14,139 employees
- RM13.1 million invested in learning and development programmes
- Rolled out over 20 employee engagement initiatives
- 28 women leadership programmes conducted

FINANCIAL CAPITAL

- Market capitalisation: RM24,592 million
- Shareholders' Equity: RM28.7 billion
- Deposits from Customers: RM227.2 billion
- Gross Banking Loans, Advances and Financing: RM212,200 billion

MANUFACTURED CAPITAL

- 314 offices and branches across the ASEAN region
- 1,672 self-service terminals in Malaysia which includes ATMs, Cash Deposit Machines, Cheque Deposit Machines, Cash Recycler Machines and Coin Deposit Machines
- More than 700 physical touchpoints

INTELLECTUAL CAPITAL

- Investment in Marketing grew 3.8% Y-o-Y
- Investment in IT/Technology: RM200 million over the last five years
- Members of 46 industry associations, and a member of 4 ESG-related committees/sub-committees
- Our online and mobile banking platforms:
 - RHB Online Banking
 - RHB Mobile Banking App
 - RHB Reflex Online Banking
 - RHB Reflex Mobile App
 - RHB SME Online Financing
 - RHB Financing (SME) Mobile App
 - RHB Online Insurance
 - RHB Insurance Mobile App
 - RHB Tradesmart Online Trading
 - RHB TradeSmart Mobile App
 - RHB Partners App
 - RHB MyHome App

SOCIAL & RELATIONSHIP CAPITAL

- Customers**
- RM500 million invested in customer experience (80% on systems/digitalisation and 20% on soft aspects of service)
 - RM2,840.26 million distributed in social financing
- Suppliers**
- Number of registered suppliers: 667 (629 local suppliers)
- Communities**
- Approximately RM3.9 million invested in community initiatives
 - Invested more than RM2.1 million (2021: RM1.5 million) to RHB X-Cel Academic Excellence programme
 - Invested more than RM650,000 (2021: RM300,000) to RHB X-Cel Star programme
 - RM397,560 zakat granted under the Be Your Own Boss (BEST-BYOB) Programme

NATURAL CAPITAL

- Total electricity used (Malaysia and Regional): 43,711,088 kWh
- Total Water Consumption: 126,222 m³
- RM7,772.65 million invested in eligible green activities since 2019

MATERIAL MATTERS

- ERM** ESG Risk Management
- CC** Climate Change
- SF** Sustainable Financial Services
- CM** Customer Relationship Management
- FC** Fair Treatment of Financial Consumers
- FI** Financial Inclusion
- DI** Digitalisation and Investment in Technology
- GG** Good Business Governance
- DC** Data Protection and Cybersecurity
- TM** Talent Management
- EL** Employee Learning and Development
- EW** Employee Health, Safety and Wellness
- DO** Diversity and Equal Opportunity
- ES** Environmental Stewardship
- SC** Sustainable Supply Chain
- CE** Community Empowerment and Enrichment

Read more on page 54

TWP24

- Be Everyone's Primary Bank**
- Prioritise Customer Experience**
- Drive Quality Growth**

Strategic Focus Areas

- Be the Primary Financial Services Provider
- Employ Cutting Edge Technology
- Integrate into Key Islamic Ecosystems
- Develop a Future-Ready Workforce
- Build an Integrated Overseas Business
- Accelerate Intelligent Banking Services
- Catalyse Sustainability

Read more on page 70

SUSTAINABLE & RESPONSIBLE FINANCE

EMBEDDING GOOD PRACTICES

ENRICHING & EMPOWERING COMMUNITIES

PATHWAY TO A CLIMATE-RESILIENT FUTURE

Sustainability Focus Areas

- Sustainable Financial Services
- People & Workplace
- Financial Inclusion
- Sustainable Supply Chain
- Advancing SMEs Towards Sustainable Business Practices
- Nurturing Future Generations
- Ethics and Conduct
- Empowering Communities

Read more on Sustainability Report page 133

Key Market Trends

- Digital Acceleration
- Geopolitical and Economic Developments
- Financial Market Volatility
- Shifting Ways of Work and Employee Expectations
- Growing ESG Influence
- Fintech Competition

Read more on page 50

Credit Risk • Market Risk

GROUP COMMUNITY BANKING

GROUP INSURANCE

Technology and Cyber Risk

Supported by robust governance framework

PURPOSE STATEMENT

➤ **MAKING PROGRESS HAPPEN FOR EVERYONE**

BRAND PROMISE

➤ **TOGETHER WE PROGRESS**

OUR VALUES

➤ **P R I D E**
 PROFESSIONAL RESPECT INTEGRITY DYNAMIC EXCELLENCE

...and deliver meaningful value.



OUTPUTS

- **Group Community Banking**
 - SME loans: **7.9% increase**
- **Group Wholesale Banking**
 - Total Deposits: **RM96.9 billion**
- **Group International Business**
 - Profit before Tax: **243.7% growth**
- **Group Shariah Business**
 - Zakat Distributed to State Zakat Authorities: **RM6 million**
- **Group Insurance Business**
 - Gross Written Premium (GWP): **RM738.2 million**
- **Paper Consumption: 153,835 reams**

OUTCOMES

- HC HUMAN CAPITAL**
 - Employees trained: **106,449**
 - Diversity of workforce
 - Male: **5,739 (40.6%)** (2021: 5,640 (40.2%))
 - Female: **8,400 (59.4%)** (2021: Female: 8,402 (59.8%))
 - Employee Engagement Score ("EES") of **91%** (2021: 90%)
 - Employee Retention Rate: **82.2%** (2021: 84.8%)
- FC FINANCIAL CAPITAL**
 - Profit Before Tax ("PBT"): **RM4,171 million** (2021: RM3,529)
 - Total Income increased: **6.7%** (2021: 6.8%)
 - Total Assets increased: **7.3%** (2021: 6.8%)
 - Return-on-Equity ("ROE"): **9.7%** (2021: 9.6%)
 - Dividend Payout Ratio: **62.5%** (2021: 62.9%) or **40 sen** per share (2021: 40 sen per share)
 - CET1 Ratio: **16.9%** (2021: 17.2%)
 - Net Assets per Share: **RM6.76** (2021: RM6.76)
- MC MANUFACTURED CAPITAL**
 - Average number of transactions conducted at counters RHB branches: **31,761** (2021: 30,110)
 - Average number of transactions conducted through self-service terminals within RHB branches: ATM: **62,220** and CDM: **27,805** (2021: ATM: 68,782 and CDM: 23,820)
 - Number of transactions conducted through self-service terminals (OPA): ATM: **65,009** & CDM: **9,661** (2021: ATM: 69,986 & CDM: 9,960)
- IC INTELLECTUAL CAPITAL**
 - Brand value: **USD965 million** (2021: USD824 million)
 - Digital channel transaction volume: **~500 million** (2021: 499.2 million)
 - Onboarded **over 1.4 million** users (2021: 1.02 million) on the RHB mobile banking app since its launch in April 2019
 - **Rated AA (Leader)** for MSCI ESG
 - **Scored 49/100** in the 2022 S&P ESG Ratings (2021: 47/100)
 - Delivered a cumulative profit of **RM278 million** (2022: RM139 million) since 2017 through digitisation of customer journeys
 - Personal Finance Sale via digital channel: **↑146%** vs. 2021
 - Productivity improvement increased by **23%** (2021: 36%) with **188** (2021: 186) routine Minimum Viable Products ("MVPs")
- SRC SOCIAL & RELATIONSHIP CAPITAL**
 - Customers**
 - Achieved SLA of **97%** (2021: 99.6%) for timeliness in providing resolution to complaints, and **97%** (2021: 90.0%) in addressing requests
 - Net Promoter Score (NPS):
 - RHB MY Group: **+12** (2021: +15)
 - RHB SG Group: **+1** (2021: +9)
 - **Ranked 3rd** in NPS within the Malaysian financial industry
 - Suppliers**
 - Total spend on local suppliers: **RM677.7 million**
 - Communities**
 - Community members reached: **90,665**
 - **More than 4,000** students from the B40 segment through RHB X-Cel Academic Excellence programme were supported from 2018 to 2021
 - **More than 30** RHB X-Cel Star scholars were supported from 2019 to 2021
- NC NATURAL CAPITAL**
 - Reduction in GHG emissions by **42%** (compared to base year 2016)
 - Total carbon emissions (Malaysian operations only): **25,271 tCO₂e** (2021: 25,580 tCO₂e)

STAKEHOLDERS

SDGs

Performance by Capitals

In creating sustainable value, we make strategic trade-offs between our financial and non-financial capitals. The interconnectivity of the capitals makes trade-offs inevitable, especially when balancing short-term and long-term priorities. Therefore, we strive to strengthen each capital to better deliver sustainable value. This includes carefully designing inputs that can produce desired outcomes according to stakeholder expectations.

HC HUMAN CAPITAL

RHB employees' knowledge, skills, and experience that drive the Group's strategy and deliver long-term value.

Inputs

- 14,139 employees
- 2,631 total training sessions
- RM13.1 million invested in learning and development programmes
- Over 20 employee engagement initiatives
- 12,304 employees working the Agile Way
- 28 women leadership programmes conducted
- RM26,580 channelled to Staff Welfare Fund for Medical Assistance

Outputs/Outcomes

	2021	2022
Employee Retention Rate (%)	84.8	82.2
Employee Engagement Score (%)	90	91
Employees Received Training**	141,155	106,449
Number of Participants in Safety, Health & Wellness Programmes	7,648	1,711
Average Training Per Employee (manhours)**	48	20
Total Number of Accidents*	37	46
Occupational Disease*	4	7
Total Contribution of RHB Humanitarian Fund (RM)	239,000.71	4,325.00
Ranking for Employer of Choice	2	2
Diversity of Workforce	Male: 5,640 (40.2%) Female: 8,402 (59.8%)	Male: 5,739 (40.6%) Female: 8,400 (59.4%)

* The increase in health and safety incidents and occupational diseases recorded in 2022 is due to the majority of employees working from home prior to the transition to endemicity.

** The decrease in number of employees who received training and number of average training hours per employee in 2022 is due to the majority of employees working from home prior to the transition to endemicity.

Actions to Enhance Outcomes

- Conduct targeted training to build competency, ensure compliance, and upskill the workforce
- Accelerate hiring and role-based upskilling for digital transformation for the Group
- Design training programmes based on two streams: future skills development and role-based competencies
- Introduce a Hot Skills allowance to encourage upskilling
- Launch a holistic wellbeing programme focused on four aspects of wellbeing
- Offer flexible WFH option as a new employee benefit
- Comply to the Group Occupational Safety and Health ("OSH") Policy which outlines commitment and framework to manage OSH issues at RHB

Trade-Offs

Investments in employee training and development are a significant cost to Financial Capital, but the productivity gains from upskilling and digital transformation benefit Human Capital and Intellectual Capital. Similarly, investments in employee health and wellbeing create an engaged workforce that can maximise Financial Capital.

FC FINANCIAL CAPITAL

Funds available to the Group to sustain its operations and activities, and to invest in the growth of other key capitals.

Inputs

- RM28.7 billion shareholders' equity
- RM227.2 billion deposits from customers
- RM24,592 million market capitalisation
- Gross Banking Loans, Advances and Financing: RM212,200 billion

Outputs/Outcomes

	2021	2022
Total Income (RM million)	7,789	8,309
Profit Before Tax (RM million)	3,529	4,171
Net Profit (RM million)	2,618	2,708
ROE (%)	9.6	9.7
Dividend Payout Ratio (%)	62.9	62.5
CET-1 Ratio (%)	17.2	16.9
Total Capital Ratio (%)	19.8	19.3
Net Assets per Share (RM)	6.76	6.76
Total Asset Increase (%)	6.8	7.3

Actions to Enhance Outcomes

- Regular engagement with investors and stakeholders to manage their expectations of our financial decisions
- Adopt RHB Way towards enhancing service culture and encouraging customer loyalty

Trade-Offs

We reinvest Financial Capital into growing our business and nurturing other key capitals, while being prudent of our obligations to provide attractive financial returns to our shareholders and investors.

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Performance by Capitals



The fixed assets and digital infrastructure that facilitate the provision of products and services to our customers.

Inputs

- More than 700 physical touchpoints
- Replacement/upgrades of infrastructure for improved operational efficiency
- 314 offices and branches across the ASEAN region
- 1,672 self-service terminals in Malaysia which includes ATMs, Cash Deposit Machines, Cheque Deposit Machines, Cash Recycler Machines and Coin Deposit Machines

Outputs/Outcomes

	2021	2022
Average Number of Transactions Conducted at Counters in RHB Branches	30,110	31,761
Average Number of Transactions Conducted through Self-Service Terminals within RHB Branches	ATM – 68,782 CDM – 23,820	ATM – 62,220 CDM – 27,805
Average Number of Transactions Conducted through Self-Service Terminals (OPA)	ATM – 69,986 CDM – 9,960	ATM – 65,009 CDM – 9,661

Actions to Enhance Outcomes

- Establish a Branch Safety Committee that oversees the safety of each RHB branch pertaining to security of physical and digital transactions as well as the health and wellbeing of both customers and RHB employees
- Implement a Branch Programme as part of our Leadership and Management Programmes
- Conduct Mystery Shopping through an independent agency to ensure quality of branches
- Continue to digitalise the operations at branches for better accessibility
- Install solar panels at selected branches to improve energy efficiency

Trade-Offs

As we balance the cost of Manufactured Capital by streamlining physical touchpoints at our bank branches and Automatic Teller Machines (“ATMs”), additional investment is required to ensure our digital assets are truly customer-centric and seamless. This, in turn, enhances convenience and service accessibility, while allowing us to build our Social and Relationship Capital.



Our intangible assets such as brand reputation, organisational systems and proprietary innovations, in-house capabilities, and strategic partnerships.

Inputs

- RM200 million invested in IT/Technology over the last five years
- Members of 46 industry associations, and a member of 4 ESG-related committees/sub-committees
- Marketing cost grew 3.8% Y-o-Y
- Our online and mobile banking platforms:
 - RHB Online Banking
 - RHB SME Online Financing
 - RHB Tradesmart Online Trading
 - RHB Mobile Banking App
 - RHB Financing (SME) Mobile App
 - RHB TradeSmart Mobile App
 - RHB Reflex Online Banking
 - RHB Online Insurance
 - RHB Partners App
 - RHB Reflex Mobile App
 - RHB Insurance Mobile App
 - RHB MyHome App

Outputs/Outcomes

	2021	2022
Digital Channel Transaction Volume (mil)	499.2	500.5
New Licences/ventures Established	0	One digital bank license
Agile Adoption in the Workforce	11,500	12,304
Reflex Platform Users	133,927	149,503
Reflex Customer Increase (%)	10.0	12.0
Brand Value (USD mil)	824	965
MSCI ESG Rating	AA (Leader)	AA (Leader)
2021 S&P ESG Ratings	47/100	49/100
Profit Uplift through Product Digitisation for Customers (mil)	89.9	139
Personal Finance Sale via Digital Channel (%)	47	146
Productivity Improvement (%)	36	23
Number of Routine Minimum Viable Products ("MVPs")	186	188
Analytics Benefit through Analytics Use Cases (mil)	185	260
Mortgages Originating from RHB MyHome App (%)	55.8	50
Number of Customers Onboarded on RHB's SME eSolutions Platform	13,000	7,352
SME Unsecured Loans Acquired via SME Online Financing (%)	69.9	44
Number of Active Internet/Mobile Banking Customers	2,258,393	2,457,668

Actions to Enhance Outcomes

- Collaborate with strategic players to leverage the fintech ecosystem
- Expand our digital banking platforms to deliver more inclusive and cost-effective financial solutions
- Collaborate with Axiata to jointly establish a Digital Bank
- Establish a dedicated 24/7 Monitoring and Detection Team to monitor and respond to heightened risk activity on digital banking platforms
- Invest in cyber security to continuously monitor fake platforms and phishing platforms
- Optimisation of fraud rules to strengthen/amplify fraud detection capabilities
- Provide education programmes to raise customer awareness on financial fraud
- Complete the adoption of our Agile@Scale programme to apply agile and design thinking in our work processes

Trade-Offs

Our efforts in building Intellectual Capital are focused on driving digital innovation, incurring changes to Human Capital and Manufactured Capital. This requires digital and IT skill sets and the right infrastructure to support digital processes. In the long run, the benefits of strengthening Intellectual Capital outweigh the changes undergone by other capitals to facilitate the process.

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Performance by Capitals



The relationships and goodwill between the Group and its stakeholders, including local communities and civil society.

Inputs

Customers

- RM500 million invested in customer experience (80% on systems/digitalisation and 20% on soft aspects of service)
- RM2,840.26 million distributed in social financing

Suppliers

- 667 registered suppliers (629 local suppliers)

Communities

- RM3,925,807 total contribution to community development initiatives
- More than RM12 billion in Sustainable Financial Services as at end 2022
- Invested more than RM2.1 million to RHB X-Cel Academic Excellence programme
- Invested more than RM650,000 to RHB X-Cel Star programme
- RM397,560 zakat granted under the Be Your Own Boss (BEST-BYOB) Programme

Outputs/Outcomes

	2021	2022
Customers		
NPS Score for RHB MY Group	+15	+12
NPS Score for RHB SG Group	+9	+1
Number of SME Customers	211,686	209,127
Total Customer Base (Retail and SME)	4,252,512	4,122,715
Resolved Complaints/Feedback within Service Level Agreement (%)	99.56	97.65
Complaints Resolution Satisfaction	61.9	82.6
Suppliers		
Spending on Local Suppliers (mil)	689.8	677.7
Communities		
Number of Beneficiaries Reached	30,992	90,665
RHB #Empower	NIL*	20 autistic participants
RHB Art with Heart	Not carried out in 2021	120 artists participated since 2016
RHB Touch Hearts	NIL**	Approximately 55,000 lives impacted
RHB Touch Hearts 360	1,648 families impacted	Approximately 13,000 beneficiaries benefitted
RHB #JomBiz	NIL***	141 B40 Micro entrepreneurs were upskilled
Number of Students Supported through RHB X-Cel Academic Excellence Programme	>4,000 B40 students	>4,000 B40 students
Number of Scholars Supported through RHB X-Cel Star Programme	30 scholars since 2019	More than 30 scholars

* Programme was launched in 2022

** Due to COVID-19 pandemic

*** Launched in 2022

Actions to Enhance Outcomes

- Continue assisting Retail and SME customers with cash flow difficulties through a targeted financing facility
- Promote financial inclusion by providing access to financial products and services to targeted individuals
- Allow payment deferment for insurance instalments, housing, or ASB loans to assist flood victims
- Offer working capital at preferential rates through a Disaster Relief Facility
- Prioritise local suppliers and offer development programmes for SME vendors
- Deliver a seamless banking experience where turnaround times and processes are clear and transparent

Trade-Offs

We invested in community initiatives and various payment assistance programmes, continuing to alleviate the burden of our individual and SME customers. These allocations impacted our Financial Capital in the short run, although the various financing facilities effectively reduced the risk of default. In the long run, however, these contributions strengthen our Social and Relationship Capital.



The natural resources used in our operations and the environmental impact of our business activities.

Inputs

- Total electricity used (Malaysia and Regional): 43,711,088 kWh
- Total Water Consumption: 126,222 m³
- RM433.77 invested in energy efficiency initiatives since 2019
- RM7,772.65 million invested in eligible green activities since 2019

Outputs/Outcomes

	2020	2021*	2022
Total carbon emissions (tCO ₂ eq)	27,419	25,580	27,091 25,271 (For Malaysia only)
Reduction in GHG emissions from 2016 baseline (%)	37	41	40

- Completed Phase 1 of the Group Climate Action Programme for climate risk management, ambition setting, and blueprint benchmarking
- Our Carbon Neutral Blueprint was developed in 2022 to achieve carbon neutrality by 2030

* Total carbon emissions in 2021 for Malaysia operations

¹ Electricity consumption data coverage:

- RHB MY: All main buildings and branches;
- RHB SG: All offices and branches except Bukit Timah and Tai Seng branch;
- RHB ID: Head office only;
- RHB & RHBS TH: All offices and branches;
- RHB Brunei: Head office; and
- RHB Laos: All offices and branches.

² Including estimated cooling consumption

³ Total carbon emissions in 2021 were only for Malaysia operations.

⁴ Total carbon emissions in 2022 were for Malaysia and Regional operations. Please note that regional data only partially complete.

⁵ Electricity consumption for RHB MY Main buildings and branches including estimated cooling consumption

Actions to Enhance Outcomes

- Launch the Group Climate Action Programme with the ultimate objective of assisting the Group to develop a pathway to net zero by 2050
- Establish the Sustainability Financing Programme ("SFP"), a green financing product bundling programme launched in September 2021 for SME and Retail customers to adopt sustainable practices
- Established the Carbon Neutrality blueprint to achieve Carbon Neutrality by 2030, with the aim to achieve 45% emission reduction by 2025

Trade-Offs

In our decision to manage our financed emissions as part of the overall strategy to achieve net zero by 2050, RHB will have to deploy Financial Capital to support the Group's aspiration for long-term sustainable value. In the long run, our Financial Capital will be enhanced by more robust ESG risk management in our decision-making processes. By taking an active stewardship role as a responsible and sustainable financial institution, we are also building our Social and Relationship Capital.

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Our Stakeholders Needs and Expectations

As an integral part of value creation, we regularly engage with key stakeholder groups to obtain their suggestions and feedback as well as understand their concerns. We reach out to them through numerous engagement platforms and formulate actions to meet their expectations, resulting in shared value creation for both our stakeholders and our business.

ENGAGEMENT PLATFORM & FREQUENCY

CU

CUSTOMERS

WHY THEY MATTER

We elevate our Financial Capital and Social and Relationship Capital by providing products and services that improve the lives and livelihoods of our customers and by delivering customer service excellence.

One-on-one engagement (physical or virtual) by Senior Management, Relationship Managers, Branch Managers, Personal Bankers or Customer Service Officers	F6	F7
Online, digital and physical communication channels (email, letter or notices)	F7	
Customer networking events that include seminars, forums, customer high-tea or cocktails	F7	
Alternative customer engagement channels via customer surveys, focus groups and service design engagements	F5	F6
Channels for service resolution and customer advocacy and customer feedback via customer.service@rhbgroup.com customer.advocacy@rhbgroup.com	F7	
Physical touch points at Branches, Sales Centres and Service Clinics	F5	F6

EM

EMPLOYEES

WHY THEY MATTER

We create a safe, innovative and inclusive work environment for our employees. Additionally, we nurture, engage and build their skill sets to enable them to drive the Group's aspirations.

RHB's internal social media channel and Workplace by Meta	F7	
GMD Chat Sessions and quarterly town halls by Group Senior Management conducted across the region	F2	F7
Group Senior Leadership Forum and GMD Live Session	F2	F6
Formal and confidential grievance channel	F7	
Engagement sessions during festive seasons	F6	
Social, sports, and recreational activities, including annual dinners	F1	F7
Intranet (My1Portal, MyLink2HR, MyApp2HR) and email	F7	
Annual Employee Engagement Survey ("EES") and Internal Customer Effectiveness Survey ("ICES")	F1	
Industry and regulatory working groups, briefings, forums, conferences and consultation papers	F6	
Regulatory engagements on new products and services, or initiatives, policies, decisions or regulatory frameworks	F7	

SB

SUPPLIERS AND BUSINESS PARTNERS

WHY THEY MATTER

Our business partners and suppliers play a crucial role within our business ecosystem, contributing to our Manufactured and Intellectual Capitals through collaboration. By working together, we can jointly strengthen our Financial Capital.

