

**Virtual  
AGM**

**RHB BANK BERHAD** 196501000373 (6171-M)

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# 57<sup>th</sup> ANNUAL GENERAL MEETING

**Minority Shareholders Watch Group  
("MSWG")'s Questions** via letter dated 3 May 2023

**10 May 2023**



1. The Bank has embarked on a new three-year strategic plan dubbed “Together We Progress 2024” (TWP24) which will take place from 2022 to 2024. TWP24 has outlined three strategic targets to be achieved by 2024 (page 71 of Integrated Report 2022):
  - Return on equity (ROE) of 11.5% by 2024
  - Cost-to-income ratio of  $\leq 44.5\%$  by 2024
  - Top 3 Net Promoter Score (NPS) among banks in Malaysia

- a) RHB ended FY2022 with an ROE of 9.7%, a CIR of 44.7% and NPS of the top 3 among Malaysian financial institutions.

While it may not be challenging for RHB to achieve the CIR and maintain the NPS targets by 2024, the ROE of 11.5% may seem a tall order to achieve as generally we have seen the ROE of Malaysian banks moderated to single digits in recent years.

What would be the catalysts for RHB to achieve this goal?

### **RHB Bank's Response:**

*RHB continues to remain confident that we are on track to achieve the targets set in our TWP24 strategy. For ROE, we ended FY2022 with 9.7%. The Group's profitability was impacted by the one-off Prosperity Tax impact (Cukai Makmur). Nevertheless, the net profit of RM2.71 billion recorded still represents a growth of 3.4% year-on-year. Excluding Cukai Makmur, net profit would have been RM3.14 billion, translating into a normalised ROE for the Group at 11.2% (vs as reported ROE of 9.7%).*

### **RHB Bank's Response cont'd:**

*The Group is cognisant of the uncertainties surrounding economic recovery arising from external developments and will continue to deliver on our TWP24 strategy; by focusing on achieving quality growth, driving service excellence and improving efficiency. Going forward, we expect the following catalysts to support our ROE target:*

- Continued growth in Net Interest Income (NII), supported by sustained growth in loans and securities (retail, SME and overseas business as growth contributors) and diligent management of funding costs*
- Higher Non-Interest Income (NOII) contribution moving forward (vs FY2022) mainly in the form of treasury and fee income, as market conditions stabilize*
- Prudent overhead cost management*

- b) The breakdown of NPS ranking across different business segments (page 75 of IR2022) showed a sharp decline in the Insurance business from 4th place in FY2021 to 10th place in FY2022. At the same time, mild declines were recorded in the SME and IB Retail Equities segments.

Nevertheless, improvements in NPS ranking were seen in the Retail, Commercial and Corporate segments.

In short, NPS sums up customers' overall experience. It represents their likelihood to recommend the product or services to others.

What causes the slide in the NPS ranking of the Insurance business? Based on the improved standing of other business segments, could the same strategy be replicated in the weak-performing segments?

### **RHB Bank's Response :**

*In FY2022, based on NPS scores, RHB Insurance saw an improvement vs FY2021. However, our peers improved at a much faster rate, resulting in a drop in RHB's ranking.*

*Going forward, we have outlined the following initiatives to improve our customer's experience and overall satisfaction with RHB Insurance:*

- Enhance agent productivity by equipping them with the right tools and product expertise to serve customer needs*
- Enhance customer engagement by implementing feedback surveys, enhancing the functionality of our digital channels and improving our brand presence*
- Improve product innovation i.e. better benefits and pricing, and turnaround time of services*

2. A consortium comprising RHB and Boost Holdings (an indirect subsidiary of Axiata Group Berhad) has successfully obtained approval from Bank Negara Malaysia for a digital banking license in April 2022.

Subsequently, the parties jointly incorporated Boost Berhad in March 2023 to be the legal entity to carry out the digital banking business. RHB and Boost Holdings hold 40% and 60%, respectively of Boost Berhad.

- a) It was reported that the digital bank will go live in the second half of 2023 or at the latest by the first quarter of 2024.

Is the consortium on track to achieve the timeline? At what stage of progress is the digital bank currently at? Has the digital bank been placed under operational readiness review by BNM?

**RHB Bank's response:**

*The Digital Bank is in the build phase, and is on track to meet the targeted launch date within the 24-month timeframe established by BNM.*

*The consortium is currently focused on setting up business operations and developing product capabilities. BNM is continually engaged to ensure that the build plans are in line with BNM regulations. The operational readiness review with BNM will be conducted closer to our targeted launch date.*



- b) What are the parameters agreed upon by both parties regarding the nomination and appointment of directors and senior management positions?

**RHB Bank's response:**

*Based on parameters within the Shareholders' Agreement, RHB and Boost are each entitled to nominate Board representatives and key senior management positions in Boost Berhad.*

*The nominations and appointments are also conducted according to RHB and Boost's internal Corporate Governance framework and in line with BNM requirements.*

- c) RHB has extensive knowledge of banking services while Boost Holdings boasts strong fintech experience.

What are the respective roles and responsibilities of RHB and Boost in the partnership?

