

RHB BANK BERHAD (6171-M)

53rd ANNUAL GENERAL MEETING

Minority Shareholders Watch Group
("MSWG")'s Questions via letter dated 12 April 2019

24 April 2019



1. On the key financial performance highlights (page 81 and 86, Annual Report 2018), your Current Account & Saving Accounts (“CASA”) composition declined to 25.9% of total deposits from 30.2% as at 31 December 2017. CASA growth for FY2018 was negative 8.1%.

a) What are the reasons for the drop in the composition of CASA?

The decline in CASA in FY2018 was mainly due to the following factors:

- Competition for CASA continued to be intense as banks ramped up efforts to gather deposits especially from retail customers.
- Our corporate current deposits recorded a strong 24.7% growth Y-o-Y in FY2017. However, Corporate deposits can be withdrawn in large amounts when needed by the customers. As a result of such withdrawals, corporate current deposits declined by 7.2% in FY2018.
- In Singapore, our current deposits declined by 39.2% Y-o-Y, which is partly due to the deliberate release of some deposits as loans contracted in FY2017 and in the first half of 2018.
- Overall however, it should be noted that in FY2017 our CASA grew 18.8% and hence set a high base for FY2018. Even with the decline of 8.1% in FY2018, over the 2-year period from 2016 to 2018, our CASA increased by 9.3%.

b) How will you address the declining deposits faced by the overseas operations, registering a decrease of 5.1% with Singapore recording a 11.6% decline?

Overseas deposits decline was primarily due to the decline of CASA in Singapore, which is partly due to the deliberate release of some deposits as loans contracted in FY2017 and in the first half of 2018. However, with Singapore loans growth rebounding in the second half of 2018 and recording a growth of 3.8% in FY2018, we intend to increase our efforts in growing deposits there with certain campaigns already launched.

c) As competition for deposits remained intense domestically, what measures have you taken or intend to take to address this? What is the growth target for CASA for 2019?

We have set a CASA growth target of 5% for the Group in 2019 with the following initiatives to achieve it:

- Continue our focus on gathering retail CASA especially from the affluent segment by leveraging on our SME customer base.
- The launch of RHB's new mobile banking app is expected to attract more customers especially the younger mass affluent and affluent to open accounts with us.
- Differentiate ourselves by building connected ecosystems as part of our products and services offering, in particular for our SME customers.

2. *The Singapore Operations (page 133, Annual Report) reported a high Cost-to-Income Ratio of 94.0%. What are the measures you have taken or intend to take to address this in FY2019? What is the optimal ratio?*

- Higher Cost-to-Income Ratio (CIR) of 94.0% in Singapore was mainly due to lower income recorded in FY2018 while overheads grew from our continued investment in human resources and technology.
- In FY2017 and for the large part of FY2018, the Group took a cautious stance in Singapore by focusing on growth selectively in certain asset segments coupled with a more rigorous credit underwriting process, following the impairment losses from exposure to the O&G industry. As a result, loans declined in FY2017 by 12.0%, affecting income growth in FY2018.
- In FY2018, loans grew by 3.8% Y-o-Y and we expect growth to continue in FY2019, translating into better income and improved CIR for our Singapore operations. This is expected to be driven by a strong focus on loans growth from the SME segment, and from increasing our fee-based income, including from wealth management.
- At the Group level, we are committed to continue to improve our CIR with a target of 49% for FY2019.

3. *In the Sustainability Statement, the Company has stated that RHB Islamic has made significant progress and contribution towards promoting responsible financing practices. Please elaborate on the forms and practices adopted to-date.*

- At Group level, RHB adheres to guidelines set out by Bank Negara on responsible financing practices. Products and services are aligned to Bank Negara Malaysia's aim to promote financial prudence and reinforce lending practices that support growth of the economy in a sustainable manner. We are responsible for conducting due diligence in our financing choices, whether to protect our business, customers, or third-party stakeholders.
- RHB Islamic introduced new Shariah products that adopt underlying principles of VBI and responsible financing. For instance, CMTF-i for My 1st Home Cagamas (Plain) (Rumah Mampu Milik) and CMTF-i for BNM Commitment Home (Rumah Mampu Milik) are part of our efforts to promote house ownership in line with the government and BNM's aspirations. Through these products, financing is made available and tailored accordingly for either low-income customers or low-income first time homebuyers.

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- In addition, we have incorporated the social finance aspect of VBI into our products and services. Initiatives introduced are in the area of waqf and sadaqah where products and services by the Bank have empowered and assisted public at large to channel their donations to mosques and state religious councils for the betterment of their communities and through digital means. This can be clearly seen through our SyuQR services extended to mosques and religious institutions. Other products introduced are CM Savings and Current Account-I and Range Accrual Murabahah Negotiable Certificate of Deposit-i that allow depositors to donate profits to charity.
- In line with RHB's VBI and sustainability journey, we will strive for further improvements and innovation in this area.

4. *Please explain the concept of “Value Based Intermediation” and the “People, Planet and Profit” and how these are translated into sustainability practices in the Group?*

- The VBI concept refers to “an intermediation function that aims to deliver the intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, without compromising the financial returns to shareholders”.
- While RHB Islamic is gearing towards making ourselves ready to operationalize VBI and start adopting the VBI scorecard prescribed by Bank Negara Malaysia, our VBI approach will be holistic, intended to cover the whole group. We will embed the VBI elements in our products and services as well as refine our policies and procedures.
- VBI is about creating value and positive impact to stakeholders; a concept that is likewise reflected in sustainability. Similarly, the 3P (“People, Planet and Profit”) concept is synonymous with sustainability and its concept of considering Economic, Environment and Social (EES) impacts.

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- The Group has started taking various steps towards improving its overall sustainability practices. In 2018, we institutionalized sustainability by enhancing our sustainability governance. Sustainability will form one of the matters discussed at the Board and Group Management level. We have developed RHB's sustainability framework that outlines 5 sustainability commitments:
 - i. Drive ethical and responsible business practices
 - ii. Promote sustainable business
 - iii. Promote environmental practices
 - iv. Foster talent development
 - v. Enrich and empower communities
- The framework and commitments were developed based on a comprehensive materiality assessment with 17 sustainability material matters identified. High priority matters identified were such as Good Business Governance, Digitalisation, Financial Inclusion and Responsible Financing. Our sustainability journey will be in line with VBI and support the United Nations Sustainable Development Goals (SDGs). In 2019, our focus is to embed good sustainable practices throughout the Group and raise awareness amongst employees. This will put us in a better position to address sustainability.

5. *Have you developed any “Sector” specific policies? Has the Company allocated any budget for green or sustainable sectors?*

- The Group has sector specific Risk Acceptance Criteria (RAC) that provide guidance to our Business Units. We review these RAC or guidelines on a continuous basis. With regards to sustainability-related elements, we are looking into infusing these into our guidelines for material sectors.
- With regards to any budget for green or sustainable sectors, no specific budget was allocated for green or sustainable sectors. However, as RHB progresses on its sustainability and VBI journey, we will explore available options.

“We valued all your inputs
and concerns.”

Thank you for your active
participation in the 53rd
AGM.