Formal engagements to share service performance and expectations	F5	
Company visits to supplier premises	F5	
Formal and informal engagements during the procurement process	F4	
Online and digital communications (email, corporate website, social media)	F7	
Tender process and supplier feedback mechanism	F7	
Solution Co-Design Workshops	F3	
Certification and immersion programme with industry leaders	F6	

ENGAGEMENT FREQUENCY

- F1 Annually F2 Quarterly F3 Monthly F4 Weekly F5 Periodically F6 As and When Required F7 Ongoing

KEY CONCERNS

RESPONSE

- Expectations of usability and the seamlessness of the online customer journey
- Cybersecurity and financial fraud
- Turnaround time for loans and financing approvals
- Accessibility of multiple offline and online channels to offer feedback easily
- Products and services that meet the needs of the customers

- Enhanced digital platforms and processes for a seamless customer experience
- Clear and frequent communications on identifying fraud and protecting customer privacy
- Dedicated 24/7 monitoring to identify and remediate suspicious activity
- Appointment of a specialist at each touchpoint to drive first contact resolution
- Reinforcement of Customer Experience design principles to ensure a consistent customer journey across touchpoints

- Competitive remuneration and rewards structure
- Diverse and inclusive culture marked by equal opportunity
- The functionality and usability of Human Resource systems
- Access to financial assistance for victims of natural disasters
- Robust Employee Value Propositions

- Enhancement of benefits to include working from home (“WFH”) option, rewards and recognition programme, and refinement of Employee Wellness Programme
- Provision of broad-based and role-based upskilling opportunities to future-proof employees’ skillsets
- Rollout of Diversity, Equity, and Inclusion (“DEI”) training to raise awareness on creating inclusive processes within the Group
- Dedicated Mylink2HR platform for all HR-related matters and the launch of new MyApp2HR, the mobile version of MyLink2HR to increase accessibility for our employees
- Natural Disaster Fund, Staff Welfare Fund and Humanitarian Fund to help those affected by natural disasters/calamities.

- User-friendliness of the e-procurement system
- Policies and guidelines that affect vendor criteria, including sustainable procurement practices
- Privacy and confidentiality of contracts and business arrangements

- Continuous refinement of the e-procurement system
- Guidance and knowledge-sharing sessions with suppliers
- Conducting training for vendors and suppliers such as Anti-Bribery & Corruption Awareness, as part of the support infrastructure provided for RHB’s network of suppliers
- Incorporation of confidentiality clauses in contracts and continued reassurance to suppliers

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COMMUNITIES

WHY THEY MATTER

We operate in communities based on goodwill and trust. By supporting community development and being a positive member of society, we can strengthen Social and Relationship Capital.

Interaction and collaboration with non-profit and non-governmental organisations, associations, social enterprises, and government agencies through RHB's community engagement initiatives	F7
Online communications (email, corporate website and social media)	F7
On-ground and virtual community engagement activities	F7
Innovative digital platforms and mobile banking services to promote financial accessibility	F7
Virtual and physical media sessions and press releases	F6



SHAREHOLDERS AND INVESTORS

WHY THEY MATTER

Our shareholders and investors provide continued financial capital for the Group's business operations. Hence, it is our responsibility to safeguard their interests and to create shared returns.

Annual and Extraordinary General Meetings	F1 F6
Quarterly and annual financial results announcements	F1 F2
Meetings and briefings with analysts and fund managers	F2 F6
Roadshows, conferences, and round table discussions	F6
Online communications (email, corporate website, social media)	F5 F6 F7
Periodic meetings/discussions	F5
Bursa Malaysia announcements	F6
Annual Reports/Integrated Reports	F1
Sustainability Reports	F1



REGULATORY AUTHORITIES AND POLICYMAKERS

WHY THEY MATTER

The regulatory authorities and policymakers set policies, guidelines and compliance guidelines for the financial sector. Frequent consultations support our Social and Relationship Capital, thereby enhancing our ability to deliver stakeholder value.

Regular updates and reporting to regulatory authorities	F7
Industry and regulatory working groups, briefings, forums, conferences and consultation papers	F6
Regulatory engagements on new products and services, or initiatives, policies, decisions or regulatory frameworks	F7



FINANCIAL INDUSTRY PEERS

WHY THEY MATTER

Industry associations and our peers collectively build a stable financial ecosystem through collaboration and healthy competition. Active participation and engagement with other financial institutions facilitate industry development.

Industry forums and events including working groups, roundtable discussions, and conferences	F6
Collaborations and partnerships where RHB is an active member in 46 industry associations across the ASEAN region and a member of four committees/sub committees that relate to Sustainability and Climate Change	F7

KEY CONCERNS	RESPONSE
<ul style="list-style-type: none"> Lack of financial literacy among youths and rural segments, compounded by lower levels of education Limited access to financial services and working capital for SMEs Access to financial services and financial assistance during and after natural disasters 	<ul style="list-style-type: none"> Implemented financial literacy programmes, educational programmes for B40 students, and capability-building programmes to upskill B40 micro-entrepreneurs in line with our aspiration to empower over two million targeted individuals and businesses across ASEAN by 2026 Lowered barriers to capital for SMEs through digital solutions for efficient loans application and approval Introduced the RHB Flood Relief Assistance Programme, Disaster Relief Facility, and Targeted Relief and Recovery Facility
<ul style="list-style-type: none"> Revenue growth and future strategic thrust of the Group Asset quality and risk management Dividend policy and payout Progress of the Group's sustainability journey and the financial impacts of ESG risks and opportunities Corporate governance practices 	<ul style="list-style-type: none"> Established the Board Sustainability Committee to enhance sustainability and climate-related governance Enhanced the Group Sustainability Strategy and Roadmap Completed Phase 1 of the Group Climate Action Programme ("GCAP") covering ambitions and blueprint setting Declaration of 40 sen per share at 62.5% dividend payout for FY2022 Regular engagement with analysts and media to provide updates on the Group's financial performance, asset quality and TWP24 corporate strategy Committed to a Corruption Free Pledge during the Group's inaugural Integrity Week
<ul style="list-style-type: none"> Compliance with regulatory requirements and legislation Corporate governance standards and Anti-Money Laundering/Combating the Financing of Terrorism ("AML/CFT") measures to safeguard corporate integrity Risk management framework and internal controls Management of Environmental, Social and Governance ("ESG") issues, including climate-related risks and the development of ESG products and services Contributions to Value-Based Intermediation ("VBI") Ethical business conduct in line with the BNM policy on Fair Treatment of Financial Consumers ("FTFC") 	<ul style="list-style-type: none"> Corporate governance and compliance best practices to meet regulatory requirements Continuous review of risk management practices and ensuring strong fundamentals Enhancement of ESG Risk Assessment ("ERA") tool by incorporating the key guiding principles under the Climate Change and Principle-based Taxonomy ("CCPT") and ASEAN Taxonomy for underwriting process Implementation of the ESG Eligible Business Activities Guidelines Embarked on the Group Climate Action Programme Phase 2 which includes climate-related Governance, Strategy, Risk Management, and Disclosures over a 2-year journey Support communities in need via various financing facilities and assistance programmes Incorporation of FTFC guidelines into marketing materials and customer communications
<ul style="list-style-type: none"> New and updated regulations regarding financial services ESG and climate-related management and reporting Cybersecurity and fraud risk Compliance with new and existing regulations 	<ul style="list-style-type: none"> Organisation of the RHB ESG Thematic Conference, which involved participants across all sectors Participation in industry working groups including the Joint Committee on Climate Change ("JC3") and Value-Based Intermediation Financing and Investment Impact Assessment Framework ("VBIAF") Sectoral Guide Working Group Engagement with peers on changing regulations and risk management

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Value We Create

As a financial services provider, RHB has a significant responsibility to create value for our network of stakeholders. Our value proposition for each stakeholder group varies. Likewise, the value created is mutually beneficial for the Group. While evaluating the value created for each group, it is imperative that we also assess the risks and opportunities that can impact our ability to deliver value.

EM EMPLOYEES

Value Created for Employees

- Opportunities for professional development and learning
- Fair and inclusive work environment
- Robust employee value proposition supported by career development pathways and competitive remuneration and benefits

Value Created for RHB

- A skilled and competent workforce ready to meet the challenges of the evolving business landscape
- A diverse workforce that thrives on innovation and strong collaboration
- High employee retention rate and talent attraction

Risks

- Irrelevant skillsets and roles that are unable to adapt to digitalisation
- Poor talent attraction and retention due to disengaged employees

Opportunities

- Build an innovative and future-ready workforce
- Empower employees to embrace the benefits of digitalisation
- Strengthen employee engagement, attraction, and retention
- Improve employee satisfaction by nurturing a diverse and inclusive culture in safe and healthy working conditions

CU CUSTOMERS

Value Created for Customers

- Customer-centric products and services such as multi-currency account on RHB Live @ Reflex, RHB Investment Lab, and the goWave app for financial literacy
- A safe, reliable, and seamless digital banking experience
- Financial inclusion and accessible services for underserved segments
- Financial assistance for individual and SME customers affected by the pandemic and the floods

Value Created for RHB

- A loyal customer base that strengthens the Group's market share in key segments
- Higher rate of conversions facilitated by smoother customer journeys
- Access to new or untapped markets with high growth potential

Risks

- Default risk
- Data breach resulting in loss of customer trust
- Money laundering and fraudulent activities
- Risk of insolvency and poor financial judgement
- Pandemic and flash floods incur financial duress

Opportunities

- Access to untapped markets including the unbanked and rural segments
- Continued improvements to our digital channels and the customer journey
- ESG management of our portfolio and adoption of sustainable business practices among our SME customers

Business Initiatives

- Employee engagement programmes
- Leadership Signature Programme
- RHB Manager Programme
- Management Associate Programme
- Employee Wellness Programme
- Agile@Scale programme
- Retirement transition programmes
- Flexible Working Arrangement Policy
- Workforce Of the Future project
- DEI workshops and training
- RHB Humanitarian Fund

Value Creation Indicators

- Employee retention rate
- Employee Engagement Score
- Employee Net Promoter Score
- Health and safety incidents
- Ranking in Employer of Choice survey
- Spending on training and development
- Training hours delivered
- Diversity of employees

Capitals: **IC** **HC** **FC**

SDGs:  

Material Matters: **ET** **DO** **EW** **TM**

Business Initiatives

- RHB Tone of Voice
- RHB Service Talks
- Multiple digital banking platforms
- My First Home scheme
- SME online ecosystem
- Rewards & Recognition Programme
- RHB Way Achievers Club
- RHB Champions Club

Value Creation Indicators

- Annual customer survey
- Net Promoter Score
- Mystery Shopping Score
- Number of customer complaints
- Complaints resolution time
- Wait time at branches
- Transaction/processing time
- Customer retention rate
- Lifetime value
- Number of available touchpoints
- Number of active users on digital platforms
- Products per customer
- Average app ratings
- Loan payouts to clients
- Investment performance in asset management

Capitals: **SRC** **FC**

SDGs: 

Material Matters: **FE** **CR** **FC** **DC** **DI**

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Value Created for Suppliers and Business Partners

- Strategic business partnerships
- Contract opportunities
- Positive cash flow generation

Risks

- Lack of sustainability understanding within Procurement Supplier
- Vendor have bad and unethical practices like child labour pollution hazards and waste material that can have financial blow back and effect on the brand value
- Vendor refuse to comply with RHB's General Terms & Conditions which covers conflicts of interest, fraud and corruption, gifts, conduct of contractors' personnel, contractor responsibility and Anti-Money Laundering policies

Value Created for RHB

- Collaborative, synergistic alliances
- Exchange/sharing of knowledge and skills
- Competitive leverage in the business ecosystem
- Access to inputs to produce quality outputs

Opportunities

- Improved the sourcing centre through the adoption of the Agile way of working by continue to enhance processes and reduce costs through innovation and continuous improvement from listening to customers' feedback, in line with the team's transformation journey
- Collaboration between Group Procurement ("GP"), business stakeholders and external vendors to understand the precise requirements and review vendor costing
- Relationship building, good collaboration, and enhanced monitoring system to ensure prompt payment to vendors
- Synergistic platform that allows the team to contribute ideas, participate actively and celebrate success
- Innovation through contribution of ideas and strong sense of ownership with guidance from their Portfolio Lead and Agile Coach

CO COMMUNITIES

Value Created for Communities

- Contributions to community development projects
- Access to products and services
- Corporate citizenship and stewardship of sustainable development
- Support in the form of cash or in-kind donations or corporate sponsorships
- Increased engagement with underserved segments

Risks

- Lower connectivity and lack of access to financial services due to remote location
- Compromised financial planning due to low financial literacy
- Need for greater financial assistance for communities affected by poor infrastructure
- Financial needs in communities affected by poor infrastructure

Value Created for RHB

- Financially-savvy customers and general public
- Well-developed operating locations equipped with facilities and infrastructure
- Support from communities and stronger brand reputation
- Financial inclusion and literacy

Opportunities

- Improvement in customer acquisition from an educated customer base
- Acquiring financially-savvy customers and SMEs
- Resilience-building within the communities where we operate

SI SHAREHOLDERS AND INVESTORS

Value Created for Shareholders and Investors

- Attractive shareholder returns
- Investing options that are resilient against ESG risks and adaptable to opportunities

Risks


- Loss of investor confidence and/or low valuations
- Exposure to ESG risks through our banking portfolio
- Poor financial returns due to mismanagement of risks

Value Created for RHB


- Financial stability and investor support
- Higher liquidity and capital to facilitate business growth

Opportunities

- Build investor confidence with sound risk management strategies including the integration of ESG risks
- Attract investor interest with good governance and sustainable financial services

Business Initiatives	Value Creation Indicators
<ul style="list-style-type: none"> Onboarding programmes Solution Co-Design workshops Engagement sessions Group Procurement Guideline 	<ul style="list-style-type: none"> Total number of suppliers Number of joint ventures/partnerships Number of local suppliers Total spending on suppliers Spending on local suppliers Number of engagement sessions and workshops
Capitals: SRC FC IC MC	SDGs: 
Material Matters: SP GG DC	

Business Initiatives	Value Creation Indicators
<ul style="list-style-type: none"> RHB Touch Hearts programme CERDIK programme RHB Art with Heart exhibition RHB X-Cel RHB Money Ma\$ter programme FinLit programme Financial literacy workshops Ocean Harmoni initiative RHB #JomBiz Mobile ATM service Marih Go Cashless in Bario Campaign 	<ul style="list-style-type: none"> Investment in community initiatives Number of beneficiaries reached Number of volunteers mobilised Number of community development projects
Capitals: SRC MC	SDGs:    
Material Matters: FE CE	

Business Initiatives	Value Creation Indicators
<ul style="list-style-type: none"> Establishment of the Board Sustainability Committee Completed Phase 1 of the Group Climate Action Programme (GCAP) covering ambitions setting and the blueprinting ESG Risk Assessment for ESG Sensitive Sectors 	<ul style="list-style-type: none"> Share price Dividend per share Total dividend paid to shareholders Price-to-book ratio S&P Global ESG Score MSCI ESG rating
Capitals: FC	SDGs: 
Material Matters: SF GG DR	

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Value We Create

RA REGULATORY AUTHORITIES AND POLICYMAKERS

Value Created for Regulatory Authorities and Policymakers

- A robust financial industry with the strength to support a thriving economy
- Support for national development agendas such as affordable homeownership, small and micro-entrepreneurship, and Malaysia’s Nationally Determined Contribution (“NDC”) as well as sustainable development aspirations
- Cohesive and coherent governance of climate and environmental risk management

Value Created for RHB

- Regulatory frameworks that guide the development of the financial services sector
- Strong institutional support that facilitates a dynamic operating landscape
- Progress towards being a sustainable financial institution aligned with regulatory ESG expectations

Risks

- Changing regulatory policies, frameworks, and compliance requirements
- Misconduct, corruption, and lack of transparency
- Financial losses from regulatory fines or sanctions due to non-compliance

Opportunities

- Build good relations and compliance record with authorities
- Strengthen Industry leadership and collaboration with regulators on industry development
- Contribute to the development of sustainable financing to support national commitments to SDGs and the climate

FI FINANCIAL INDUSTRY PEERS

Value Created for Financial Industry Peers

- Knowledge sharing and capacity building within the financial market ecosystem
- Collaborative partnerships
- Industry insights and market leadership

Value Created for RHB

- Nurturing expertise and skills growth among our people
- Healthy competition in the operating environment
- Financial market stability

Risks

- Anti-trust behaviour
- Strong competition for market share
- Financial sector resilience

Opportunities


- Create mutually beneficial peer relationships
- Leverage on shared expertise
- Channel financial flows to support national and international sustainable development

Business Initiatives

- Corporate governance policies, including Organisational Anti-Corruption Plan (“OACP”)
- Participation in industry initiatives such as Joint Committee on Climate Change (“JC3”) and Value-Based Intermediation Financing and Investment Impact Assessment Framework (“VBIAF”) Sectoral Guide Working Group
- Support communities in need via various financing facilities and assistance programmes
- Development of sustainable financing products and practices through our lending, capital markets, wealth management, deposits, investments, asset management, and insurance businesses
- RHB Environment, Social and Governance Thematic Conference 2022
- Embarked on Group Climate Action Program roadmap, which covering Governance, Strategy, Risk Management, Disclosures and Others over a 2-year journey.
- Enhancement of ERA tool by incorporating the key guiding principles under the CCPT and ASEAN taxonomy for underwriting process.

Value Creation Indicators

- CET1 ratio – Basel III
- LCR ratio – Basel III
- NSFR ratio – Basel III
- Incidents of non-compliance with regulations
- Taxes paid
- Salaries and payments to suppliers
- Total value of ESG AUM
- Number of ESG-linked products
- GHG emissions reductions

Capitals: 

SDGs: 


Material Matters: 

Business Initiatives

- RHB Environment, Social and Governance Thematic Conference 2022
- Participation in industry initiatives such as Joint Committee on Climate Change (“JC3”) and Value-Based Intermediation Financing and Investment Impact Assessment Framework (“VBIAF”) Sectoral Guide Working Group
- Group Anti-Bribery & Corruption Policy
- Group Whistleblowing Policy

Value Creation Indicators

- Number of peers engaged with through formalised platforms
- Number of joint ventures/partnerships
- Participation in industry events and/or working groups
- Publication of research/insights

Capitals: 

SDGs: 

Material Matters: 

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DR. SAILESH KUMAR JHA
Group Chief Economist

HIGHLIGHTS

Policy tightening due to **inflationary pressures impacted the cost of borrowing for our customers**. Coupled with rising interest rates against a background of slowing GDP growth, this challenged our ability to support our Retail, Corporate, and Commercial Banking customers.

The heightened level of **economic uncertainty created persistent volatility in financial markets**, dampening fee income prospects and the financial value we delivered to our shareholders.

The pervasiveness of the digital economy continues to connect pockets of activity and facilitate organic growth. This was an **opportunity for the Group to leverage digital transformation to deepen penetration into underserved segments**, serving as a catalyst for economic growth in non-urban areas.

ECONOMIC REVIEW

OVERVIEW

Globally, the US economy slowed. The opposite effect was seen in Southeast Asia as the region’s economic activity picked up upon COVID-19 recovery, buoyed by the tailwinds from loose fiscal and monetary policy. Policy tightening measures gathered steam first in the developed markets, followed by Southeast Asia. The pronounced downturn towards the end of the year was mainly attributed to the US FED’s interest rate hike, inducing worries about capital outflow and inflation in emerging markets.

Supported by solid economic fundamentals, **Malaysia’s** economy registered a growth of 8.7% in 2022, as compared to 3.1% Y-o-Y in 2021. Following the reopening of the economy, exports flourished by double digits, buoyed by a resilient Electronics & Electrical (“E&E”) sector and rising commodity prices. Various policy support and assistance subsidies bolstered consumer and household spending. Strong external and domestic demand provided some stability to the economic uncertainty, driven primarily by robust consumer spending and trade performance. The reopening of the economy did indeed, as predicted, allow room for recovery amid sustained improvement in labour market conditions. Rising inflation prompted Bank Negara Malaysia to raise the overnight policy rate by 100 basis points (“bps”) to 2.75%. Notwithstanding the normalisation of monetary policy, Malaysia’s policy stance remains accommodative of low real interest rates.

Singapore’s expanded 3.6% in 2022, from an 8.9% growth handle in 2021 and a contraction of 3.9% in 2020. For 2023, we expect GDP growth at 3.0%, with the services sector likely to account for the lion’s share of the recovery. However, high-frequency data till-date suggest that growth momentum will slow into 1H23, as Singapore’s externally-facing industries are likely to soften in line with the slowdown in global economic conditions.

Encouragingly, Singapore still avoided a technical recession on the back of strong service sector growth in the third quarter of 2022, though the labour market remained tight. Monetary policy tightened for the fifth consecutive session since 2021 as policymakers prioritised stabilising consumer prices amid a high-inflation environment. Headline inflation was at 6.1% for the whole of 2022, against 2021’s 2.3% handle, while core inflation remained elevated at 4.1% over the same period, as compared to 0.9% in 2021.



Malaysia's economy registered a full-year growth of 8.7%, compared to 3.1% in 2021 – the country's record high in two decades and one of the highest in ASEAN. **This growth rate is expected to moderate in 2023 to 5.0%.**



For 2023, we expect growth at 3.0%, with services likely to account for the lion's share of the recovery.



The economy expanded 1.6% in 2021 and 2.6% in 2022. In 2023, Thailand's **GDP growth is expected to recover further to 3.0%.**



Indonesia's economy expanded 5.3% in 2022. **In 2023, growth is expected to grow at 4.9%** on the back of robust private consumption patterns.



Cambodia's **GDP grew 5.1% in 2022**, driven by a recovery of manufacturing and agricultural commodities exports. Growth in 2023 is expected at around 6%.

Indonesia's economic activity picked up momentum in the fourth quarter of 2022, registering 5.01% Y-o-Y from October to December. The consumer confidence index rose to 120.30 points in October, up from 117.20 points the previous month. Nevertheless, the rupiah's position against the US dollar remained weak. For 2023, we expect GDP growth to slow to 4.9%, dragged by lower commodity prices, tighter monetary policy and an elevated inflation environment.

During the first pandemic year in 2020, Thailand's economy experienced its sharpest contraction since the 1997 Asian financial crisis. Comparatively, the economy expanded 1.6% in 2021 and 2.6% in 2022. For 2023, GDP growth is forecast at 3.0%, and will likely be supported by Thailand's services sector on the back of reopened borders and recovering domestic consumption. Not immune to global headwinds, Thailand's expansion slowed in the fourth quarter of the year, marked by a slowdown in exports, E&E manufacturing, and private consumption. Particularly pronounced were declines in principal manufacturing products and agro-industrial products. Furthermore, low energy prices negatively affected the export value of mineral products and fuels.

