



RHB BANK BERHAD

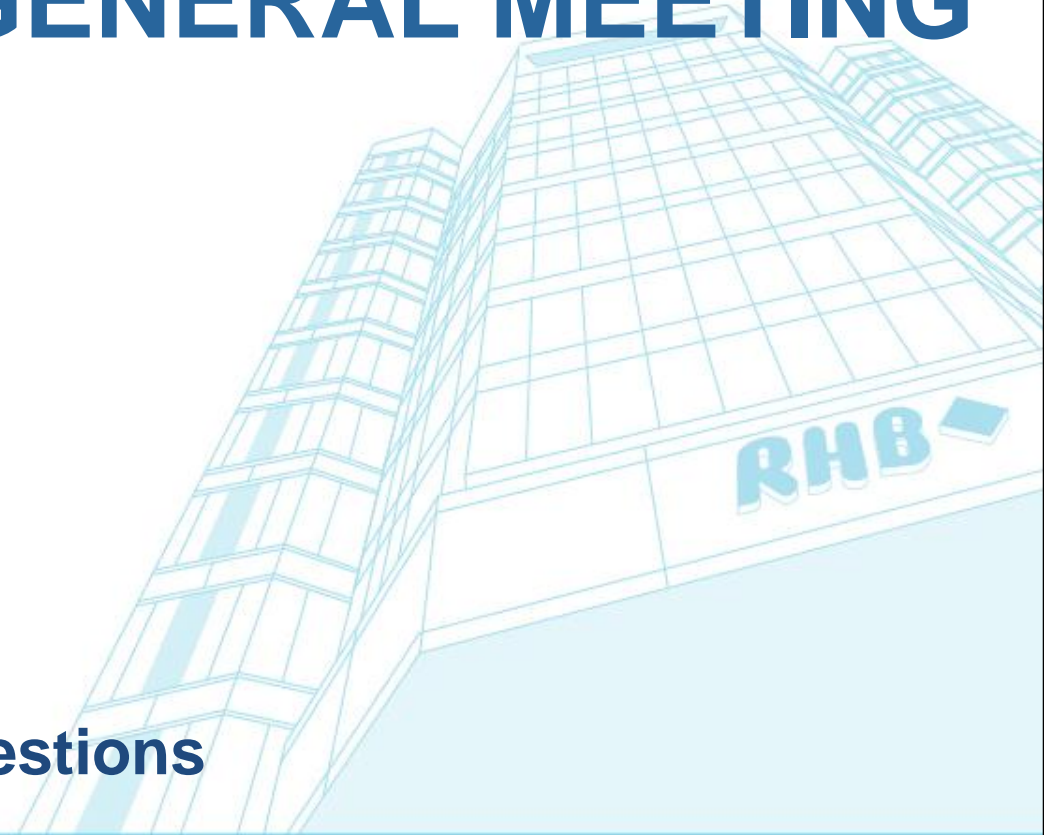
52nd ANNUAL GENERAL MEETING

25 April 2018



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Responses to MSWG Questions

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STRATEGY/FINANCIAL MATTERS

- 1. We refer to page 83 of the Annual Report on Key Performance Indicators and note that Overseas Contribution has been registering negative Profit Before Taxation for 2016 & 2017 at -10% and -11% respectively ?**

How will the management address the negative results and turn-around the position of these business units under the new “Strategic Road Map, FIT22 2018 – 2022” in line with the 2020 Aspirations (page 76, Annual report) as a regional powerhouse in ASEAN+ with target 20% profit contribution from international operations ?

Overseas profit contribution was affected mainly by losses in Singapore operations as the Group took a prudent approach to impairment losses made on corporate bonds and loans, especially those relating to the oil and gas industry. We believe the worst is over and we expect to turn around Singapore and the rest of our overseas operations this year.

With our new 5-year strategy, FIT22, we will focus on our niche and strengths overseas and explore potential partnerships and joint-ventures. For Singapore in particular, we plan to focus on the SME and Mid-Caps segments and build a private wealth business.

Our 20% profit contribution from international operations by 2020 was set under the IGNITE 2017 transformation programme. Under FIT22, with key focus on Malaysia, the percentage profit contribution from overseas is expected to remain at not more than 10%.

Responses to MSWG Questions

2. **As stated on page 82 of the Annual Report, one of the 3 pillars of FIT22 is to “Invest To Win” to provide an ecosystem that supports simple, fast and seamless customer experience, underpinned by a cohesive and inspired workforce and relationships built with the bank’s stakeholders.**

What would be the estimated budget to carry out the initiatives under this pillar and achieve the market share aspirations of “Top 3” for Small & Medium Enterprise, Wholesale banking and Islamic Banking, “Top 4” in Retail banking and “Top 5” in Insurance?

The “Invest to Win” pillar in our new 5-year strategy FIT22 covers a number of different areas, underpinned by our efforts in the Digital space which includes investments in capabilities such as the AGILE way of working across the Group, new digital channel platform, Big Data and analytics, as well as robotics and artificial intelligence.

In the next 3-5 years, we expect to invest over RM200m in this space.