**RHB Bank's response:**

*The partnership between RHB & Boost is to jointly address the gap in accessible financial services for the unserved/underserved retail & MSME segments through the Digital Bank.*

*RHB brings to the partnership established years of trust with customers and regulators, alongside its proven technical expertise in areas across core banking services, banking regulation, risk, compliance, finance, operations, product management, and responsible financing to support the setup of the Digital Bank.*

*Boost has extensive and proven experience in building a fintech business, with deep knowledge in the Digital Bank's targeted customer segments. Boost is able to utilize their existing ecosystem, portfolio of products, customers, staff, technology and expertise to accelerate the setup of the Digital Bank.*

- d) Which segment of the unserved or underserved population is the digital bank targeting to tap into? What type of maiden product (e.g., deposit, lending) does the digital bank plan to offer the public?

**RHB Bank's response:**

*Within the retail segment, the Digital Bank will be targeting the lower income, emerging middle class and gig-workers segment. In the business sector, the Digital Bank will primarily target the small and micro-enterprises.*

*The Digital Bank will be taking a phased approach in product launches with planned product offerings unique to market and specifically tailored to the target customer segment.*

- e) RHB's solid clientele base and broad access to the local population via retail outlets are some of the key strengths of the proposed digital bank compared to other applicants.

Can the digital bank legally tap RHB's large customer data/base pool? What are the arrangements when it comes to information and data sharing?

**RHB Bank's response:**

*RHB, Boost and the Digital Bank will be adopting a data sharing protocol which sets out the basis on customer data sharing for referrals, subject to applicable laws and regulations.*

*Sharing of any customer data is subject to customer consent and will strictly be in line with the Personal Data Protection Act 2010 ("PDPA") and as regulated by the Financial Services Act 2013 (FSA).*

*We would also like to highlight the strengths of our partners, and that customers will also come from Boost's existing and affiliated ecosystems. Our partners have established an active customer base on their eWallet / micro-credit ecosystem (Boost Life, Boost Biz, and Boost Credit), and also have an adjacent, but extensive reach to more than 20 million telecommunication subscribers via CelcomDigi.*

3. RHB invested RM200 million in IT/technology over the past five years, from 2017 – to 2022, to enhance its digital capabilities (page 31 of IR2022). The investment in digital initiatives fell short of the hundreds of millions spent by other banking peers per annum. For instance, AmBank reportedly invested RM250 million in digital transformation efforts every year.

Did the Bank invest enough in digitalisation initiatives given that other banking peers are investing heavily to ramp up and enhance their digital capabilities and infrastructure?

What is the capex allocated for digital investment under TWP24?

### **RHB Bank's response:**

*The RM200 million represents the investment RHB put in specifically on customer digital channels in providing convenience to customers on capabilities such as internet and mobile banking, online account opening, loan application, insurance and more.*

*In total, RHB has invested over RM1 bil on IT / technology between 2017 and 2022, focusing not only on digitalization as described above, but also on other capabilities that strengthen our technology competitiveness. This includes analytics, automation, cyber security, IT Infrastructure efficiency and resiliency.*

*To date within TWP24, we have allocated over RM500 million for our continued investment in IT and Digitalisation.*

4. RHB's total customer base for Retail and SME declined by 3.05% year-on-year to 4.12 million from 4.25 million a year ago (page 32 of IR2022).

What were the root causes for the decline in RHB's customer base? Was the churn rate average and acceptable? What does the decline in the number of customers suggest?

### **RHB Bank's response:**

*The reduction of 1.2% for SME customers are mainly due to the reduction from non-borrowing customers as a result of cleaning up exercise on dormant accounts.*

*Both our Retail and SME business continue to have strong growth. Our retail assets grew at 7.2% fastest in the industry while our SME assets and deposits grew 7.9% and 9.7% respectively.*



1. RHB is entering Phase 2 of the Group Climate Action Programme (GCAP), focusing on calculating the Scope 3 financed emissions baselines, which will be used to identify key high-emitting clients and corresponding sectors (page 38 of Sustainability Report 2022)

- a) What were the high climate impact and risk sectors included in RHB's Scope 3 financed emissions analysis?

**RHB Bank's response:**

*The Scope 3 financed emission of the banking Group covers more than 90% of Group's total financing and investment portfolio as of 31 December 2022, encompassing all key sectors which includes those of high climate risk and impact. Among the key high impact sectors covered are Energy Supply, Palm Oil and Oil & Gas.*

- b) Upon finalisation of Scope 3 financed emissions, RHB will develop a strategic plan for sector decarbonisation, paving the way to achieve net zero by 2050 (page 38 of SR2022). How does RHB support clients with high climate risks and impact to transition their business model to more climate and environmental-friendly?

**RHB Bank's response:**

*The Group will engage with clients with high climate risks and impact to better understand their decarbonisation strategy and the support that client require from the Group in their transition journey. The Group is committed to mobilise RM20 billion in sustainable financial products and services by 2026 to support our clients through our business activities of lending and financing, capital markets and advisory, wealth management, investments, and insurance businesses, which includes financing and investing in green, social and ESG-linked activities. As at Dec. 2022, the Group has mobilised more than RM12 billion in Sustainable Financial Services.*

**RHB Bank's response cont'd:**

*The Sustainability Financing Programme (“SFP”), a green financing product bundling programme was launched in September 2021 to meet the needs of both SME and Retail customers. The four types of green financing under the SFP, which are Green Energy, Green Buildings, Green Products and Green Processes, contribute to climate adaptation and mitigation, such as a special financing scheme and a 10% discount on insurance premiums for hybrid, plug-in hybrid and electric vehicles. As of end-December 2022, a total of more than RM490 million has been extended under the SFP since its launch.*

*“We valued all your inputs  
and concerns.”*

Thank you for your active remote  
participation in the 57<sup>th</sup> AGM