Cambodia's GDP grew 5.1% in 2022, driven by a recovery of manufacturing and agricultural commodities exports. The nation recorded an inflation rate of 7.8% Y-o-Y in June 2022 before easing back to 4.9% in August. The inflation hike was primarily caused by oil price shocks which then hiked up the price of fuel and fertiliser, further underscored by global inflation. As a result, private consumption was constrained by food and fuel prices and a surge in consumer price inflation. Exports dropped in the year's second half, down from a strong performance earlier in the year. However, exports of the garment, footwear, travel goods ("GTF"), bicycles, and agricultural products remained robust. Private debt remained at high levels, outgrowing nominal GDP and raising concerns regarding credit growth.

MARKET DYNAMICS

The recovering Malaysian economy led to improved lending and lower credit costs, supported by healthy liquidity positions. Nonetheless, credit costs remained above pre-pandemic levels, but banks kept a watchful eye on potential credit losses. Emerging from the pandemic, the share of loans under repayment assistance declined, and the ratio of impaired loans in the banking system stood at 1.8%.

Private debtors, challenged by rising inflation, may struggle to service their debts, leading to heightened credit risk in the medium term. Any asset quality deterioration will force larger provisions. Uncertainty in the global economy surrounding inflation and interest rates increased the risk of asset price adjustment in financial markets. Investment funds thus braced themselves for the capital risk of devaluation and credit losses. Financial markets experiencing liquidity risk could trigger negative market dynamics through the sale of assets, though the banking system maintained healthy liquidity positions in Malaysia.

Impaired loans will be an issue that needs to be addressed as relief measures eventually taper down in all our operating markets. Strong capitalisation and provisioning buffers put banks in a healthy position to weather through macroeconomic headwinds in the global economy. This is favourable to defend stakeholder value even as we prepare for a global slowdown. Bank ratings are expected to remain stable in the year ahead, supported by strong capital and liquidity buffers and loan loss provisioning. This bodes well for financial institutions' position as a financial intermediary to support customer and economic recovery, as well as withstand further shocks to the system. Overall, conditions in the Malaysian financial markets remained orderly despite the global market risk.

The growth of the digital economy has given rise to new market entrants with differentiated product and service offerings that represent competition risk to traditional banking players. Accelerated adoption of digital processes exposes banking systems and their customers to cyber vulnerabilities. This poses significant technology and cyber risk that threatens the financial system's integrity and may erode customers' trust.

Link to Risks



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STRATEGIC IMPLICATION & RESPONSE

We remain vigilant to downside risks by practising prudence in capital and liquidity management, maintaining healthy loan loss reserves, adjusting net working capital, and balance sheet management. Market factors in 2022 accelerated our efforts to increase digitalisation and workforce competency, which are key drivers of TWP24. Across our markets, we adapted to external influences by investing in Human Capital and technology to support our strategy.

Across all seven focus areas of TWP24, digitalisation is a key pivot in our strategic priorities. Instrumental for the successful delivery of our aspirations (Be Everyone's Primary Bank, Prioritise Customer Experience, and Drive Quality Growth), the Group's digital transformation is firmly embedded into our implementation drivers. In a post-Covid economy where uncertainties loom large, financial institutions leverage digital channels to accommodate a safer, more convenient way of banking while remaining relevant to new competition. At RHB, these market factors intensified the impetus for digital transformation, further hastening our efforts in this area. Enhancements to Manufactured Capital, notably the development and improvement of digital assets, were targets of our focus, as well as upskilling Human Capital.

In the developing markets where prospects closely reflect wider economic movements on a global scale, RHB's response to stabilising our core businesses is to build new engines of growth that can balance downside risks in each market. By building an integrated overseas business, we can leverage and counteract each market's strengths and exposure. We are capitalising on the Group International Business' growth potential to contribute to the Group's total income and PBT. PBT contribution at the end of 2022 increased to 10% from 3% in FY2021. As Singapore and Cambodia top our Commercial Banking performance, we remain watchful of market developments in these countries as we seek to defend this business. By deepening our penetration into identified segments within our overseas markets, we take a targeted and hyper-localised approach to respond to the challenges of a volatile economy.

Human Capital development is a core strategy for building capacity in our niche overseas markets. In Singapore, Indonesia, and Cambodia, targeted training and inculcation of the RHB Culture and an emphasis on compliance defined our strategy. This was supported by continuous technological investments to build a robust infrastructure through which we deliver value to our customers across our markets.

[Link to TWP24: Digitalisation, Customer Service, and Workforce as drivers of strategy](#)

Capitals Deployed:  

OUTLOOK

Following trends in the US, global growth is expected to slow to trend in 2023, characterised by a short and shallow recession in the US rather than a severe and prolonged downturn. Southeast Asia will reflect this slowing momentum, with many adopting a tightening policy stance. A gradual recovery is expected in the second half of 2023. Inflation in Southeast Asia will be milder than in developed economies, and core CPI inflation is forecasted to lose momentum. Investments will be driven by liquidity concerns and medium-term goals.

In **Malaysia**, GDP and headline CPI inflation are forecasted at 5.0% and 3.0%, respectively, in 2023. Fuel and food subsidies may change the direction of inflation. The government's expansionary budget is designed to bolster consumer spending. Our forecast of terminal OPR rate is 3.25% for 2023.

We expect the **Singapore** GDP to expand by 3.0% in 2023 on the back of a strong services sector. A healthy domestic and foreign consumption trend will likely fuel momentum, albeit still at a slower rate than in 2022. Declining semiconductor-related demand will hamper manufacturing growth. Inflation is forecasted to average 4.0% in 2023 following falling key commodity prices and import prices. At the same time, a tight labour market and higher wages may prevent inflation from dropping any further. The risk of the XBB variant continues to impose on the Singapore economy.

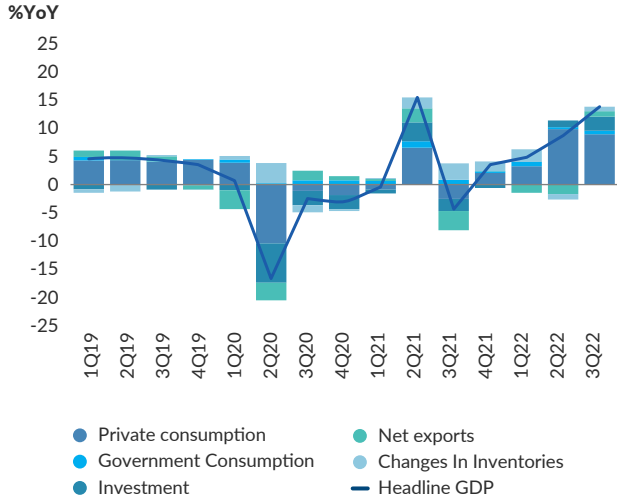
Thailand's GDP is also projected to slow to trend into the first half of 2023. We maintain our outlook of GDP growth at 3.0%, influenced by headwinds in the global economy and tighter monetary policies. Like Singapore, new variants of the COVID-19 virus loom in the background. The retail and hospitality sectors will enjoy growing momentum from increased tourism activity, which is a key driver of the Thailand economy. We maintain our inflation forecast for Thailand at 3.0% in 2023. As a net-energy importer, the country will experience rising consumer prices from the increase in global commodity prices. Inflation largely hinges on commodity price trends, further clouded by the ongoing conflict in Ukraine and China's economic slowdown. The Bank of Thailand is expected to hike its benchmark rate to 1.75% in 2023 on the back of high inflation, and hold stay pat in 2024. This is further supported by negative real inflation rates amid a softening currency.

Fuelled by **Cambodia's** strong export growth, tourism revival, and domestic consumption, the Kingdom's GDP growth is projected at 6.2% in 2023. Recovery is underpinned by election-year spending, rising employment rates, and an inflation rate that trends lower. Increased public spending due to ongoing pandemic recovery measures and developmental demands will widen the current account deficit, compromising Cambodia's external position. However, the fiscal deficit is expected to widen to 6.3% of GDP in 2023 and decrease after, while debt distress will remain low. The risks to the Khmer economy reflect uncertain external conditions and inflation trends and will largely depend on the Kingdom's ability to control the level of private debt.

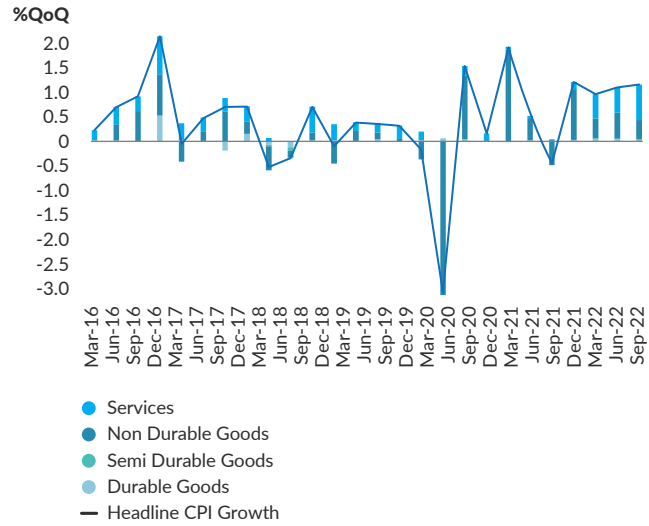


MALAYSIA

Contribution to GDP Growth (Demand Side)

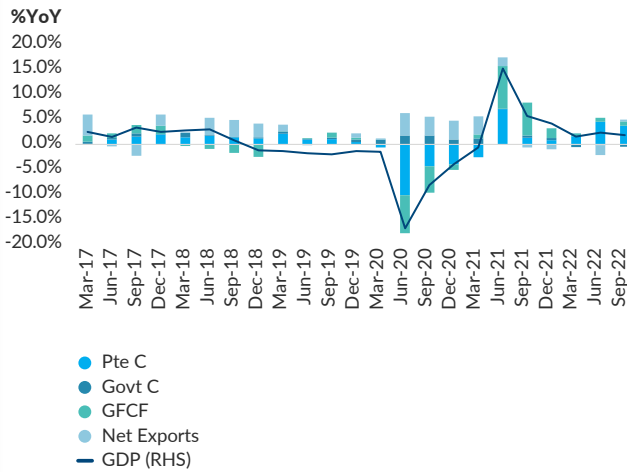


Contribution to %QoQ CPI growth

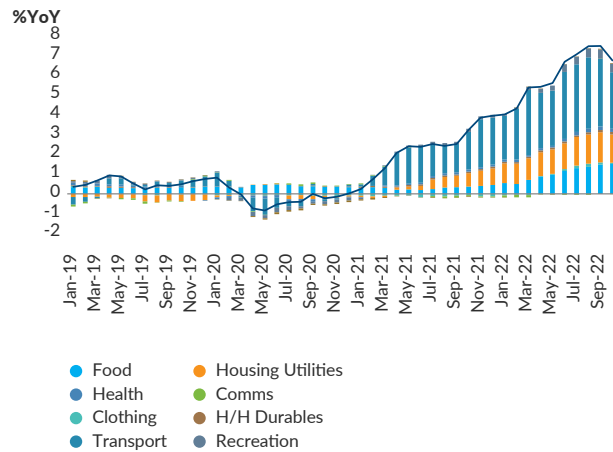


SINGAPORE

Contribution to GDP Growth



Contribution to %YoY CPI growth



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ALEXANDER CHIA
Head, Regional Equity Research, RHB Investment Bank

HIGHLIGHTS

RHB consistently maintained healthy capital buffers and provisioning to accommodate potential impacts on liquidity. Continued vigilance to market risks and movements ensured we could leverage our capitals to adapt to the volatility.

The Malaysian banking industry witnessed a meaningful decline in SME and household accounts under repayment assistance ("RA"). **Proactive classification for repeat RA borrowers pushed the sector gross impaired loan ratio to 1.72% from 1.68%.**

Lending to businesses rose 5.3% Y-o-Y, while household loans were up 5.7% Y-o-Y. **The banking system maintained strong Liquidity Coverage Ratio of 154%**, allowing banks to record Non Interest Margin expansion despite the attrition in CASA deposits and upward repricing of deposits following the OPR hike.

BANKING REVIEW & OUTLOOK

OVERVIEW

During the year under review, Malaysia's banking activity was partly buoyed by government stimulus spending to alleviate pandemic woes. The reopening of the economy and return to normalcy for most sectors underpinned the strong rebound in the domestic economy. However, numerous external headwinds in the global macro environment instilled a cautious sentiment among banks. Worries about capital outflows due to rising US interest rates, new COVID-19 strains and outbreaks in other parts of the world, and upward pressure on global commodity prices arising from the Russia-Ukraine conflict put a damper on economic growth.

After nearly two years of financial assistance to customers impacted by COVID-19, the Malaysian banking industry witnessed a meaningful decline in SME and household accounts under repayment assistance ("RA"). Despite improved visibility on asset quality, banks maintained a prudent stance with provisions. Taking proactive classification for repeat RA borrowers pushed the sector gross impaired loan ("GIL") ratio to 1.72% from 1.68%. This was within expectations and supported by provisions-to-total gross loans of 1.69% compared to an average of 1.36% from 2015-2019.

Lending to businesses rose 5.3% Y-o-Y, while household loans were up 5.7% Y-o-Y. The banking system maintained strong liquidity with Liquidity Coverage Ratio ("LCR") at 154%, allowing banks to record Non Interest Margin ("NIM") expansion despite the attrition in CASA deposits and upward repricing of deposits following the 100bps hike in the OPR. Improved net interest income mitigated weakness in net fees and commissions due to the bearish tilt in global equities.

MARKET DYNAMICS

Against a backdrop of upward inflationary trends and the subsequent policy tightening, banks were challenged with multiple risks in the macroeconomic environment. Interest rate increases and a softening GDP growth impacted lending operations. The expansion of NIM was moderated by rising cost of funds with the shift of CASA deposits to Fixed Deposits ("FD"). Continued volatility in the financial markets dampened fee income prospects, but domestic conditions remained orderly. Financial market stress levels were significantly lower than during the pandemic years, liquidity in the bond and foreign exchange markets were healthy, and financial institutions were fit to manage overall volatility.

Economic recovery moved slowly and unevenly in 2022, with specific sectors impacted by rising input costs and labour shortages. The pandemic's worst-hit sectors experienced strains on the profit margin and recovery was hampered. In anticipation of further macroeconomic and financial shocks, the banking sector is bracing for potentially higher impairments. These market risks continue to impact the financial value that we are able to deliver to our shareholders and investors.

The market saw a surge in online transaction volumes during the health crisis, accompanied by more incidents of banking scams and growing cybersecurity risks. This is matched by regulatory concern over banks' operational risks. Digital-related operational risks deteriorate customer experience and data privacy, thus affecting the value customers derive from our digital platforms and services.

Despite the challenging environment, but also because of it, financial institutions recognise the importance of sustainability more than ever. The banking sector is moving towards ESG integration and climate risk mitigation. An increasing number unveiled commitments to sustainable finance and net-zero targets. This bodes well for the bank's Sustainability and climate risk management into our risk management framework and increases stakeholder access to sustainability- and climate-related financing and services.

Link to Risks MR LR TCR IBR SR


STRATEGIC IMPLICATION & RESPONSE

We consistently maintained healthy capital buffers and provisioning to accommodate potential impacts on liquidity. Continued vigilance to market risks and movements ensured we could leverage our capitals to adapt to the volatility as needed. In this way, we were able to limit any damage to Financial Capital.

To address the threat of digital fraud and scams, we grew our Digital, IT and Analytics ("DIA") workforce mix to 7.7% of total employees (from 6.5% in December 2021). As part of wider workforce skills upgrade programmes, we scaled up optimisation initiatives in role-based and Group-wide training categories. Our focus on developing Human Capital was designed to meet the challenges of a digital-first banking system, such that we can provide a safe and secure banking experience to our customers. Investments were made to enhance our digital and IT infrastructure, both for remote working employees and our customers.

To ensure greater focus in the execution and implementation of the Group Sustainability Strategy and Roadmap, the Group had, in August 2022, strengthened its sustainability governance with the setting up of the Board Sustainability Committee ("BSC"). The BSC's primary role is to assist the Board of Directors in providing oversight and in ensuring the integration of Sustainability and climate-related considerations into the Group's long-term corporate strategy and decision-making process.

The Group's Sustainability Strategy and Roadmap, which cuts across three key pillars, namely Sustainable & Responsible Finance, Embedding Good Practices and Enriching & Empowering Communities, will guide the Group towards achieving its aspirations. These aspirations include to mobilise RM20 billion in sustainable financial services by 2026, empower more than two million targeted individuals and businesses across ASEAN by 2026, and achieve carbon-neutral operations by 2030 and Develop Pathway to Net Zero by 2050. These ambitious targets protect, preserve, and enhance our key capitals.

Link to TWP24: 

Capitals Deployed: FC HC NC IC MC

OUTLOOK

As regional GDP growth prospects slow into 2023, we expect demand for credit to moderate in tandem with a more cautious outlook. Loan growth will be lower but decent, while fee and commission income will likely remain subdued. Most developing markets, including the ASEAN central banks, will likely complete their policy rate hiking cycle in the first half of 2023. This, coupled with supply chain easing, will slow core CPI inflation. By the second half, the US dollar is expected to weaken against Asian currencies, moderating the volatility in many asset classes.

Malaysia's OPR is projected to fall between 3.0% and 3.5%, effectively increasing borrowing costs and reducing spending. Nevertheless, GILs should remain benign, although provisions could stay elevated as banks maintain prudence on asset quality.

Several new digital banks in Singapore have commenced operations while the winners of digital bank licenses in Malaysia will make headway with theirs in 2023. While these new digital banks address underserved segments, incumbent banks will be hard-pressed to ramp up digitalisation efforts in preparation for more competitive disruptions. The popularity of e-commerce requires continued innovation in the digital space to enhance customer proposition and remain relevant to the times.

In addition to digitalisation, the banking sector will continue to feel pressure to demonstrate effective management of ESG issues and climate-related risks and opportunities. In this regard, we expect to see more sustainable products and services introduced to the market, supported by further developments in green finance frameworks at the regulatory level as the market shifts to greater responsibility in the banking sector.

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MARKET TRENDS & APPROACHES

Trends Impacting Our Business	Impact on Our Strategy	How It Impacts Stakeholders
<p>Digital Acceleration</p>	<p>Adopting digital tools and technologies is a key driver underlying many of our strategic focus areas. Digitalisation empowers our workforce to become future-ready, serves our customers with hyper-personalised solutions, and builds seamlessly connected ecosystems.</p>	<p>EM Employees Rapidly changing digital landscape requires relevant and future-ready skills to enable employees to keep up. Digital collaboration tools such as video conferencing platforms facilitate remote working arrangements without compromising productivity.</p> <p>CU Customers Digital platforms offer a convenient banking option and seamless customer experience. Digitalisation has enabled greater financial inclusion, benefiting all customers including underserved communities.</p>
<p>Geopolitical and Economic Developments</p>	<p>A stable and open external environment supports our regional aspiration to build an integrated overseas business, as well as nurture domestic growth.</p>	<p>CU Customers A well-regulated financial market, supported by a stable political climate, facilitates healthy and thriving investment and economic activity.</p> <p>RA Regulatory Authorities and Policymakers Regulatory frameworks and policies to govern financial systems must be well developed to create a trusted market environment that serves the economy's needs.</p>
<p>Financial Market Volatility</p>	<p>Market volatility is expected to continue as macroeconomic headwinds as well as geopolitical and environmental concerns dominate the major economies. Market volatility can create a challenging operating environment with many uncertain risks that disrupt or delay strategic plans.</p>	<p>SI Shareholders and Investors Lower returns to investors resulting from the adverse impact of market volatility.</p> <p>SB Suppliers and Business Partners Tighter cash flows can create supply disruptions, impacting business continuity.</p> <p>CU Customers Consumer preferences are constantly evolving, bringing with them new ways of banking, such as increased demand for modernised digital banking services, interactive platforms and sustainable product.</p>

Key Risks & Opportunities	Our Approach
<p style="text-align: center;">Risks</p> <ul style="list-style-type: none"> Operational Risk Technology and Cyber Risk <p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> Penetrate underserved segments to improve financial inclusion Optimise work processes and automation gains Upskill workforce to evolve with the market Leverage on competitive synergies with new digital bank entrants 	<ul style="list-style-type: none"> Enhanced usage of data analytics to improve customer engagement, resulting in new loan acceptance. Empowered our salesforce with digital tools to help them achieve better sales results and productivity. Implemented a range of digital upskilling programmes across the Group, targeting an average knowledge gain of 80%. Enhanced ecosystems with API-driven connectivity to enable multi-product onboarding through digital partners. Improved the seamlessness and security of the customer experience on existing digital channels, particularly internet and mobile banking platforms as well as cashless payments and product applications.
<p style="text-align: center;">Risks</p> <ul style="list-style-type: none"> Credit Risk Market Risk Regulatory Non-Compliance Risk Shariah Non-Compliance Risk Interest Rate Risk in the Banking Book Corruption Risk <p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> Access to emerging markets with a high potential for penetration Contribute to national development agendas by working alongside regulators on compliance and industry initiatives 	<ul style="list-style-type: none"> Leveraged key expertise in the region through collaboration between local and regional experts to bring to market innovative products and services. Utilised a 'hub-and-spoke' model to bring the best product offerings to our regional customers, which also integrates our commercial and investment banking offerings. Strengthened senior management bench with a strong local and regional network.
<p style="text-align: center;">Risks</p> <ul style="list-style-type: none"> Market Risk Credit Risk Liquidity Risk <p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> New and emerging markets enabling new business streams More effective ways of operating or conducting business Identify strengths to nurture and restructure businesses to become more fit for the market 	<ul style="list-style-type: none"> Developed sectorial expertise in our workforce to offer hyper-personalised advisory services. Maintained diversified segments while deepening penetration into key segments. Built comprehensive solutions to close product gaps in end-to-end wealth propositions, including Islamic financing products and sustainable products.