Responses to MSWG Questions

- 3. As stated in the “Management Discussion & Analysis” (MDA) on page 94 of the Annual Report, non-Malaysian gross loans declined by 9.1% mainly due to decrease in loan base in Singapore by 12.1% and Hong Kong by 53.9% respectively which was partly due to the measures taken to tighten the credit underwriting and selective asset growth in Singapore.**

What is the reason for the drastic drop in the loan base in Hong Kong? What is the expected improvement in credit quality arising from the strategy to be more selective on the asset growth in the Singapore market?

The loan base in Hong Kong (“HK”) was largely share margin business. The Group took proactive steps to further improve the asset quality of our HK margin portfolio. The drop in the loan base in HK was our conscious move to tighten our credit underwriting process and exit high risk financing.

For Singapore, asset quality was affected mainly due to impairment losses made on corporate bonds and loans, especially those relating to the oil and gas (“O&G”) industry. We believe we have made adequate provisions for the impaired accounts in the O&G sector. This year, to improve asset quality, we will focus on growth in selected asset segments, in particular the SME, Mid-Caps segments and secured lending. With a more rigorous credit underwriting and greater focus on recovery, asset quality is expected to improve.

Responses to MSWG Questions

- 4. We noted the positive improvements of overall CASA composition to 30.4% registered in FY2017 from 25.6% in FY2016 with total CASA growth at 18.8% in the year (page 95, Annual Report).**

What would be the Bank's strategy and target for FY2018, given the recent increase in Overnight Policy Rate (OPR) by Bank Negara Malaysia and the pressure on the bank's funding cost as banks continue to compete aggressively for cheaper funds ?

Our prudent funding cost management, as reflected by our release of the more expensive deposits whilst strongly growing CASA, resulted in a stable Net Interest Margin level year-on-year.

Going forward, we expect to grow our CASA balance further across Retail, SME and Corporate albeit at a more moderate pace, given the higher base and continued intense competition for deposits. We have set a CASA growth target of 10% for 2018.

Making ourselves a primary transaction bank for our customers is key, and as such we are also investing in digital and IT solutions to boost customer experience and convenience.

Responses to MSWG Questions

5. We refer to the asset and loan provisioning, as stated in “Analyst Presentation FY2017 Financial Results” (page 14 & 15) of the report.

What is the “Day 1 impact” of complying with MFRS 9? Would there be any further impact on its oil & gas exposure as stated on page 15 of the report ?

With the implementation of MFRS 9, the Group is required to assess the loans and securities loss provisions required under the new accounting standard compared to the provisions made under the previous standard, MFRS 139. The difference between the two is what is called the “Day 1 impact” and will be set off against capital.

We are now at the final stage of the validation process by external auditors and we estimate the Day 1 impact on the Bank’s CET1 ratio to be approximately 50 bps. The detailed MFRS 9 financial impact will be included in our Q1 2018 results announcement.

Our O&G exposure has been on the decline with total exposure of RM5.2 billion as at 31 Dec 2017 (3.2% of gross loans) compared with RM6.1 billion in 2016 (4.0% of gross loans). We believe we have made adequate provisions for the impaired accounts, and barring unforeseen circumstances, do not expect any further major provisions arising from this sector.

Responses to MSWG Questions

CORPORATE GOVERNANCE MATTERS

6. We refer to the circular dated 27 March 2018 on the “Proposed amendments to the Constitution of RHB Bank Berhad”.

What are the material changes proposed in the new Constitution compared to the existing Constitution?

The proposed amendments to the Constitution of RHB Bank Berhad will bring the Company’s Constitution in line with the enforcement of the Companies Act 2016 and the updated Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad, to render consistency as well as to facilitate and enhance administrative efficiencies thereof. Amongst the material changes proposed in the new Constitution compared to the existing Constitution are as follows:

- a) Deletion of the entire object clauses of the Company as the Company shall have the full capacity to carry on or undertake any business or activity as contained in Section 21 of the Companies Act 2016 subject always to the business or activities are approved or not otherwise objected to by Bank Negara Malaysia or other applicable authorities. *(Refer New Clause 4);*
- b) Deletion of the authorised share capital clause as Section 74 of the Companies Act 2016 abolishes the concept of par value of shares. *(Refer Article 5 prior to amendments);*

Responses to MSWG Questions

CORPORATE GOVERNANCE MATTERS (CONT'D)

6. We refer to the circular dated 27 March 2018 on the “Proposed amendments to the Constitution of RHB Bank Berhad”.

What are the material changes proposed in the new Constitution compared to the existing Constitution?

- c) Insertion for the allowance of depositing the instrument appointing proxy or the power of attorney or other authority in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll in accordance to Section 334(3) of the Companies Act 2016. *(Refer New Clause 72)*;
- d) Consistency with Section 230 of the Companies Act 2016, on the inclusion of benefits payable (besides fees) to the Directors including any compensation for loss of employment of a Director or former Director shall be approved at a general meeting. *(Refer New Clause 80)*; and
- e) Insertion of a new Article in relation to Electronic notices in accordance to Section 319 of the Companies Act 2016 and Paragraph 2.19B of the new Main Market Listing Requirements which allows companies to serve notices or any other document to Members using electronic forms. *(Refer New Clause 130)*.