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Operating Environment

Trends Impacting Our Business	Impact on Our Strategy	How It Impacts Stakeholders
<p>Shifting Ways of Work and Employee Expectations</p>	<p>From public health concerns to the new rules of the gig economy and greater organisation around Diversity-Equity-Inclusion (“DEI”) issues, the current employment model and working lifestyle may not satisfy a newer generation of employees who hold very different ideas of what work means to them. Talent attraction and retention rest on our ability to meet these new expectations.</p>	<p>EM Employees Remote working arrangements offer employees the flexibility to work from the comfort and convenience of their homes. Employees can benefit from the increased focus on well-being at RHB.</p> <p>CO Communities The way we work, play, and live is altered by greater demand for work-life balance and alignment with employees’ personal values, changing the way communities organise and structure their social and hard infrastructure.</p>
<p>Growing ESG Influence</p>	<p>Financial institutions are responsible for promoting a sustainable economy by integrating ESG considerations into financing decisions and financial services. This significantly changes the banking model and our strategic thrust to drive quality growth.</p> <p>At the same time, leading banks internationally are actively managing their own operational footprint while giving back to community development, in an effort to encapsulate responsible banking principles.</p>	<p>CO Communities Financial inclusion for underserved communities and financial support for projects that have a positive social impact.</p> <p>CU Customers More sustainable products and services are availed to customers, empowering them to make informed sustainable and responsible choices.</p> <p>SI Shareholders and Investors Options for sustainable investment that promise financial returns with lower sustainability-related risks and potential for impact creation.</p>
<p>Fintech Competition</p>	<p>Fintech competitors such as neobanks are disrupting the traditional banking model. Incumbent banks that fail to adapt to this new competition will be left behind by market forces and consumer preferences.</p>	<p>CU Customers Customers have access to faster and seamless transactions with user-friendly interfaces.</p> <p>FI Financial Industry Peers Partnerships may be leveraged to drive the adoption of fintech within traditional institutions to remain competitive.</p>

Key Risks & Opportunities	Our Approach
<p style="text-align: center;">Risks</p> <ul style="list-style-type: none"> Operational Risk Sustainability Risk <p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> Attract and retain skilled talent by meeting their expectations Nurture an engaged and motivated workforce to successfully deliver corporate strategies 	<ul style="list-style-type: none"> Enhanced employee value proposition and employee experience through the institutionalisation of Work From Home as a permanent feature in RHB. Provided employees with the resources to care for their physical, mental, and financial well-being through a holistic wellness programme. Reviewed our compensation and benefits structure to remain competitive in talent attraction and retention. Offered regional career opportunities and mobility benefits to internal employees.
<p style="text-align: center;">Risks</p> <ul style="list-style-type: none"> Sustainability Risk Reputational Risk Regulatory Non-Compliance Risk Shariah Non-Compliance Risk <p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> Improve risk management Attract ESG investors and shareholders Support regulations regarding the management of ESG issues 	<ul style="list-style-type: none"> Promoted Sustainable and Responsible Finance through financial inclusion and the introduction of ESG-friendly products across our business segments. Embedded Good Practices by fostering responsible ethics and conduct in the workplace and the supply chain. Enriched and Empowered Communities through meaningful community engagement initiatives. The introduction of Value Based Intermediation by regulators to address ESG concerns has since resulted in the issuance of several sectoral guides for financing activities. Being a member of the Association of Islamic Banks in Malaysia ("AIBIM"), RHB Islamic Bank has played a key role in the development and issuance of these sectoral guides. This includes currently chairing the Transport & Storage sector working group.
<p style="text-align: center;">Risks</p> <ul style="list-style-type: none"> Technology and Cyber Risk Management Operational Risk <p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> Leverage fintech to elevate the customer experience Deploy AI and analytics to deliver personalised service Optimise operations and backend processes 	<ul style="list-style-type: none"> Employed Cutting-Edge Technology through in-house app development that enhances workforce productivity and customer experience. Continued our digital transformation journey using API connectivity. Obtained a Digital Bank License for the establishment of a digital bank in Malaysia, in a joint venture with Boost.

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Material Matters

Our Sustainability Strategy and Roadmap was developed and structured around our material matters. Materiality assessment enables us to identify the material matters that has significant impact to our business and our stakeholders. Our materiality assessment is integral to our journey of value creation as it enables us to manage sustainability and climate risks as well as opportunities aligned with our strategy, business model and stakeholders' expectations.

We conducted a thorough materiality assessment* in 2018 led by an independent third party where 17 material matters were identified. Since then the Group has, on an annual basis conducted an internal review of our material matters, updating our material matters through in-depth analysis and approach that provides insights into trends, business risks and opportunities that influence our ability to create sustainable value.

For this reporting cycle, we had conducted internal annual review and validation of our material matters by taking into account internal and external factors such as the following:

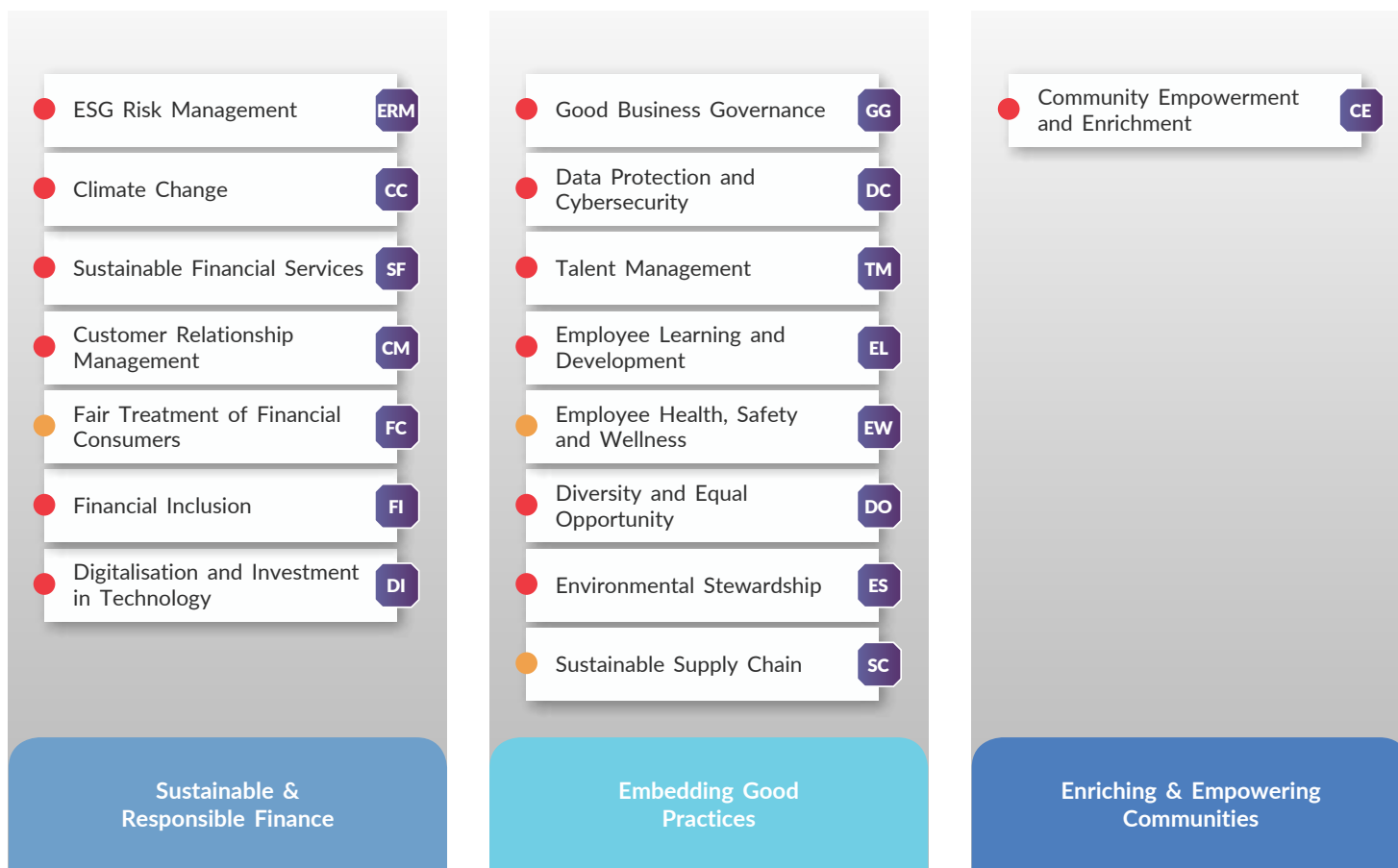
- The Group's TWP24 Strategy
- Internal and external stakeholders' concerns and expectations**
- The global, regional and local landscape
- Current and emerging regulatory directions, expectations and requirements
- Peer assessments
- External ESG ratings

Following the review and validation, we identified 16 material matters, where 13 have been identified as Prioritised and three as Considered based on level of priority to the Group and its stakeholders. The prioritised material matters are matters with the highest impact to our stakeholders and on our business. The prioritisation of the material matters is assessed based on the risks, opportunities and management approach associated for all material matters as disclosed in Section 7.0 CREATING VALUE BY...

* For more information on our 2018 materiality assessment, material matters and matrix, please refer to RHB Sustainability Report 2018.

** For more information on internal and external stakeholders' concerns and expectations, please refer to page 16 of Sustainability Report 2022.

We have also included Environmental Stewardship, Diversity, Equity & Inclusion and Community Empowerment and Enrichment as part of our prioritised material matters for FY2022, hence the inclusion of these matters within our Sustainability Strategy and Roadmap as well as the Group's Sustainability Aspirations.



● Prioritised ● Considered

Material Matters	What They Mean To Us	Sustainability Core Pillar
ERM ESG Risk Management	Having effective ESG and climate risk management is vital in driving sustainable growth and key to the proactive risk management of our operating environment. Management of ESG risks strengthens the resilience of our financing strategies, and a key in our decision making process.	SF
CC Climate Change	Supporting the transition to a low-carbon economy in line with national and global commitments. We approach this through managing our own operational footprint, supporting and nurturing customers and clients in the transition to a low-carbon economy and seizing opportunities for climate adaptation and mitigation.	SF EP
SF Sustainable Financial Services	Integrating ESG considerations into the Group's core business activities and decision-making processes, including identifying related risks and opportunities that will contribute to sustainable development and the transition to a low-carbon economy.	SF
CM Customer Relationship Management	Delivering service excellence to our customers in line with our Customer Service Charter and striving to gain the trust and confidence of our customers, enabling them to achieve their goals.	SF
FC Fair Treatment of Financial Consumers	Treating our customers fairly in the conduct of our business, as well as providing them with accurate, adequate and easily understood information on products and services.	DS
FI Financial Inclusion	Providing financial access and inclusion through various products and services, including promoting financial literacy to customers and the community, particularly to the youth and the underserved.	SF
DI Digitalisation and Investment in Technology	Delivering and creating value for our customers. We identify opportunities and mitigate risks by investing in technology and channel improvements and delivering innovative products and services, while encouraging digital adoption among customers.	SF
GG Good Business Governance	Upholding good business conduct that encompasses ethical business practices, regulatory compliance and active management of anti-bribery and corruption, fraud risk and anti-competition through strengthened policies and governance that will gain the trust of shareholders, customers and other stakeholders, leading to long-term value creation and sustainable business growth.	EP
DC Data Protection and Cybersecurity	Putting in place a robust digital infrastructure with stringent controls and governance measures to protect customers' data privacy while continuously enhancing our cybersecurity capabilities to ensure a safe and secure environment.	EP
TM Talent Management	Continuing to foster talent development while embedding sustainable practices in the management of our human capital. To ensure long-term growth for our business, we manage our diverse workforce by optimising talent management and employee engagement.	EP
EL Employee Learning and Development	Building a workforce that is future-proof, in order to stay relevant and agile while delivering the Group's strategic priorities. We do so by equipping our employees with the right set of development skills and tools to expand their professional growth and maximise their potential.	EP
EW Employee Health, Safety and Wellness	Ensuring the health and well-being of our employees is important to increase productivity and efficiency and to promote agility.	EP
DO Diversity and Equal Opportunity*	Building a diverse and inclusive workplace and culture with equal opportunity and inclusivity across gender, age, ethnicity, disability and nationality.	EP
ES Environmental Stewardship*	Advocating the responsible use of natural resources such as energy, water and paper and the minimisation of waste produced through sustainable practices. This includes encouraging eco-efficiency practices in our business and operations to minimise our own environmental impact.	EP
SC Sustainable Supply Chain	Ensuring that our procurement practices are responsible, ethical, fair and transparent, reflecting the Group's commitment to promoting sustainable practices across its supply chain.	EP
CE Community Empowerment and Enrichment*	Enriching and empowering local communities in which we operate, particularly the underprivileged and youth. This is driven by our community engagement initiatives and through the RHB Foundation.	EC

* New inclusion of prioritised material matters

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Key Risks and Mitigation

Risk management is a fundamental process at RHB in driving sustainable growth and enhancing shareholder value while maintaining the Group's competitive advantage. Proactive risk management is thus a central part of the Group's operating environment.

Despite a challenging macroeconomic environment, the Group was able to maintain strong performance and sound risk fundamentals. The risk to impacted segments may have increased, but necessary steps were taken to maintain stable operations. The Group continued to remain vigilant through portfolio reviews and stress-testing exercises to analyse potential impacts and identify appropriate risk management actions.

The Group's Risk Management Framework serves the following purposes:

Provides a holistic overview of the risk and control environment of the Group, aimed at loss minimisation and protection against losses that may occur otherwise.

Outlines the contribution of the risk management function to the value creation process, mainly through risk management sophistication and enhanced risk quantification to optimise risk-adjusted returns.

RHB's risk management framework is presented in further detail in the Statement on Risk Management and Internal Control on page 187 of this report.

CR CREDIT RISK

RISK EVALUATED

The risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's lending/financing, trade finance, placement, underwriting, investment, hedging, and trading activities from both on- and off-balance sheet transactions.

Credit risk does not happen in isolation as certain risk events (e.g. fluctuations of interest rate and foreign exchange) may give rise to both market and credit risks.

IMPACT ON VALUE

Credit risk leads to impairment losses, thereby impacting financial return and capital.

MITIGATION MEASURES

- Implemented credit controls and parameters in the credit value chain, such as Risk Acceptance Criteria, exceptional credits/deviation approval capping, impositions of covenants and collateral requirements.
- Identified high-risk segments or accounts through various early warning tools for pre-emptive action or early close monitoring and, where necessary, implementation of account/portfolio strategy.
- Imposed credit risk appetites/limits and risk posture to ensure the credit risk undertaking is within the Bank's risk appetite.
- Assessed the potential impact of emerging risks in our portfolios via stress testing and thematic reviews.
- Adopted advanced analytics and machine learning to enhance credit risk measurement and expected credit loss.
- Integrated ESG considerations into the Group's risk management practices and decision-making processes.
- Enhanced the Group Credit Policy to include ESG-risk-related activities under Prohibited Credits.
- Developed ESG assessment tools in managing climate-related risks to assess existing and new client profiling and adopted Bank Negara Malaysia's ("BNM") Climate Change and Principle-Based Taxonomy.
- Engaged with clients and customers in advocating for the transition to clean energy and green activities, and nurturing the integration of ESG/sustainable practices into their respective businesses and operations.
- Conducted due diligence assessments at the asset level to manage properties that are susceptible and prone to flooding to manage physical climate risk.
- Aligned financing decisions with our no-deforestation, no-peat and no-exploitation ("NDPE") and no-coal policies to support responsible companies.

CR CREDIT RISK (CONT'D)

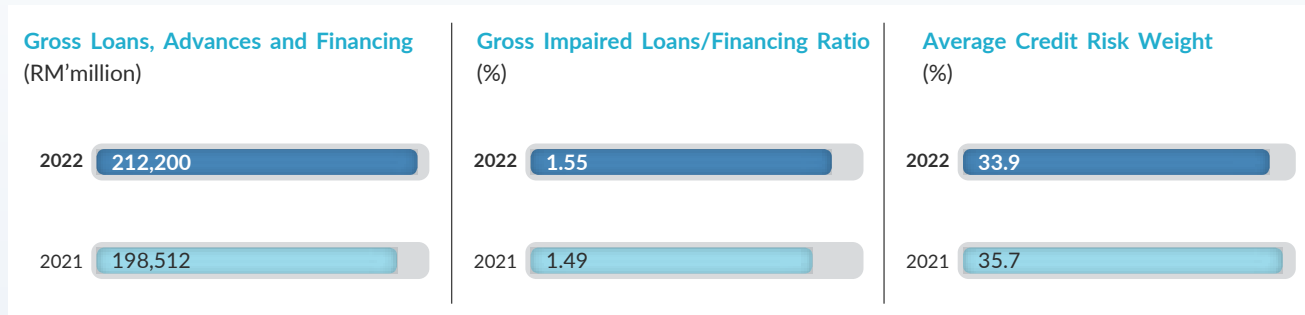
RISK MOVEMENTS

The risk of default on existing loan repayments is exacerbated by numerous economic headwinds, including the impact on commodity price instability due to the Russia-Ukraine conflict, the strengthening of the US dollar, rising inflation, and tightening monetary policies. These factors create cost-of-living pressures, which pose downside risks to borrowers' ability for repayment.

While market conditions improved during the transition to the endemic phase, some segments of borrowers still experience prolonged effects from the pandemic. As a financial intermediary, support was extended to our customers through ongoing loan restructuring and rescheduling moratoriums on a needs basis.

Overall, BNM's Financial Stability Review opines that credit risk will remain contained. At the same time, BNM announced that the share of household loans identified as higher credit risk (stage 2 loans) has declined to 7.9% as at December 2022 from 8.5% year-on-year. This trend will likely continue as borrowers under repayment assistance programmes exit and complete the observation period of loan servicing. The Group ensured sufficient buffer against this risk by maintaining prudent lending standards during the recovery.

Credit Risk 2022 Quantitative Highlights:



- The Group's gross loans, advances and financing grew by 6.9% Y-o-Y to RM212.2 billion, mainly contributed by the growth in mortgages, SME and Singapore. Domestic loans and financing grew 5.3% Y-o-Y.
- The Gross Impaired Loans/Financing Ratio (%) remained resilient Y-o-Y with slight deterioration at 1.55% (RM3.29 billion) as at 31 December 2022 but still remains below Industry ratio of 1.72% (as at Quarter 4 2022).
- Average credit risk weight showed an improvement Y-o-Y by 1.8% mainly due to increase in sovereign bond exposure coupled with growth in residential mortgage which have lower-than-average risk weight.

OUTLOOK

The Ministry of Finance ("MoF") and BNM maintain an optimistic outlook of credit risk, supported by:

- Malaysia's economy recorded an encouraging GDP performance of 8.7% for 2022 exceeding the estimate of 6.5% - 7.0% made in October 2022. The growth is supported by a strong economic performance in the 4Q2022 driven by the recovery of private spending and the strengthening of the Ringgit.
- Resilient trade performance at a total growth rate of 27.8% in 2022 Y-o-Y while trade surplus grew by 0.56% to RM255.1 billion.
- Improving labour market with a stable unemployment rate of 3.6% as at December 2022.
- Positive economic outlook based on above 100.0 points in the Leading Index.

Nevertheless, Malaysia's economic growth is expected to decelerate in 2023 as the world's larger economies experience a downturn. Hence, the Group adopts a cautious approach by continuously enhancing credit underwriting standards. We also regularly review the Group's credit risk policies to ensure they remain effective in identifying, measuring, monitoring, and controlling this risk.

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Key Risks and Mitigation

MR MARKET RISK

RISK EVALUATED

The risk of losses arising from adverse movements in market drivers, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk constitutes:

- The interest/profit rates and equity risks of financial instruments in the trading book.
- Foreign exchange risk and commodities risk in the trading and banking books.

IMPACT ON VALUE

Sudden or unexpected fluctuations in asset/portfolio value impact financial returns.

MITIGATION MEASURES

- Maintained sound and effective market risk governance structure and processes, independent of the Group's trading operations.
- Deployed risk policies and measurement methodologies through the established framework to identify potential risks due to market volatilities.
- Ramped up proactive risk management including periodic reviews and assessments of risk appetite with business units in response to adverse market conditions.
- Aligned risk mitigation measures with new business strategies adapted to the changing macroeconomic landscape.
- Closely monitored the changes in monetary policy and its effect on market factors.
- Increased engagement and risk reporting to the risk management committees at the Management and Board levels.
- Revised short-term business objectives and strategies in line with adjusted risk appetites and supported by stress scenario analysis.
- Monitored trading exposures to ensure risks remained within internal thresholds and detection of extreme events via a monitoring mechanism.

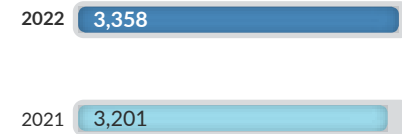
RISK MOVEMENTS

It was a challenging year for financial markets due to spillover effects from the Russia-Ukraine war and global inflation, leading to extensive interest rate hikes. The interest rate hike in the US, coupled with slowdowns in the US, EU, and China economies, triggered high inflation rates in Southeast Asia amid the weakening of the dollar. Central banks in other markets subsequently acted to normalise monetary policy, giving way to poor market liquidity and falling financial asset prices. With each monetary policy announcement, there was a significant increase in knee-jerk reactions by investors and markets, causing spikes in the fixed-income and equity markets.

The increase the Market Risk-Weighted Assets ("RWA") was contributed by higher holding of trading positions of bonds, equity and options held by the Group.

Market Risk 2022 Quantitative Highlights:

Market RWA (RM'million)



OUTLOOK

Uncertainties in the global economy will persist into 2023, creating conservative investment and business environments. Financial markets will continue to be influenced by the changing interest rate outlook. As a result, structural limits and internal controls will be periodically reviewed or restructured proactively to mitigate any risks arising from market volatility. The severity of market risks will depend on the market's response to tightening policy measures to curb inflation.

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LR LIQUIDITY RISK

RISK EVALUATED

The risk of failure to meet financial commitments and obligations when they are due and to transact reasonably. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.

IMPACT ON VALUE

Liquidity risk that requires funding at higher costs or disposal of liquid assets at losses impacts financial profitability.

MITIGATION MEASURES

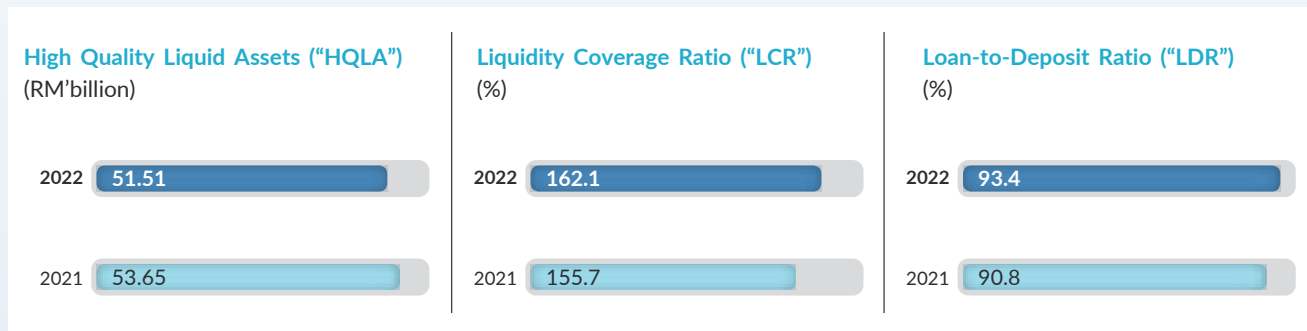
- Conducted stress tests to detect and identify any possible liquidity issues.
- Set thresholds for risk limits and Management Action Triggers (“MAT”).
- Simulated liquidity crisis exercise involving scenarios simulating large deposit withdrawals and liquidity crisis management.
- Implemented contingency funding and recovery plans in a liquidity crisis.

RISK MOVEMENTS

The interest rate hikes by the US Federal Reserve and Overnight Policy Rate (OPR) shifted depositor preferences to shorter-term deposits. This led to higher deposit outflow under the Liquidity Coverage Ratio (LCR) and shorter tenor deposits under the Net Stable Funding Ratio (“NSFR”). Higher debt levels, and the resulting indexation increased liquidity risk in 2022. Liquidity was overshadowed by a growing debt pile, complicated further by a reduction in quantitative easing programmes.

Notwithstanding these market developments, the Group’s liquidity maintained at healthy levels, raising no material concerns. The Group’s LCR and NSFR remained above 100%.

Liquidity Risk 2022 Quantitative Highlights:



- The year-end LCR increased due to lower Net Cash Outflow, driven by reduced deposits outflow.
- The increased LDR was mainly driven by increased loans growth due to improving market conditions post-pandemic.

OUTLOOK

The forthcoming expiry of the Statutory Reserve Requirement flexibilities on 31 December 2022 is not expected to affect the liquidity of the Group, given sufficient liquidity buffers in place. To ensure LCR and NSFR positions remain intact, we intend to grow Retail and SME deposits which are more stable and reduce the concentration to large corporate depositors. Liquidity in the Malaysian banking sector is expected to remain at healthy levels, ensuring financial intermediation continues to support the market.

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Key Risks and Mitigation

OR OPERATIONAL RISK

RISK EVALUATED

The risk of inadequate or failed internal processes, people, systems and/or external events that result in losses. It also includes IT, legal and Shariah non-compliance risks but excludes strategic and reputational risks.

IMPACT ON VALUE

Depending on the type of operational risk; lapses, errors, and disruptions in business operations may affect the resiliency of our service delivery which may result in operational losses, impact our brand reputation and shared values.

MITIGATION MEASURES

- Reviewed the robustness and relevance of internal controls and processes by all policy owners, e.g., Data & Information Management Policy, Whistleblowing Policy, AML/CFT Policy, Outsourcing Guidelines, and Crisis Management Guidelines.
- Conducted continuous awareness and training activities to improve risk management knowledge, risk culture, and practices amongst Group personnel.
- Adopted stringent change management assessment and governance to mitigate business and operational disruptions concerns.
- Embracing new technologies, robotics, artificial intelligence, and cloud computing in our work processes in addition to the new norm working conditions.
- Embarked on a transformation initiative to shift from business continuity to service and operational resilience.
- Maintained new norm practices and general public health measures for the safety of customers and employees, even during the endemic phase.
- Implemented WFH as a flexible work arrangement for employees, supported by comprehensive guidelines, including governance to oversee remote work.
- Improved analytics on operational risk incidents to drive focused risk mitigations and remedial actions.
- Escalation to Senior Management, Board, and regulators on any new fraud modus operandi, significant operational losses, internal fraud cases, or related matters that pose a significant reputational risk to the Group.

RISK MOVEMENTS

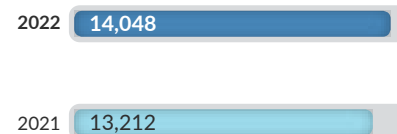
As the banking industry keeps in tandem with the momentum of digitalisation, cybersecurity risks are a real threat to our business and operations. Higher adoption rates of electronic banking are linked to increased fraud and scam cases. Notably in 2022, there was an increase in scam cases involving malicious applications downloaded via internet links. Increased data breaches and privacy violations in the banking industry were reported during the year, posing a threat of financial losses. The Group is cognisant of the elevated fraud risk profile and has been actively managing fraud risks, both internal and external. On the external front, we continue to be active in various industry task forces and working groups, including the pilot group supporting the National Scam Response Centre led by BNM and Polis Diraja Malaysia. Internally, the Group maintains a zero-tolerance stance towards internal fraud, taking serious disciplinary measures over integrity concerns. The Group views internal fraud as a serious threat to risk culture and our brand reputation. Therefore, nurturing the right culture and values ensures an environment whereby internal fraud and integrity issues are not tolerated. The Group further reaffirmed our integrity commitment through the Corruption Free Pledge during our Integrity Week programme.

People-related risks were elevated during the pandemic and continue to be monitored as the threat of public health risks persists. While Malaysia and neighbouring countries transitioned into the endemic phase following the effectiveness of public health programmes, the Group is aware of the risk of new variants. It continues to practice and adopt new norm standards for the health and safety of our employees and customers. Since offering a permanent WFH option to employees, appropriate cybersecurity buffers have been reinforced to protect a digital workforce and our IT assets.

The Group adopted the Basic Indicator Approach in computing Operational RWA. The increase in Operational RWA of 6.3% in 2022 was due to the increase in gross income.

Operational Risk 2022 Quantitative Highlights:

Operational RWA (RM'million)



OR OPERATIONAL RISK (CONT'D)

OUTLOOK

Project and Change Management concerns are top of mind as the Group pushes forward with our digitalisation agenda, the migration to the cloud and the associated revolution in work processes, and increased sustainability and climate management efforts.

People-related risks are moderating as we enter the endemic phase, but we remain watchful of public health risks. RHB employees have embraced the new norms while we review and refine work processes to ensure smooth transitions. Based on the lessons learnt from the pandemic, the Group is making efforts to comply with the heightened regulatory expectations on Operational Resilience and Recovery Planning.

In the year ahead, our focus will be to further enhance the risk culture programme at RHB to promote appreciation of risk management and risk ownership at the first line of defence. Digitalisation will be leveraged to optimise operations and conduct risk assessments.

The expected global economic slowdown in 2023 signals several Operational Risk concerns. Given this macroeconomic environment, we are watchful of the following risks in the coming year:

- 01 Execution errors under the pressures of business deliverables and cost management
- 02 Internal and external fraud attempts
- 03 Supply chain stress in a global economic crunch
- 04 Attraction and retention of skilled employees

Overall, the Group's strategy is to consistently execute our risk culture programme to foster a culture aligned with the Group's risk appetite. This will be supported by proactive management and ownership of risks as the first line of defence.

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Key Risks and Mitigation

OR TECHNOLOGY AND CYBER RISK

RISK EVALUATED

Technology risks are associated with the use, ownership, operation, involvement, influence, and adoption of IT within the Group. Cyber risks are threats or vulnerabilities arising from the connectivity of internal infrastructure to external networks such as the internet.

IMPACT ON VALUE

Threats to our IT infrastructure impact our operations' integrity and our customers' privacy, hindering our ability to facilitate transactions in a safe and secure environment.

MITIGATION MEASURES

- Deployed digital-friendly cloud-based security infrastructure, supported by hiring practices for cloud security-related skillsets.
- Established proper governance for the management of cloud/digital deployment, including setting guidelines and policies to strengthen security controls.
- Surveyed third-party cybersecurity postures and subscriptions to threat intelligence services for improved visibility of the cyber threat landscape.
- Continuously monitored network activities for anomalies and security breaches.
- Regularly assessed and tested internet-facing application systems while resolving any weaknesses detected with attestation from external consultants.
- Monitored the centralised system health status and capacity utilisation for early detection and response to potential IT issues.

RISK MOVEMENTS

Digitalisation picked up momentum during the pandemic years to facilitate WFH, split operations, user mobility, and ease of access. Subsequently, cloud computing increased, and remote access to backend systems was further enabled. An increased focus on digital transformation initiatives was seen, along with dedicated management committees responsible for facilitating faster time-to-market and responsiveness to customer feedback. The popularity of cloud technology created opportunities for collaboration with partners. As the financial ecosystem moves in tandem with digitalisation initiatives, this exposes our digital business model to hackers and cybercriminals, heightening the risk of cyber-attacks. There was a rise in phishing emails detected during the year, although no losses were reported.

OUTLOOK

We expect technology and cyber risks to remain a permanent feature of a digitalised economy. These risks will evolve while new technologies are implemented and the digital transformation process continues. Security protocols will need to evolve along with this process to ensure that digitalisation does not compromise the integrity of our systems. There is a strong emphasis on cybersecurity controls at the regulatory and corporate levels. Opportunities for enhanced customer experience and banking interconnectedness can be tapped into while abiding by security parameters. The success of digital transformation drives depends on the ability to anticipate and mitigate technology and cyber risks. This requires continuous enhancement of the lines of defence, investing in cybersecurity protection and skillsets.

Capitals: 	Strategy: 	Stakeholders: 	Material Matters:
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RNR REGULATORY NON-COMPLIANCE RISK

RISK EVALUATED

The risk of regulatory sanctions arising from non-compliances to laws, rules, standards, and regulatory requirements (including any ruling of the Shariah Advisory Council) relevant to a financial institution’s activities in all jurisdictions in which the financial institution or any of its branches or subsidiaries conducts its activities may result in the financial institution suffering financial loss or reputational damage.

IMPACT ON VALUE

Non-compliance results in regulatory penalties and reputational losses, impacting financial value and relevant operating licenses.

MITIGATION MEASURES


- To align with the roll-out of RACE initiatives, the AML competency model and role-based training was established, which was mapped across business divisions and the three lines of defence.
- The compliance ecosystem was enhanced through various projects such as enhancement and digitization of processes via Project RACE, implementation of inaugural Anti-Money Laundering Risk Assessment (“AML-RA”) dashboard reporting, utilisation of data analytics, foreign exchange administration (“FEA”) system, FATCA/CRS reporting and compliance risk assessment (“CRA”).
- Overall review of policies, circulars and guidelines were conducted to ensure that the Group’s operational and business processes were updated, where required, to cater for the new normal while ensuring adherence to regulatory requirements.
- Intensified cyber risk assessments for the Group’s existing systems, including regular reviews of processes and controls to identify additional security needs.
- More focused AML and regulatory reviews to detect procedural gaps vis-à-vis regulatory requirements for the Group both locally and regionally.
- Continuously develop and improve compliance competency of current staff through sponsorship of professional accreditations and in-house compliance training and briefing sessions.

RISK MOVEMENTS

Aside from business and governance regulations, rules related to cybersecurity and ESG compliance risks are on the rise, driven by rapid digitalisation in the banking sector and sustainable financing. Regulatory authorities now require assessments of the technology infrastructure of critical systems due to heightened risks following the COVID-19 pandemic. Consequently, regulations on ESG are being enforced to facilitate responsible banking and financing. These factors alter the regulatory landscape in our operating locations and require strong governance cascading through the three lines of defence.

OUTLOOK

Group Compliance intends to maintain a robust compliance function through continuous innovation by supporting business objectives and effective compliance management. These initiatives include, amongst others, enhancing the compliance ecosystem and supporting business resilience through optimisation of the compliance governance structure by embedding ESG, data and advanced analytics, and digital initiatives. Group Compliance continues to focus on strengthening compliance risk management through all lines of defence and embedding compliance culture through continuous and relevant compliance training, workshops and forums to promote proactive and responsible AML/CFT practices, regulatory and Shariah compliance culture, and by cultivating compliance competency of front-line and Business Risk Compliance Officers’ (“BRCO”).

Please refer Group Compliance on page 174 for more information on Group Compliance. 

Capitals:



Strategy:



Stakeholders:



Material Matters:



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Key Risks and Mitigation

SNR SHARIAH NON-COMPLIANCE RISK

RISK EVALUATED

Regulatory sanctions, financial loss or non-financial implications, including reputational damage arising from the failure to comply with the rulings of the Shariah Advisory Council (“SAC”) of local regulatory bodies (such as the SAC of the BNM for Malaysia operations), standards on Shariah matters issued by the local regulator or decisions or advice of the Shariah committee/advisor appointed by the respective RHB entities.

IMPACT ON VALUE

Alters the Group’s reputation and public confidence in RHB to deliver quality Shariah-compliant financial services through its Islamic entities.

MITIGATION MEASURES

- Regularly conducted independent assessments of the quality and effectiveness of Shariah internal control and risk management systems and governance processes.
- Streamlined the Shariah Operational Risk Management (“Shariah ORM”) process with the Group’s Operational Risk Management (“ORM”) tools and methodologies.
- Enhanced Shariah Risk Profiling methodology to guide the risk measurement validation process on the Risk Control Self-Assessment (“RCSA”) results by the Business and Functional Units.

RISK MOVEMENTS

In 2022, 11 potential Shariah non-compliance events were detected through our stringent Shariah review and audit processes, of which one event was identified as actual Shariah non-compliance event and resolved accordingly. Like other regulations, Shariah-related regulations are constantly evolving with the market. Continuous monitoring and robust efforts in Shariah governance are underway to ensure non-compliance findings are addressed and recurrence is mitigated. As RHB’s Islamic entities seek to drive higher value for our Islamic customers, the risk of non-compliance may grow in tandem with the growth of this business.

OUTLOOK

We continue to work closely with the relevant stakeholders on strengthening management approaches. Our efforts include complying with policies and guidelines issued by regulatory authorities, such as the Shariah Risk Profiling Methodology and Shariah Non-Compliance Stress Scenarios. Investment in Human Capital and Manufactured Capital is needed to inculcate a Shariah-compliant culture in the Shariah ORM team and the Business and Functional Units. This is supported by the deployment of automated and robust Shariah-intelligent data analytics.



SR SUSTAINABILITY RISK

RISK EVALUATED

ESG risks arising from own operations as well as through customers, clients or investees operations. If left unmanaged, these risks may pose a negative impact to the Group's business and operations as well as reputational image.

IMPACT ON VALUE

Sustainability risks impair the assets and key capitals that we leverage to create financial value. Poor or low adoption of sustainable practices deteriorates the work culture, supply stability, natural ecosystems, and communities/human rights in which we operate.

MITIGATION MEASURES

- Incorporated sustainability risk-related policies and guidelines into the RHB Group Credit Policy and local country-level credit policies.
- Formulated the Group's stance on financing thermal coal and coal-fired power plant projects.
- Practised NDPE policy.
- Developed the ERA tool with an escalation mechanism in our operating markets to ensure implementation of the above.
- Conducted capacity-building programmes for the Group's senior leadership and mid-level management, particularly targeting relationship managers, frontliners, operations team, etc.
- Issued the Group's ESG Eligible Business Activities Guidelines as a classification system for green, social, and sustainable financing.
- Established the Board Sustainability Committee to enhance the oversight and governance of ESG matters.
- Embarked on Phase 2 of the Group Sustainability Strategy and Roadmap.
- Completed Phase 1 of the Group Climate Action Programme that set up ambitions and the blueprint that is benchmarked against industry leading practices and relevant regulatory requirements.
- Embarked on GCAP Phase 2 which covers all elements of Climate Framework including on Governance, Strategy, Risk Management, and Disclosure aligned with leading peer practices as well as Bank Negara Malaysia guidelines, towards developing the Group's pathway to net zero by 2050.
- Conducted Quarterly Risk analysis and ESS reporting to relevant Management & Board Committees and Bank Board.

RISK MOVEMENTS

ESG risks are gaining prominence as awareness around sustainability grows in the financial sector. Climate-related risks especially are of top concern to investors and analysts considering the physical and transition risks that disrupt business. This creates demand for stronger ESG- and climate-related disclosures. Businesses are beginning to declare net-zero ambitions and design pathways to reduce emissions towards a climate-resilient future. There is already a cross-sectoral paradigm shift to transition to a low-carbon economy. However, this shift is particularly noticeable in the financial sector due to its position as an intermediary of said transition.

Social risks such as forced labour are also coming to the fore, given public visibility around these issues in some of our operating markets. These emerging ESG risks force businesses to integrate non-financial considerations into their business model and risk management framework. Companies now must manage the ESG aspects in every part of their operations and supply chain; if not by the demands of business, then by new ESG regulations.

The Malaysian government is taking concrete steps to promote sustainability and the climate agenda by leveraging on sustainable financing, as seen in Budget 2023. Non-compliance with these new regulations will be a key governance risk, further complicated by the lack of sustainability expertise in financial services.



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Key Risks and Mitigation

SR SUSTAINABILITY RISK (CONT'D)

RISK MOVEMENTS (CONT'D)

Sustainability Risk 2022 Quantitative Highlights:

S&P Global ESG Score

49/100

2021: 47/100



MSCI ESG Rating

AA

2021: AA*



FTSE4Good Bursa
Malaysia Index Rating

4 Star

2021: 4 Star



FTSE Bursa Malaysia
EMAS ranking

Top 25%

2021: Top 25%



* No rating was done by MSCI ESG in 2021, but maintained AA score in 2019 and 2020.

Improvements in the Group's ESG performance ratings and scores reflect greater efforts in sustainability management. The ratings measure exposure to sustainability risks and opportunities and the management of those risks. Our consistent performance over the years demonstrates a stable risk management approach even as sustainability risks trend upwards.

OUTLOOK

Faced with a narrow timeframe to achieve sustainable development goals and limit warming to the level recommended by the Paris Agreement, sustainability and climate-related risks will continue to be a top priority for us. The Group's 5-Year Sustainability Strategy and Roadmap were conceived as a blueprint to achieve our sustainability aspirations, taking into account the Group's sustainability risks and opportunities as well as the evolving regulatory landscape. Plans are in the pipeline to minimise the financing of high negative impact activities while channelling funds to positive impact ones. This will be supported by ongoing capability building to enhance knowledge and skill sets of our people across all levels of the Group will future proof the organisation and increase our ability to achieve our sustainability and climate agenda and adapting existing frameworks, policies, and guidelines to manage ESG issues.

A key component of GCAP is to highlight the priority we are placing on Climate Risk management as a business transformation agenda. GCAP also aims to reassess and strategically position our future business, products and services from a sustainable perspective.

Initiatives under GCAP Phase 2, which are of varying effort and complexity, will be rolled out across the Group over a 2-year period. For more details on the Bank's sustainability efforts, please refer to the 2022 Sustainability Report.

SR Refer to page 36 in the Sustainability Report.

Material Matters:



IBR INTEREST RATE RISK IN THE BANKING BOOK/ RATE OF RETURN RISK IN THE BANKING BOOK

RISK EVALUATED

The risk of losses in earnings and economic value of equity due to adverse movements in the interest rate/benchmark rate. The risk may arise from the mismatches in the timing of repricing of assets and liabilities from both on- and off-balance sheet positions in the banking book, changes in the slope and shape of the yield curve, basis risk, and optionality risk.

IMPACT ON VALUE

Interest rate risk in the banking book directly impacts profit margins and, therefore, the financial value of our books.

MITIGATION MEASURES

- Regularly monitored the risk based on established policies, strategies, and limits for the management of balance sheet risk exposure.
- Adhered to the Group risk appetite, Management Action Triggers, and escalation procedures to achieve a balance between profit and minimising the risk to earnings and capital from changes in interest rate/benchmark rate.
- Performed regular stress testing to determine the adequacy of capital to meet the impact of extreme interest/benchmark rate movements on the balance sheet.

RISK MOVEMENTS

During the year, the US Federal Reserve raised the interest rate by 3.00%. The hike triggered inflationary pressures on the global economy, prompting other countries to raise national interest rates. In the rising interest rate environment, banks are keeping a close watch on their balance sheet to avoid interest income/expense or impairment losses. After a decade of benchmark rates close to zero, the current interest rate environment poses challenges to companies as adjustments are made to cash flow.

OUTLOOK

We expect high-interest rates to persist in 2023. This will likely impact yield curves and, subsequently, the pricing of long-term debt, equity instruments, and enterprise values. How well banks respond to this environment will depend on the robustness of their hedging strategies.

The Group Asset and Liability Committee (“ALCO”) supports the Board Committees, which is in turn supported by Group Asset and Liability Management (“ALM”) within Group Risk Management. We strive to ensure this governance structure facilitates adequate risk management. As we advance, our response will be to maintain rigour in the early detection of potential extreme losses. We will proactively manage interest rate risk/rate of return risk in the banking book amid an environment of rapid financial market changes.

Capitals:



Strategy:



Stakeholders:



Material Matters:



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Key Risks and Mitigation

RR REPUTATIONAL RISK

RISK EVALUATED

Negative publicity regarding the conduct of the Group or of any of the entities within the Group or its business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

IMPACT ON VALUE

Reputational risk undermines public confidence in the Group, affecting share price and, therefore, financial value. Lack of public trust prevents RHB from serving more stakeholders.

MITIGATION MEASURES

- Emphasised good corporate governance and a culture of integrity across the Group.
- Maintained a very low-risk appetite with zero tolerance for incidents that affect the Group's reputation.
- Practiced sound risk management, including building "reputation capital" and earning the goodwill of key stakeholders.
- Maintained proper mechanisms to monitor and escalate any material lapses in regulatory adherence as well as matters that pose significant reputational risk concerns to the Group.
- Maintained proper channels of communication in dealing with internal and external stakeholders.

RISK MOVEMENTS

Reputational Risk is driven by other types of risks; hence its likelihood and impact fluctuate accordingly. The Group maintains a Reputational Risk Management Policy, which includes key elements such as a code of conduct, governance practices, risk management practices, policies, procedures, and training. The Policy recognises reputational risk as having a significant bearing on value creation.

OUTLOOK

As we monitor and manage other risks, we seek to communicate our efforts in a manner that inspires confidence in our risk management capabilities. In doing so, we effectively manage reputational risk. Over the years, RHB has built a reputation as a reliable community banking partner. While we seek to prevent and mediate inadvertent adverse reputational risks, we also actively strengthen this positive track record as a reliable community banking partner in the course of reputational risk management.

Capitals: 	Strategy: 	Stakeholders: 	Material Matters:
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CR CORRUPTION RISK

RISK EVALUATED

Risk faced by the Group in the event RHB's directors, officers, employees, agents or other business partners are implicated in an act of bribery or corruption, whether directly or indirectly, with or without knowledge and consent/permission, to secure, retain or influence an improper business decision or advantage. These abhorrent acts are prohibited by the Group, as they violate the law, the code of ethics and its policy and procedures.

IMPACT ON VALUE

As a financial institution entrusted with public funds, acts of corruption can tarnish the Group's business relationships, public perception and cripple its reputation. The impact can be far reaching both financially and non-financially, including regulatory fines and legal penalties.

MITIGATION MEASURES

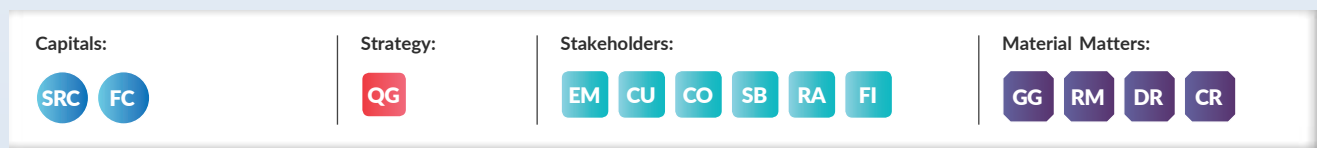
- Affirmed RHB Banking Group's 'zero-tolerance' stance against bribery and corruption via the signing of 'Corruption Free Pledge' or *Ikrar Bebas Rasuah* during the Group's Integrity Week held from 14 - 17 November 2022.
- Launched RHB Banking Group's inaugural Organisational Anti-Corruption Plan ("OACP") 2022 - 2026 to address gaps identified concerning bribery and corruption.
- Incorporated anti-bribery and corruption clauses in the terms and conditions of agreements/contracts entered into by the Group.
- Established whistleblowing channels to enable safe and anonymous reporting of issues related to employee misconduct without the threat of repercussions.
- Reviewed the Group's existing policies and procedures, including the Group Code of Ethics & Conduct, Group Anti-Bribery & Corruption Policy, Group Whistleblowing Policy and Group Gifts & Hospitality Guidelines.

RISK MOVEMENTS

The introduction of Section 17A of the Malaysian Anti-Corruption Commission Act put forward the element of Corporate Liability, which holds corporations liable for acts of corruption carried out by their associated persons. This has attracted more attention from regulators and enforcement agencies to ensure corporations incorporate adequate procedures to ensure their business operations and transactions are done in a clean, transparent, and corruption-free environment. The government also developed the National Anti-Corruption Plan ("NACP") 2019-2023, which highlights measures to strengthen governance across government and government-linked companies. Under the NACP, corporations must submit their plans for preventing and eliminating corruption, a mandate shaping a culture of clean conduct.

OUTLOOK

The Group will continue to invest resources to ensure RHB Banking Group will remain a corruption-free organisation. The OACP will serve as an essential guide to ensure vigilance in order to deter any wrongdoing with the support of appropriate mechanisms to detect, address, and remediate acts and threats of bribery and corruption.



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Strategic Performance Review

CLOSING FIT22 ON A HIGH NOTE

Through FIT22 strategy (2018-2021), the Group achieved sustained growth and delivered value to our stakeholders, exceeding many of our targets and expectations. We harnessed the opportunities within the business segments as well as the innovations made possible by the Agile way of working. The FIT22 journey was not always smooth, particularly in its final two years when the unexpected COVID-19 pandemic threw the economy and the operating environment into disarray. Balancing our key capitals, we navigated our growth journey with a flexible and adaptable approach. FIT22 proved its resilience and robustness in responding to anticipated and unforeseen challenges.

Furthermore, the digital transformation drive we embarked on to unleash the potential of the FIT22 strategy has fundamentally transformed the way we do business.

In its final year of execution, FIT22 led us to achieve significant improvements in financial performance. Profit Before Tax (“PBT”) grew by 8.4% per annum, to RM 3,529 million in 2021 from RM 2,558 million in 2017. Meanwhile, the Cost-to-Income Ratio (“CIR”) reduced to 45.2% from 49.9%.

The successful implementation of the FIT22 strategy resulted in a strong growth momentum and built the right foundations to take the Group’s segment-led strategy to the next phase of growth.

OUR NEW 3-YEAR STRATEGY – TOGETHER WE PROGRESS 2024

In light of the fast-changing business landscape and competitive environment, and to accelerate opportunities for sustainable growth, we have since embarked on our new three-year strategy in 2022. We call it ‘Together We Progress 2024’ or in short, “TWP24”. This will take place over the course of three years through to 2024, taking into consideration an assessment of market developments and the banking industry’s projected trends.

Guided by our Purpose Statement of ‘Making Progress Happen for Everyone’, we held engagement sessions and workshops with our internal and external stakeholders to ensure we continue to deliver value to our customers, colleagues, and the communities in which we operate.

With TWP24, we aim to drive the Group towards quality growth by building on our segment-led approach and attaining industry-leading asset quality, cost efficiency, and returns. A deeper emphasis on sustainability, technology, and innovation is core to our strategy; these are areas we will double down on during execution.

TWP24 is centred around three objectives, anchored against seven focus areas with the intention to always create enhanced value for our stakeholders. It will drive the Group to become a leader in Service Excellence, in line with our new Purpose Statement.

TWP24 will be delivered through our five key business groups focusing on segment-led propositions with enhanced ecosystems to create deeper relationships with our customers. Across the Group, we continue to innovate and build our Digital and Analytics capabilities to deliver customer value and seamless customer experiences.

We aim to champion sustainable financing by enhancing the integration of ESG considerations into our decision-making processes across our businesses. These efforts will enable inclusive growth whilst upholding good governance, propelling the Group to be a trusted partner to our customers, employees, shareholders and investors, the regulatory authorities and policymakers, suppliers and business partners, our financial industry peers, and communities.



... anchored against 7 focus areas

Purpose

Making Progress Happen For Everyone

Strategic Objectives

Be Everyone's Primary Bank

Prioritise Customer Experience

Drive Quality Growth

Focus Areas

Be the Primary Financial Services Provider

Integrate into Key Islamic Ecosystems

Build an Integrated Overseas Business

Catalyse Sustainability

Employ Cutting Edge Technology

Develop a Future-ready Workforce

Accelerate Intelligent Banking Services

Value Created for Our Stakeholders

Customers

- Partner our customers for success

Communities

- Uplift and empower communities

Regulators

- Active and continuous engagement with regulators

Colleagues

- Grow our colleagues personally and professionally

Investors

- Deliver attractive and sustainable returns

... delivered through key business priorities

Group Community Banking

- Mass Affluent: Create winning propositions
- Wealth: Become an end-to-end wealth provider
- SME: Build sectorial expertise and expand ecosystems

Group Wholesale Banking

- Enhance client relationship model in all markets
- Transform digital channels to serve all banking and investment needs
- Champion ESG initiatives across the group

Group Shariah Business

- Expand Islamic ecosystems
- Build a holistic Islamic Wealth Management business
- Increase Islamic share of Group Financing

Group International Business

- Focus on strengths within each market
- Leverage synergies and learnings across all markets
- Digitalise to support growth aspirations

Group Insurance

- Deepen banca via innovative products
- Double down on digital capabilities and acquisition
- Widen distribution networks

11.5%
Return on Equity (2024)

Enabled by the Group's robust support functions

≤ 44.5%
Cost-to-Income Ratio (2024)

We will strive towards meeting our TWP24 targets

TWP24

Strategic Targets

11.5%
Return on Equity (2024)

≤ 44.5%
Cost-to-Income Ratio (2024)

Top-3
Net Promoter Score (NPS) among banks in Malaysia

Digital & IT Targets

≥ 65%
Systems Modernised by 2024

≥ 50%
Processes Automated by 2024

Sustainability Targets¹

RM20 billion
Sustainable Finance by 2026

2 million
People Empowered Across ASEAN by 2026

Carbon Neutral
By 2030

Note:

¹ Sustainability targets are based on RHB's 5-Year (2022-2026) Sustainability Strategy & Roadmap

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Strategic Scorecard

In the first year of execution, TWP24 catalysed positive progress across its three strategic pillars. RHB Banking Group is confident that the short-term outlook of the strategy provides the robust dimension needed to accelerate growth in the current operating climate, while remaining committed to long-term value creation.

Strategic Pillars	What We Did	Value Created in 2022	Outlook
<p>Be Everyone's Primary Bank</p>	<p>Built deeper relationships with our target customers in the Affluent, Mass Affluent, SME, Large-Cap and Mid-Cap segments</p> <p>Capitals Deployed:</p> <p>FC MC IC HC SRC</p>	<ul style="list-style-type: none"> Strengthened shareholder returns by growing our SME and Retail loans by 7.9% and 7.2% respectively Grew mortgage loans by 10.0% through innovative solutions such as the buy-back scheme with IJM Land and API connectivity with Eco World Development Group Berhad Gained an increase of 12.0% in Reflex customers and 10.0% in Reflex CASA 	<ul style="list-style-type: none"> Develop sectorial expertise to support a hyper-personalised approach to service delivery Deepen our relationships with the customer base in our niche segments Continue to improve the SME Ecosystem Invest in digitalisation to grow our online SME financing portfolio and the Wealth segment
<p>Prioritise Customer Experience</p>	<p>Delivered market-leading and differentiated service and propositions by bringing together innovative digital experiences that help customers manage their financial needs</p> <p>Capitals Deployed:</p> <p>HC FC MC IC SRC</p>	<ul style="list-style-type: none"> Established strong digital channel penetration with approximately 50% of online mortgage origination from the MyHome app and RM1 billion in SME Online Financing Enhanced customer experience by refreshing our internet banking portal and launching a new investment platform, MyInvest 	<ul style="list-style-type: none"> Invest in building our capabilities to enhance the customer experience through a digital-first approach Accelerate the growth of the Islamic financial ecosystem by working closely with the government and public agencies
<p>Drive Quality Growth</p>	<p>Concentrated on domestic and international growth where we have identified our strengths in niche segments, while committing to growth that is profitable and sustainable</p> <p>Capitals Deployed:</p> <p>FC IC NC SRC MC</p>	<ul style="list-style-type: none"> Mobilised more than 12 billion in Sustainable Financial Services, exceeding our year-to-date target by more than 60% Achieved 9.2% growth in Islamic financing and 44.6% of Islamic share in domestic financing Drove loans growth in our overseas markets by 18.7% and 17.9% in Singapore and Cambodia 	<ul style="list-style-type: none"> Build an integrated overseas business by delivering localised strategies across our six foreign markets, growing our existing strongholds while exploring opportunities for ESG financing Mobilise RM20 billion in sustainable financial services by 2026 Empower more than two million targeted individuals and businesses across ASEAN by 2026 Achieve carbon neutrality by 2030 and develop a pathway to net zero



FY2022 Achievements

Return on Equity (ROE)

9.7%

Cost-to-Income Ratio (CIR)

44.7%

NPS

Top 3
amongst Malaysian Financial Institutions

Key Performance Indicators

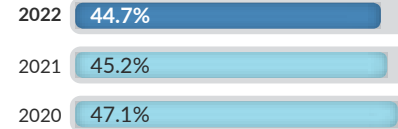
FINANCIAL METRICS

Cost-to-Income Ratio ("CIR")

Why It's Important

CIR explains how we balance the relationship between cost expenditures and strategic reinvestment into the business. Lower CIR allows more wiggle room for reinvestment and reflects our potential to pursue expansion.

Results

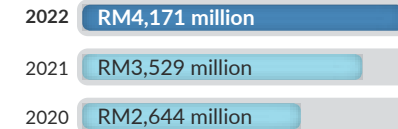


Profit Before Tax ("PBT")

Why It's Important

PBT represents our profits, exclusive of taxes paid. It reflects the strength of the performance of our business in dollar value.

Results



Net Profit

Why It's Important

Net Profit reflects a company's profitability and ability to provide attractive returns.

Results

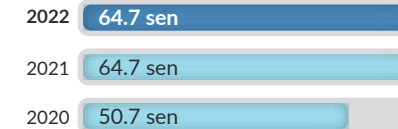


Earnings Per Share ("EPS")

Why It's Important

EPS indicates our performance stability and financial standing, which provides a gauge for investment decisions.

Results

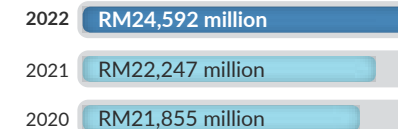


Market Capitalisation

Why It's Important

Market cap is an indicator of our size in the market compared to our peers, as well as our value, which is reflected in stock performance.

Results



Gross Loans

Why It's Important

Loans growth is a source of increased revenue for RHB, while also a stimulus for economic activity. SME loans, in particular, lie at the core of our business strategy and sustainability aspirations, as they help SMEs to overcome the challenges of access to capital.

Results



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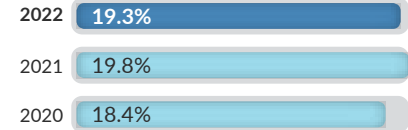
Key Performance Indicators

Total Capital Ratio

Why It's Important

Specific to banks, this is a measure of our resilience against risks, especially credit risk, liquidity risk, and operational risk.

Results

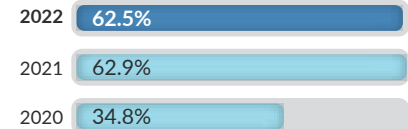


Dividend Payout Ratio

Why It's Important

The dividend payout ratio matters to our shareholders and investors as it shows how we balance profit sharing and how much it is reinvested into the business.

Results

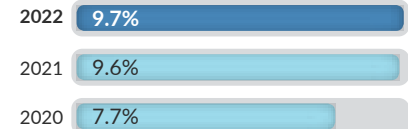


Return on Equity ("ROE")

Why It's Important

ROE is a common indicator to measure the profitability of RHB and factors heavily in our investment decision-making.

Results



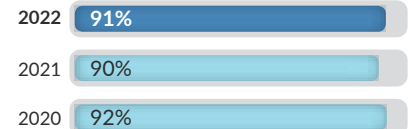
NON-FINANCIAL METRICS

Employee Engagement Score ("EES")

Why It's Important

Our annual EES is a key tool for gathering employee feedback and measuring engagement levels. It enables us to identify areas for improvement to better support our employees' needs.

Results



Sustainable Financial Services

Why It's Important

As a financial institution, we aim to create positive impacts through our lending, capital markets and advisory, wealth management, investment and insurance businesses. Sustainable financial services improves risk management and capitalises on ESG opportunities.

Results

As at 31 December 2022

Sustainable Financial Services

RM12,546.26
million

Green Financing Commitment
for Non-Retail (excluding SME)

RM7,772.65
million

Sustainability Financing Programme
("SFP") for Retail and SME

RM494.75
million

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Net Promoter Score (NPS)

Why It's Important

NPS sums up customers' overall experience at RHB. It represents their likelihood to recommend RHB to a friend or family member. NPS allows us to gauge the quality of our customer experience, particularly in relation to competitors. It is an indication of customers' loyalty and willingness to repurchase and recommend our brand.

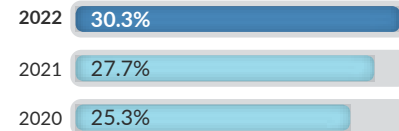
Results	2020	2021	2022
Retail	4 th	4 th	3 rd
SME	4 th	3 rd	5 th
Commercial	-	4 th	2 nd
Corporate	1 st	3 rd	1 st
IB Retail Equities	2 nd	6 th	7 th
Insurance	4 th	4 th	10 th
SG-Retail	2 nd	2 nd	2 nd
SG-Business	6 th	1 st	2 nd

Women in Senior Management (Level 10 and above)

Why It's Important

Gender diversity in leadership is a measure of a healthy and resilient team, linked to financial performance and innovation. Diversity at the management level creates the impetus for spreading an inclusive work culture across the Group.

Results

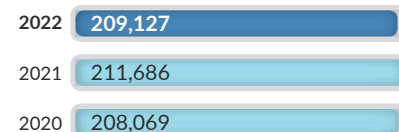


Number of SME Customers

Why It's Important

SMEs are a key underserved segment in our drive for financial inclusion. Offering banking and financing solutions catered to SMEs directly supports their economic activity and growth. Supporting SMEs helps us maintain our market share in an opportunity-filled segment.

Results



GHG Emissions

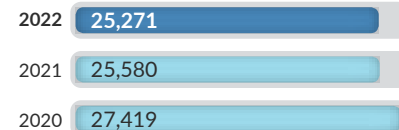
Why It's Important

Our operational carbon footprint and financed emissions* are the main indicators for measuring our impact on climate change.

Our management approach to climate change focuses on reducing our operational footprint to achieve carbon neutrality by 2030 and developing a pathway to achieve net zero by 2050, covering Scope 1, 2, and 3.

* Embarked on the Group Climate Action Programme to establish our baseline Scope 3 financed emissions.

Results

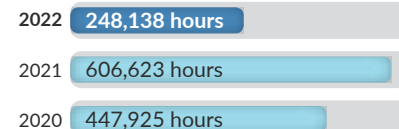


Training Hours

Why It's Important

The amount of time spent upskilling employees has a direct impact on their competency to deliver the goals of the Group. Training opportunities nurture employee engagement and retention, keeping employees motivated to develop a fulfilling career at RHB.

Results



Group Chief Financial Officer's Review



NIK RIZAL KAMIL
Group Chief Financial Officer

We recorded a net profit of RM2,707.7 million for FY2022, representing a 3.4% year-on-year increase.

The Group's performance in 2022 was commendable, demonstrating our resilience and ability to thrive in a challenging business environment.

The Group's net profit for the financial year ended 31 December 2022 rose 3.4% to RM2,707.7 million attributed mainly to higher net fund based income, absence of modification loss ("ML") and lower Expected Credit Losses ("ECL"). Our return-on-equity ("ROE") for FY2022 stood at 9.7% from 9.6% in FY2021.

Total income grew 6.7% Y-o-Y to RM8,308.8 million, attributed mainly to higher net fund based income, which grew by 8.6% Y-o-Y to RM6,379.3 million. Non-fund based income decreased 10.6% Y-o-Y to RM1,929.4 million due to lower fee income, insurance underwriting surplus and net trading and investment income; offset by higher net gain on forex and derivatives. Operating expenses increased 5.5% Y-o-Y to RM3,716.8 million. With positive JAWS, CIR improved to 44.7% compared with 45.2% a year ago. ECL reduced by 42.9% Y-o-Y to RM421.2 million due to lower ECL on loans and securities, and higher bad debts recovered, resulting in an improved credit charge ratio of 0.15% compared with 0.29% last year.

ANALYSIS OF STATEMENT OF FINANCIAL POSITION

Total assets for the Group increased 7.3% from December 2021 to RM310.8 billion as at 31 December 2022. Net assets per share was RM6.76, with shareholders' equity at RM28.7 billion as at end-December 2022.

The Group's gross loans and financing expanded by 6.9% Y-o-Y, driven primarily by growth in mortgage, auto finance, SME, Commercial, Singapore and Cambodia. Meanwhile, domestic loans and financing grew 5.3% Y-o-Y. Our customer deposits also grew 3.9% Y-o-Y to RM227.2 billion, supported by a 6.7% growth in fixed deposits and a 1.3% Y-o-Y increase in Current Account and Savings Account ("CASA"). CASA comprised 29.2% of total deposits, while our liquidity coverage ratio ("LCR") remained sound at 162.1%.

Gross impaired loans increased to RM3.3 billion with a gross impaired loans ratio of 1.55%, compared to RM3.0 billion and 1.49%, respectively, in 2021. Our loan loss coverage ratio for the Group, excluding regulatory reserves, remained healthy at 112.8% as of end-December 2022.

Overall, we maintained a robust capital position for the Group and key banking subsidiaries, ensuring our ability to meet future challenges and opportunities. As of December 2022, our Common Equity Tier-1 ("CET-1") and total capital ratio stood at an impressive 16.9% and 19.3%, respectively.

SEGMENTAL PERFORMANCE

GROUP COMMUNITY BANKING

- Posted a 9.6% Y-o-Y increase in pre-tax profit to RM1,836.0 million mainly due to higher net fund based and non-fund-based income. Gross loans and financing grew 7.3% Y-o-Y to RM133.2 billion, primarily driven by growth in mortgages (+10.0%), auto finance (+6.8%) and SME (+7.9%). Deposits increased by 2.1% Y-o-Y to RM102.3 billion, mainly contributed by growth in fixed deposits (+4.3%).

GROUP WHOLESALE BANKING

- Recorded a pre-tax profit of RM1,786.3 million, 9.0% lower Y-o-Y mainly due to lower net fund based and non-fund-based income. Gross loans and financing grew marginally by 0.7% Y-o-Y to RM50.7 billion, driven by growth in Commercial (+3.5%). Deposits increased 3.4% Y-o-Y to RM96.9 billion, primarily from higher fixed deposits (+5.7%) and current account (+7.7%).

GROUP INTERNATIONAL BUSINESS

- Posted a 243.7% Y-o-Y increase in pre-tax profit to RM415.0 million.
 - RHB Bank Singapore reported a pre-tax profit of SGD94.2 million, 385.6% higher Y-o-Y attributed to higher net fund based and non-fund based income, and ECL writeback during the year. Gross loans and advances grew by 11.7% Y-o-Y to SGD7.0 billion, while deposits increased by 8.8% to SGD7.3 billion.
 - RHB Bank Cambodia reported a pre-tax profit of USD17.2 million, a decline of 7.1% Y-o-Y attributed to higher operating expenses. Gross loans and advances grew by 11.4% Y-o-Y to USD756.9 million while deposits contracted by 17.6% to USD470.5 million.

GROUP SHARIAH BUSINESS

- Reported a 10.6% increase in pre-tax profit to RM1,139.4 million, mainly due to higher net fund-based income and the absence of ML. Gross financing grew 9.2% Y-o-Y to RM81.7 billion, while Islamic business contributed 44.6% of the Group's total domestic gross loans and financing, an improvement from 43.0% in 2021.

GROUP INSURANCE

- Registered a pre-tax profit of RM89.3 million, a decline of 26.2% Y-o-Y attributed to lower underwriting surplus.

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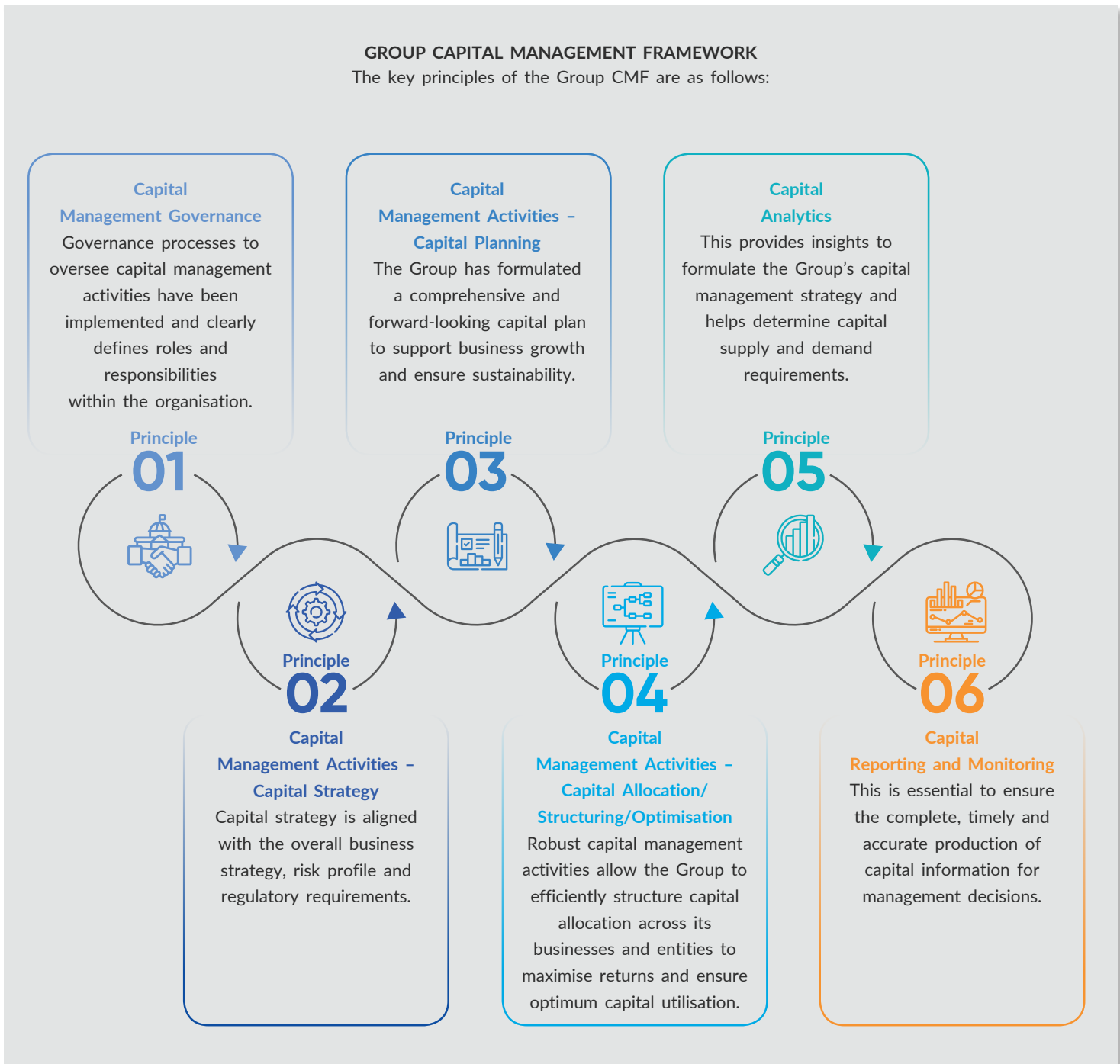
Group Chief Financial Officer's Review

CAPITAL MANAGEMENT

Overview

The Group's capital management approach is focused on maintaining a healthy capital position to support its business growth while optimising returns to our shareholders at the same time. The capital structure and framework are designed to meet not only the regulatory requirements but also to satisfy the expectations of the various stakeholders, including shareholders, investors, and rating agencies.

To this end, the Group Capital Management Framework ("CMF") has been established to provide integrated oversight of our capital management activities. This oversight cuts across the risk, finance, and treasury functions, bringing greater value to the business.



Capital Monitoring and Planning

Effective capital management is crucial to maintain business sustainability. The Group manages its capital position proactively to meet regulatory requirements and the expectations of its various stakeholders, as well as to support its strategic business objectives.

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

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

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

Capital Initiatives During The Year

The key capital initiatives undertaken in 2022 were as follows:

- (i) Basel III-compliant Tier 2 Subordinated Sukuk Murabahah for RHB Islamic Bank, amounting to RM250.0 million was redeemed in April 2022 and replenished with the Basel III-compliant Tier 2 Subordinated Sukuk Murabahah of RM250.0 million issued out of its RM5.0 billion Subordinated Sukuk Murabahah Programme;
- (ii) Basel III-compliant Tier 2 Subordinated Obligations for RHB Bank, amounting to RM750.0 million was redeemed in September 2022 and partially replenished with the Basel III-compliant Tier 2 Subordinated Obligations of RM500.0 million issued out of its RM5.0 billion (or its equivalent in other currencies) Multi-Currency Medium Term Note Programme; and
- (iii) Basel III-compliant Tier 2 Subordinated Obligations for RHB Investment Bank, amounting to RM200.0 million was redeemed in October 2022 and partially replenished with the Basel III-compliant Tier 2 Subordinated Obligations of RM100.0 million issued out of its RM1.0 billion (or its equivalent in other currencies) Multi-Currency Medium Term Note Programme.

Dividend Reinvestment Plan

On 25 May 2021, the establishment of a dividend reinvestment plan (“DRP”) for RHB Bank was approved by the shareholders during Annual General Meeting. DRP provides greater flexibility to shareholders to reinvest electable portions of their dividend into new ordinary shares of RHB Bank and at the same time to preserve capital to grow business and withstand capital requirement under stress conditions.

DRP was first applied to the Group’s final dividend for the financial year ended 31 December 2020. The dividend reinvestment rate has been encouraging with DRP subscription rate ranging from 83.31% to 87.65% upon implementation. Details of the DRP is disclosed in Note 34 and dividend payout is disclosed in Note 49 of the Financial Statements.

Capital Adequacy Ratios

Minimum capital requirements

Under BNM’s Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), all financial institutions are required to maintain a regulatory minimum Common Equity Tier 1 Capital (“CET 1”), Tier 1 Capital (“Tier 1”) and Total Capital Ratio of 4.5%, 6.0% and 8.0%, respectively.

Capital buffer requirements

Financial institutions are required to maintain additional capital buffers, i.e. the Capital Conservation Buffer (“CCB”) and the Countercyclical Capital Buffer (“CCyB”), over and above the regulatory minimum capital ratios. The CCB is intended to enable the banking system to withstand future periods of stress and was phased in since 2016 to reach a total of 2.5% in 2019.

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

On 5 February 2020, BNM issued a policy document on the Domestic Systemically Important Banks (“D-SIBs”) Framework that sets out the assessment methodology to identify D-SIBs in Malaysia and the relevant reporting requirements. Financial institutions designated as D-SIBs are required to maintain higher capital buffers to meet regulatory capital requirements that include a Higher Loss Absorbency (“HLA”) requirement.

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Pursuant to the D-SIBs Framework, the applicable HLA requirement ranges from 0.5% to 1.0% of risk-weighted assets, at the consolidated level. The HLA requirement for designated D-SIBs came into effect on 31 January 2021. RHB Bank is not identified as a D-SIB pursuant to the latest D-SIB listing published in BNM's Financial Stability Review for First Half 2022.

The table below provides the relevant capital ratios of the key regulated banking entities of the Group, all of which are well above the minimum regulatory requirements.

As at 31 December 2022	RHB Bank Group	RHB Bank	RHB Islamic Bank	RHB Investment Group	RHB Investment Bank	Minimum Regulatory Ratio ^{N1}
Before proposed dividends:						
CET 1 Ratio	17.593%	16.036%	17.828%	38.815%	31.348%	7.000%
Tier 1 Ratio	17.593%	16.036%	17.828%	38.842%	31.348%	8.500%
Total Capital Ratio	20.039%	18.644%	20.826%	41.976%	37.528%	10.500%
After proposed dividends:						
CET 1 Ratio	16.887%	15.061%	17.033%	37.815%	29.058%	7.000%
Tier 1 Ratio	16.887%	15.061%	17.033%	37.843%	29.058%	8.500%
Total Capital Ratio	19.333%	17.669%	20.031%	40.977%	35.238%	10.500%

^{N1} Including Capital Conservation Buffer of 2.50%.

BALANCE SHEET MANAGEMENT

Overview

Balance sheet management aims to optimise returns and minimise costs through effective asset and liability management. It entails regular review, monitoring and indepth analysis of balance sheet positions to achieve the desired business growth and maximise shareholders' returns, against the backdrop of the changing regulatory environment and competitive economic and business landscape.

The synergy among all business and functional units across the Group is essential in driving and shaping the optimal balance sheet position of the Group through agreed strategies. The overarching strategies are reviewed and deliberated by the Group Asset and Liability Committee ("GALCO"), where conscious considerations are made with respect to the risk appetite of the Group. Therefore, it is vital to have a cohesive strategy driven by the business and functional units to achieve effective balance sheet management.

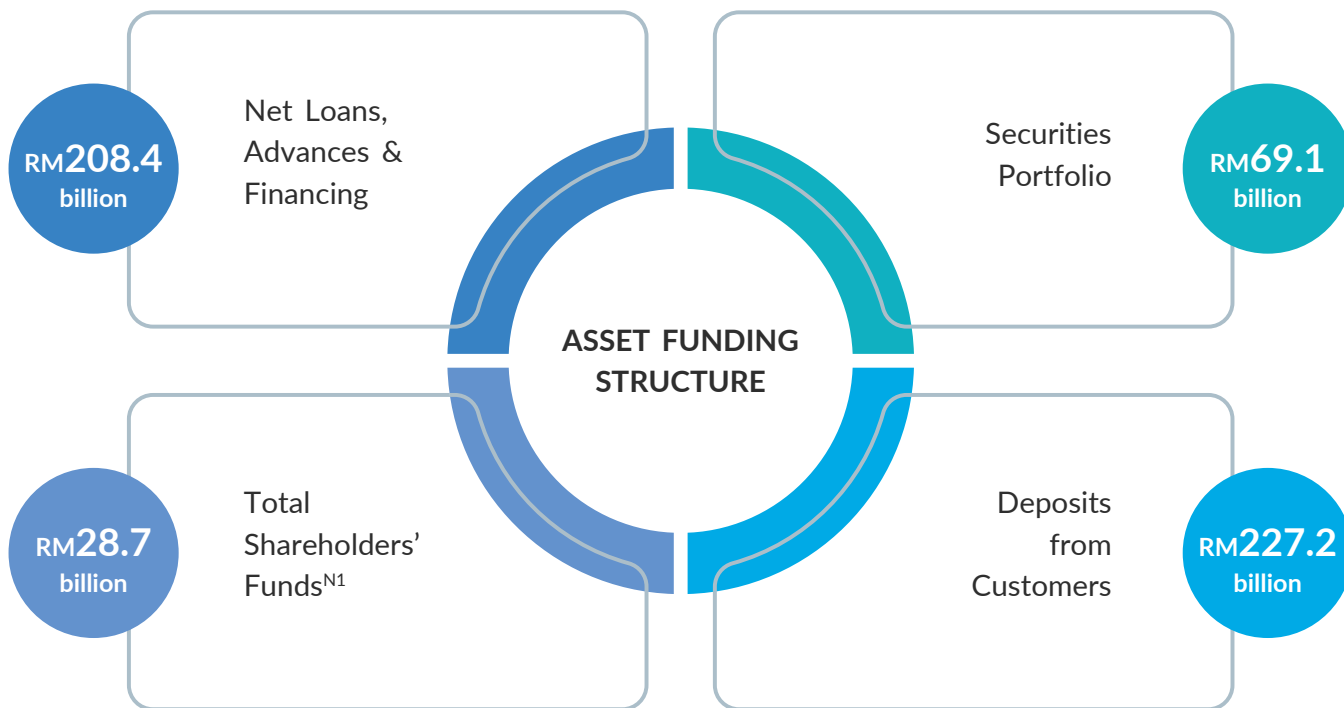
BALANCE SHEET STRUCTURE

The foundation of RHB's asset funding is built on shareholders' equity, long-term debt and core customer deposits. Through strategic balance sheet management, the Group's total net loans, advances and financing increased by RM13.5 billion to RM208.4 billion as at end-2022. The loan growth was achieved and managed with careful consideration as the Group placed greater emphasis on credit quality.

The strategies on funding, acquisition and product mix are reviewed regularly to ensure sustainability as well as cost-efficiency. The continuous efforts of and collaborations between various businesses have resulted in Group Customer Deposit growth of +3.9% year-on-year (December 2021: 7.5%) despite the market competition for deposits intensifying in FY2022 amidst an increasing interest rate environment.

Our stable deposit base and long-term debt are the primary sources of funds to support asset growth. Diversification of deposit and funding sources has been our ongoing long-term strategy. Deposit acquisition from community banking, including retail and SMEs and wholesale businesses are managed through our strong relationships with customers and our increasing focus on digital channels.

The table below shows the asset funding structure as at 31 December 2022.



^{N1} Total Shareholders' Funds including non-controlling interest.

OUTLOOK

The global economy is anticipated to face challenges in 2023, with expected slowdowns in growth due to various factors, including continued monetary policy prudence in the US, inflationary pressure, geopolitical tensions and trade protectionism. Despite this, the banking industry is projected to sustain loan growth in line with softer GDP growth, while interest rates are expected to normalise further to pre-pandemic levels. However, the banking sector is expected to remain resilient, supported by strong capital and liquidity positions and adequate provisioning.

In response to this challenging operating environment, the Group remains vigilant and committed to maintaining its strong fundamentals through its TWP24 strategy, which prioritises achieving quality growth and driving service excellence.

NIK RIZAL KAMIL
Group Chief Financial Officer

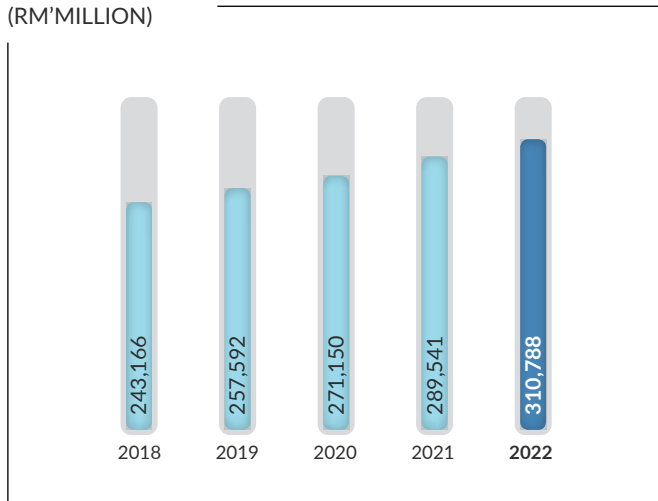
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5-Year Financial Summary

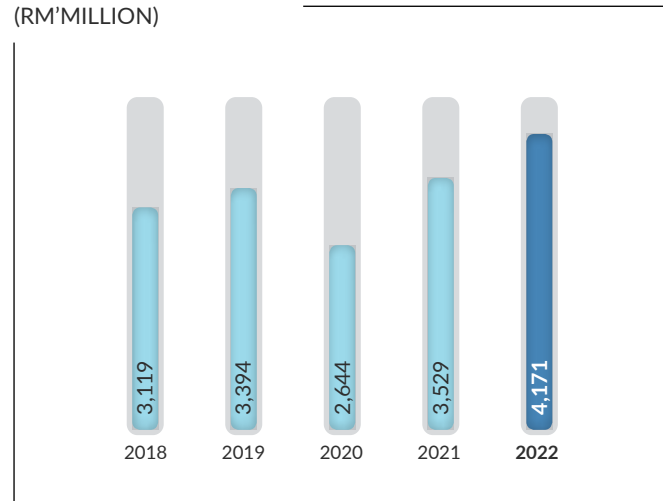
	2018	2019	2020	2021	2022
OPERATING RESULTS (RM'Million)					
Operating profit before allowances	3,448	3,670	3,799	4,266	4,592
Profit before taxation	3,119	3,394	2,644	3,529	4,171
Net profit attributable to equity holders of the Bank	2,305	2,482	2,033	2,618	2,708
KEY BALANCE SHEET DATA (RM'Million)					
Total assets	243,166	257,592	271,150	289,541	310,788
Gross loans, advances and financing	168,879	176,175	186,114	198,512	212,200
Total liabilities	219,770	231,782	244,093	261,511	282,042
Deposits from customers	178,856	190,555	203,471	218,733	227,160
Shareholders' equity	23,358	25,775	27,024	27,998	28,715
Commitments and contingencies	172,941	150,428	157,480	157,777	206,796
SHARE INFORMATION					
Gross dividend per share (sen)	20.50	31.00	17.65	40.00	40.00
Net assets per share (RM)	5.8	6.4	6.7	6.8	6.8
Net tangible assets per share (RM)	5.0	5.6	5.9	5.9	6.0
Basic earnings per share (sen)	57.5	61.9	50.7	64.7	64.7
Share price (RM)	5.29	5.78	5.45	5.37	5.79
Market capitalisation (RM'million)	21,213	23,178	21,855	22,247	24,592
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net return on average equity	10.3	10.3	7.7	9.6	9.7
Net return on average assets	1.0	1.0	0.8	0.9	0.9
Cost-to-income ratio	49.3	48.0	47.1	45.2	44.7
Asset Quality					
Gross loans to deposits ratio	94.4	92.5	91.5	90.8	93.4
Gross impaired loans ratio	2.06	1.97	1.71	1.49	1.55
Dividend					
Dividend yield	3.9	5.4	3.2	7.4	6.9
Dividend payout ratio	35.7	50.1	34.8	62.9	62.5

5-Year Financial Highlights

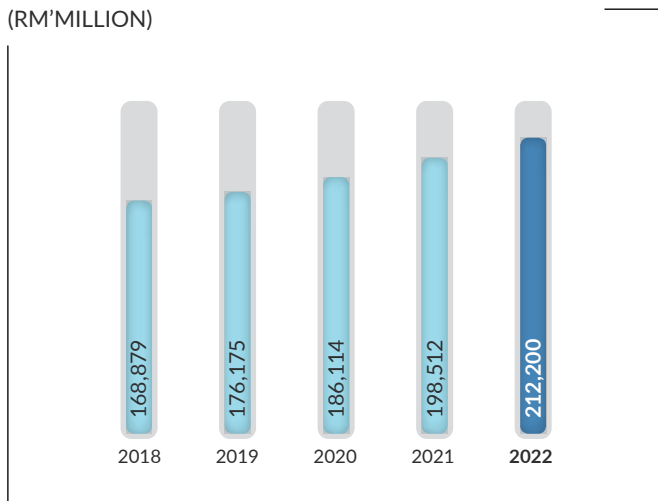
TOTAL ASSETS
(RM'MILLION)



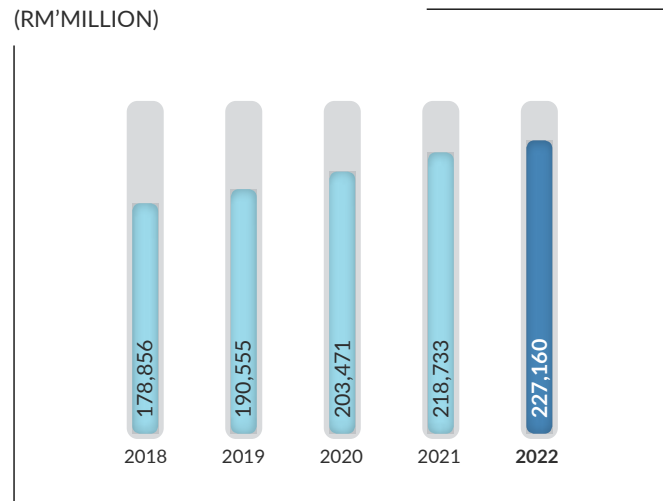
PROFIT BEFORE TAX
(RM'MILLION)



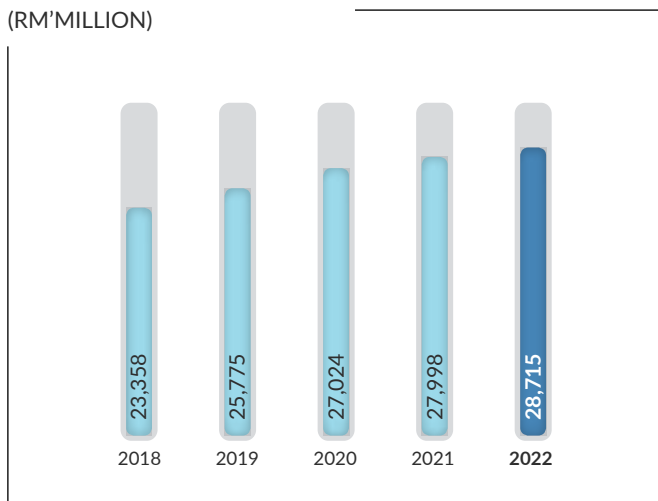
GROSS LOANS, ADVANCES AND FINANCING
(RM'MILLION)



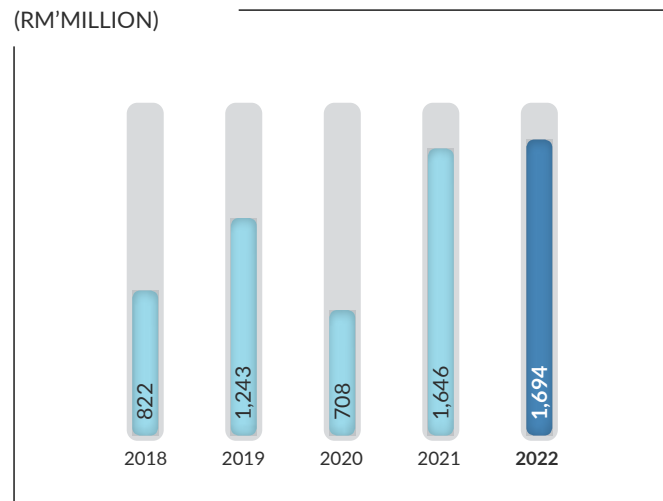
DEPOSITS FROM CUSTOMERS
(RM'MILLION)



SHAREHOLDERS' EQUITY
(RM'MILLION)

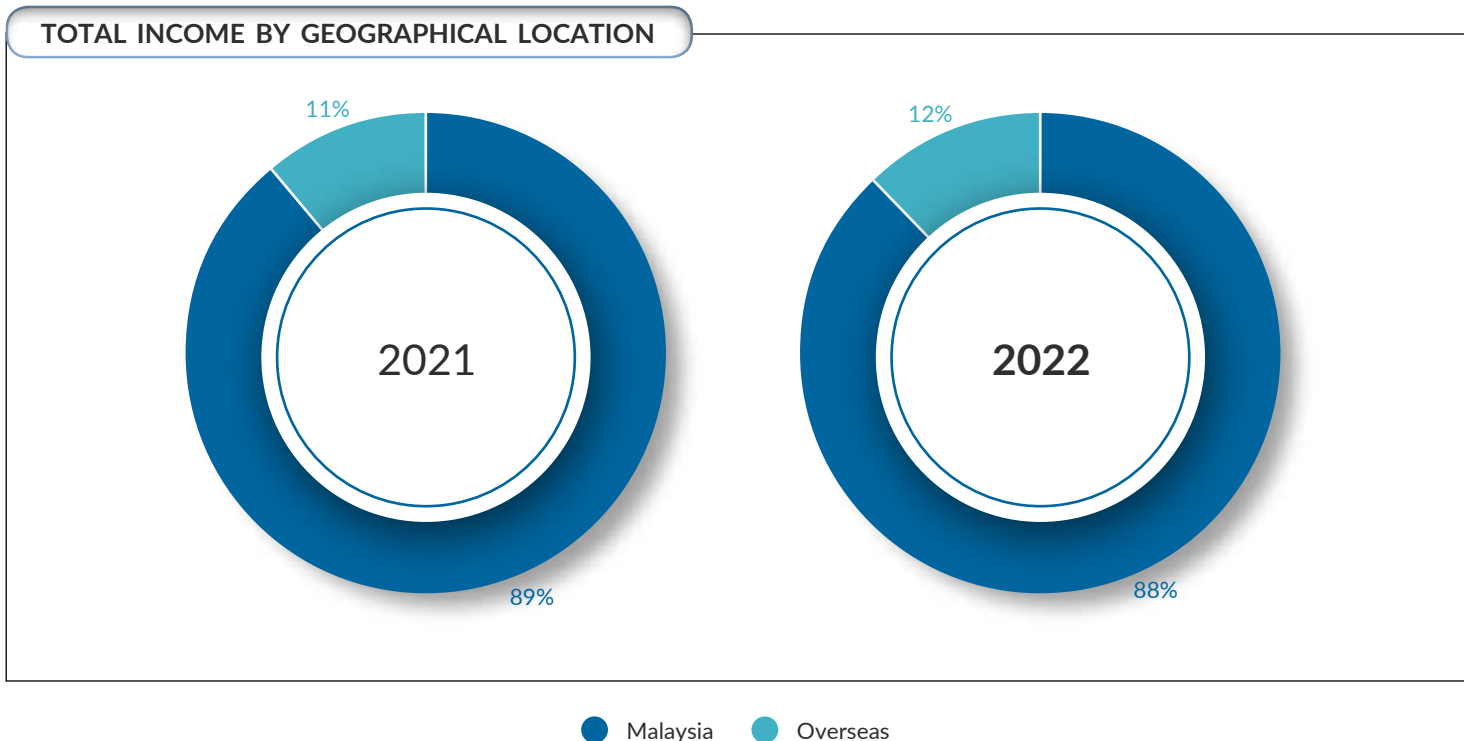
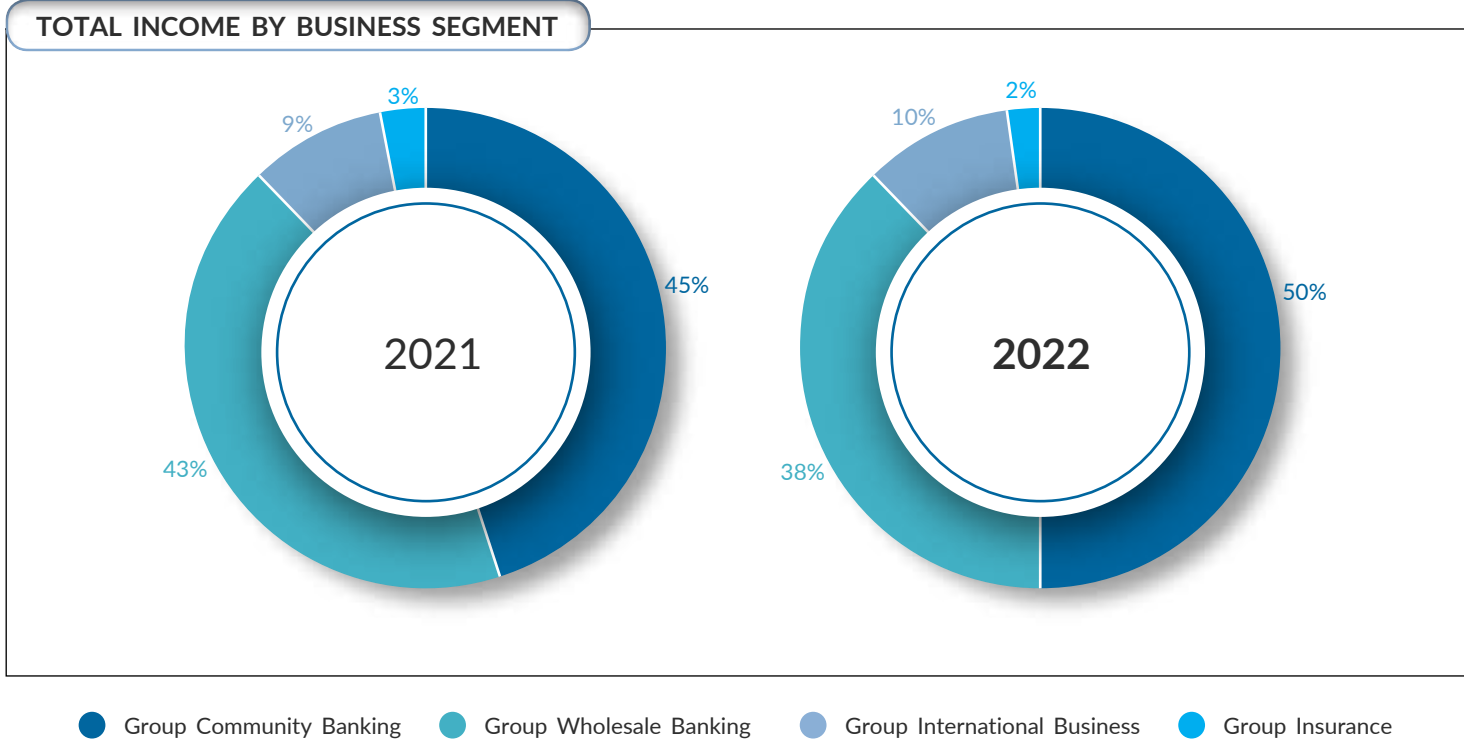


NET DIVIDENDS
(RM'MILLION)

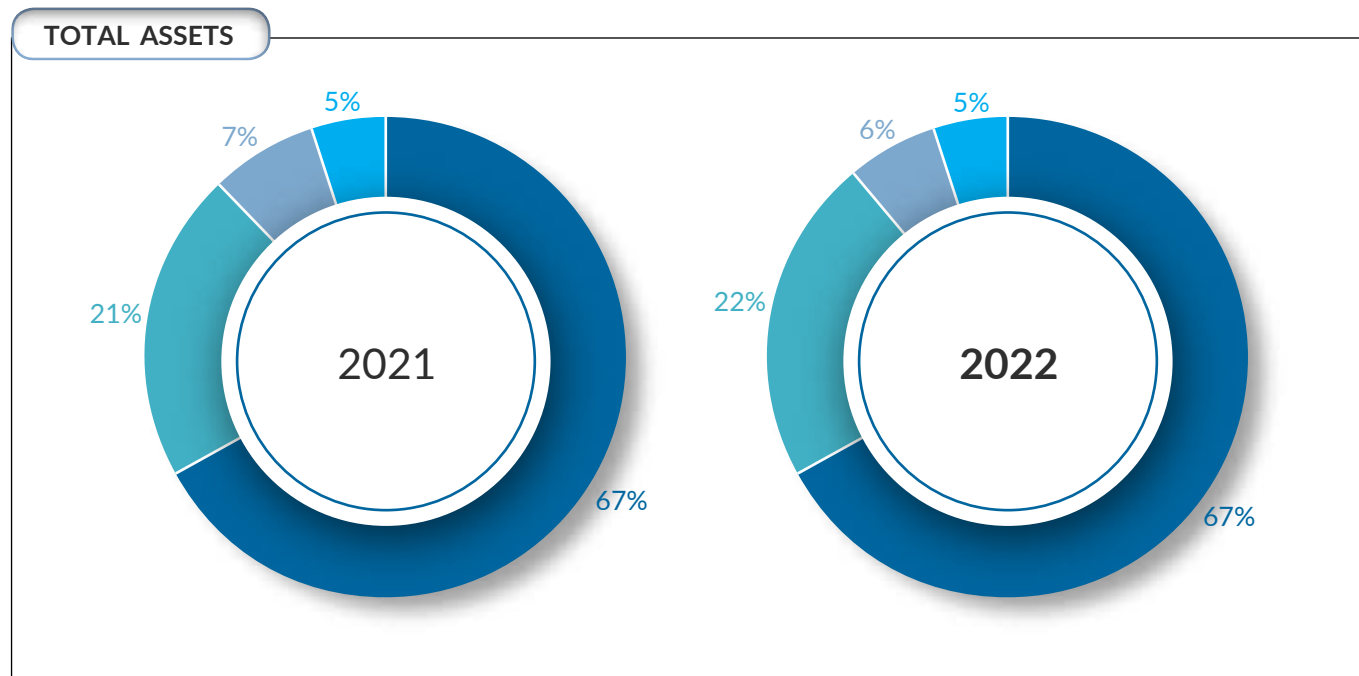


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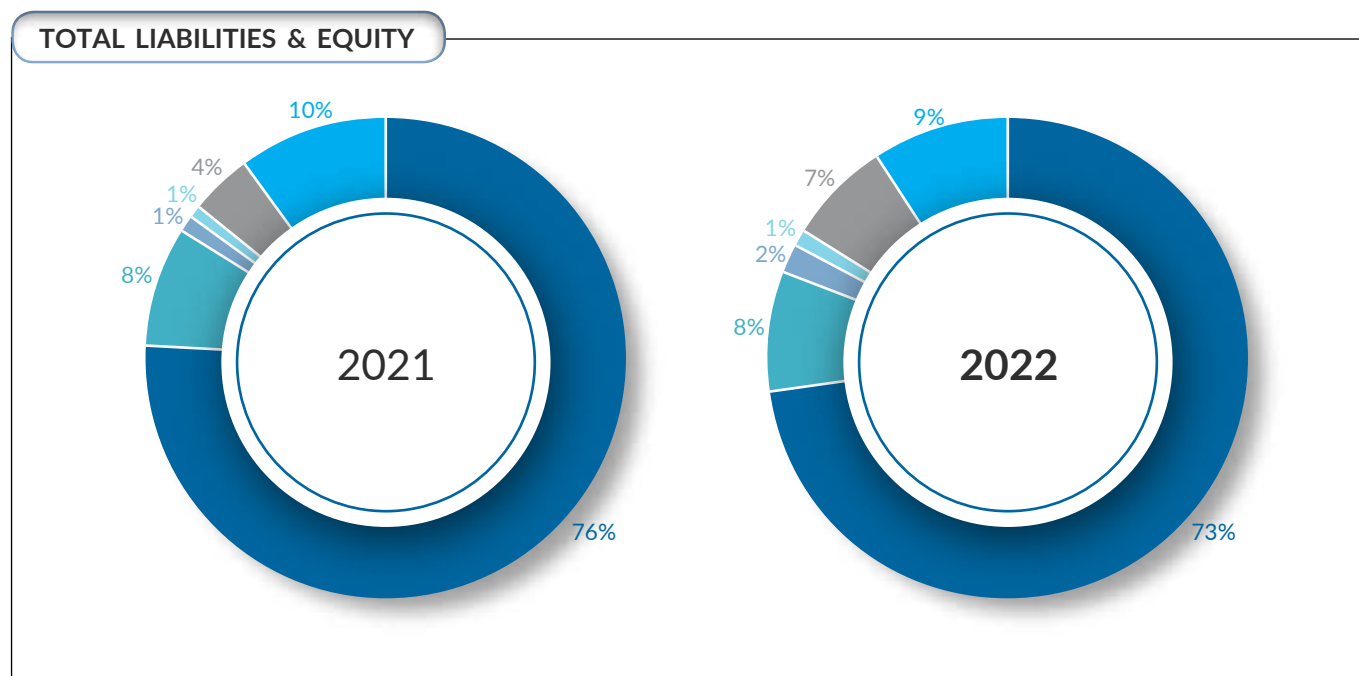
Segmental Analysis



Simplified Group Statements of Financial Position



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



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

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Quarterly Performance

2022	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net fund based income	1,471	1,562	1,629	1,717	6,379
Non-fund based income	433	384	565	549	1,929
Total income	1,903	1,946	2,194	2,266	8,309
Operating profit before allowances	1,044	1,057	1,232	1,259	4,592
Profit before tax	891	1,019	1,039	1,222	4,171
Net profit attributable to equity holders of the Bank	600	635	700	772	2,708
Earnings per share (sen)	14.5	15.3	16.6	18.2	64.7
Dividend per share (sen)	-	15.00	-	25.00	40.00

2021	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net fund based income	1,417	1,432	1,492	1,534	5,875
Non-fund based income	543	574	621	421	2,159
Total income	1,923	2,006	1,941	1,919	7,789
Operating profit before allowances	1,038	1,141	1,079	1,009	4,266
Profit before tax	864	913	829	923	3,529
Net profit attributable to equity holders of the Bank	650	701	636	631	2,618
Earnings per share (sen)	16.2	17.5	15.6	15.3	64.7
Dividend per share (sen)	-	15.00	-	25.00	40.00

Key Interest Bearing Assets and Liabilities

	Amount (RM'million)	Effective interest rate (%)	Interest income/ expense (RM'million)
2022			
Interest Earning Assets			
Cash and short-term funds & deposits and placements with banks and other financial institutions	19,787	2.15%	400
Financial assets at fair value through profit or loss	3,089	3.44%	51
Financial assets at fair value through other comprehensive income	38,974	3.23%	1,360
Financial investments at amortised cost	27,007	3.61%	750
Gross loans, advances and financing	212,200	4.21%	8,800
Interest Bearing Liabilities			
Deposits from customers & deposits and placements of banks and other financial institutions	251,754	1.83%	4,420
Recourse obligation on loans sold to Cagamas Berhad	4,787	3.15%	92
Borrowings/ Subordinated obligations/Senior debt securities	8,184	3.11%	235
2021			
Interest Earning Assets			
Cash and short-term funds & deposits and placements with banks and other financial institutions	23,318	1.09	204
Financial assets at fair value through profit or loss	2,778	3.03	52
Financial assets at fair value through other comprehensive income	41,141	3.26	1,391
Financial investments at amortised cost	17,962	3.61	624
Gross loans, advances and financing	198,512	3.87	7,427
Interest Bearing Liabilities			
Deposits from customers & deposits and placements of banks and other financial institutions	242,140	1.40	3,299
Recourse obligation on loans sold to Cagamas Berhad	2,260	3.56	80
Borrowings/Subordinated obligations/Senior debt securities	6,996	3.27	247

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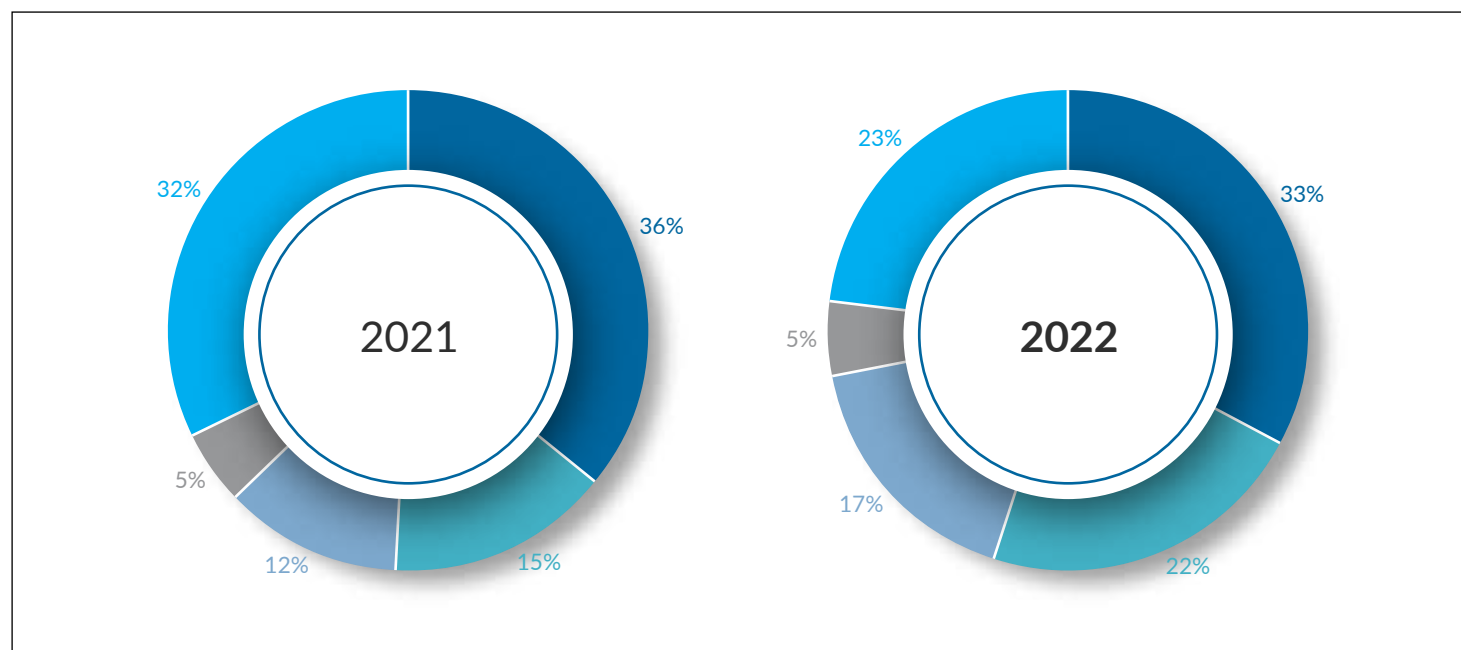
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Statement of Value Added

	2021	2022
Value added (RM'Million)		
Net interest income	4,062	4,174
Income from Islamic Banking business	2,095	2,398
Non-interest income	1,876	1,736
Net modification loss	(245)	-
Less: Overheads excluding personnel costs, depreciation, amortisation & write-off	(1,059)	(1,105)
Less: Allowance for credit losses & impairment	(738)	(421)
Value added available for distribution	5,991	6,782

Distribution of Value Added



- To employees:** ● Personnel Costs
- To the government:** ● Taxation
- To providers of capital:** ● Cash Dividend
- To reinvest in the Group:** ● Depreciation, Amortisation & Written-off
- Retained Profit

Investor Relations

The Group is committed to providing timely and transparent information on corporate strategies and financial data to the investing communities. We consider ongoing engagement and communication with stakeholders as key to building trust and understanding between the Company and its stakeholders.

The Group manages communications with its key financial audiences, including institutional shareholders and financial analysts, fund managers and credit rating agencies through a dedicated investor relations unit. Communication channels include one-on-one meetings, group meetings, conferences and roadshow, conference calls, email and our corporate website.

In addition, presentations and conference calls take place after publishing financial results on Bursa Malaysia. A broad range of public communication channels (including stock exchange news services, corporate website, news wires and news distribution service providers) are used to disseminate news releases.

The company's corporate website provides the latest and historical financial and other information, including financial reports.



In 2022, we continued our engagements with the investing community through a roadshow in Singapore, conferences and meetings with both local and foreign investors. Virtual platform continued to be Investor Relation's main communication mode during the year.

2022 share price closed higher than a year ago and outperformed KLCI and KLFIN indices, whilst our 1-year TSR improved from 6th to 2nd rank.

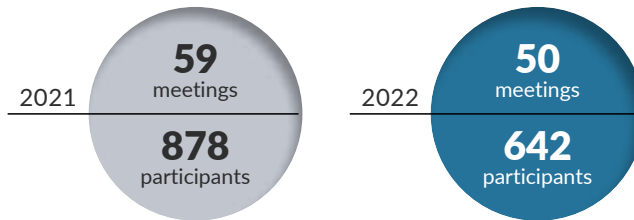
IR conducted:

- Analysts Briefing for Financial Results Announcements
- Non-Deal Roadshow
- TWP24 Strategy Analysts Briefing

Corporate website: www.rhbgroup.com
Email: investor.relations@rhbgrou.com

ANNUAL GENERAL MEETING

The Board encourages shareholders to attend the annual general meeting, notice of which appears in this Integrated Report, where shareholders have the opportunity to put questions to the Board, management and chairs of the various committees.



FINANCIAL RESULTS ANNOUNCEMENTS

ANALYSTS BRIEFINGS

28 February 2022	RHB Bank FY2021 Results
30 May 2022	RHB Bank 1Q22 Results
29 August 2022	RHB Bank 2Q22 Results
29 November 2022	RHB Bank 3Q22 Results

** All the analysts briefings in 2022 were conducted virtually*

CONFERENCES, BUSINESS STRATEGY UPDATE AND ROADSHOWS

5 Jan 2022	JP Morgan ASEAN Financial Forum
23 Mar 2022	Invest Malaysia London 2022
8 Jun 2022	UBS OneASEAN Conference 2022
4 Jul 2022	Invest Asean 2022 Conference: Malaysia Week
6 Jul 2022	Singapore Non-Deal Roadshow
4 Aug 2022	TWP24 Analysts Briefing
8 Sep 2022	UBS APAC Financials & Fintech Virtual Conference 2022
13 Sep 2022	Macquarie Asean Banks Tour
13 Oct 2022	BofA Asian Credit Conference 2022
9 Nov 2022	CGS-CIMB Regional Financials Virtual Conference 2022

OVERVIEW

LEADERSHIP INSIGHTS

VALUE CREATION

MD&A - PERFORMANCE REVIEW



SUSTAINABILITY JOURNEY

LEADERSHIP

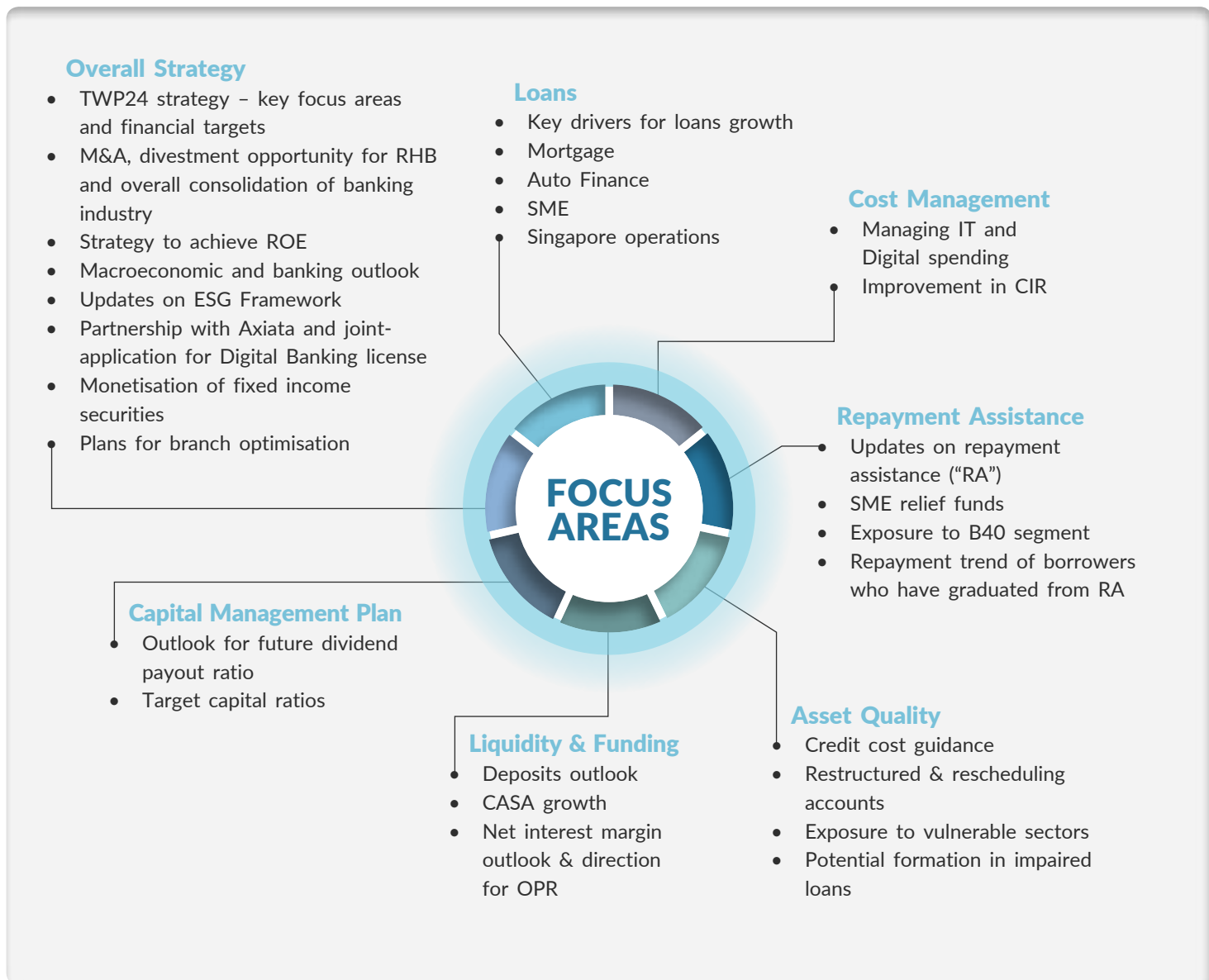
OUR GOVERNANCE

STAKEHOLDERS' INFORMATION

Investor Relations

ANALYST COVERAGE LIST

- | | | |
|-------------------------------|---------------------------------------|--------------------------------|
| 1 Affin Hwang Investment Bank | 7 Hong Leong Investment Bank | 13 MIDF Amanah Investment Bank |
| 2 AmResearch | 8 JP Morgan Securities | 14 Nomura Research |
| 3 CGS-CIMB Securities | 9 KAF-Seagroatt & Campbell Securities | 15 TA Securities |
| 4 Citi Investment Research | 10 Kenanga Investment Bank | 16 UBS Securities |
| 5 CLSA Securities | 11 Macquarie Research | 17 UOB Kay Hian |
| 6 Credit Suisse Securities | 12 Maybank Investment Bank | |



CREDIT RATINGS

RHB BANK BERHAD			
	RATING CLASSIFICATION	RATINGS	
RATING AGENCY	RAM Rating Services Berhad	Long-Term Financial Institution	AA1
		Short-Term Financial Institution	P1
		Outlook	Stable
	Standard & Poor's Rating Services	Long-Term Financial Institution	BBB+
		Short-Term Financial Institution	A-2
		Outlook	Stable
	Moody's Investors Service	Long-Term Bank Deposits	A3
		Short-Term Bank Deposits	P-2
		Baseline Credit Assessment	baa1
Outlook		Stable	

RHB INVESTMENT BANK BERHAD			
	RATING CLASSIFICATION	RATINGS	
RATING AGENCY	RAM Rating Services Berhad	Long-Term Financial Institution	AA1
		Short-Term Financial Institution	P1
		Outlook	Stable

RHB ISLAMIC BANK BERHAD			
	RATING CLASSIFICATION	RATINGS	
RATING AGENCY	RAM Rating Services Berhad	Long-Term Financial Institution	AA1
		Short-Term Financial Institution	P1
		Outlook	Stable

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