

**Virtual  
AGM**

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

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

**Minority Shareholders Watch Group  
("MSWG")'s Questions** via letter dated 18 May 2021

25 May 2021



1. RHB Bank's total allowance for credit losses on financial assets increased by three-fold to RM1.14 billion in FY2020 (FY2019: RM275.82 million). Meanwhile, credit charge ratio increased to 0.58% from 0.18% in FY2019.

The higher provision was due to higher pre-emptive provisioning set aside for potential increase in credit losses arising from the COVID-19 pandemic.

In line with the Bank's guidance of deteriorating asset quality outlook in FY2021, will the Bank's allowance for impairment on loans, advances and financing increase significantly in FY2021?

**RHB Bank's Response:**

*We continue to remain prudent in our credit risk management. To prepare for potential deterioration of asset quality due to the pandemic, we accelerated our provisions in FY2020, closing the year with 0.58% credit charge ratio in line with our conservative stance.*

*For FY2021, we expect gradual economic recovery although this depends on the pandemic's containment measures and the pace of vaccination efforts. In view of this, we anticipate our credit charge ratio to remain elevated but lower than FY2020 at approximately between 0.30% and 0.40%.*

*Our loan loss coverage ratio has also improved significantly and is at a comfortable level of 119.7% compared to 85.7% in FY2019.*

2. As of 31 March 2021, the Bank had provided RM16.5 million payment assistance to 180,984 individuals and RM4.9 billion to 1,732 SME customers.
  - a) Of the total payment assistance provided, how many percent of the affected borrowers have resumed repayments?

**RHB Bank's response:**

*For Retail customers, the percentage of those who have resumed payment (based on the agreed repayment requirements) as at 31 March 2021 is 65.4% while the balance is mainly from borrowers whose accounts are still under the deferment scheme, whereby repayment is not required for a certain period.*

*For the SME customers, based on the Rescheduling and Restructuring (R&R) approved and implemented which stood at around RM3 billion, the percentage of borrowers who have resumed payment as at 31 March 2021 is 96.1%.*

- b) What is the size of loan that is still under extended relief measures after the expiry of the six-month automatic loan moratorium which ended on 30 September 2020?

**RHB Bank's response:**

*Although the automatic moratorium ended on 30 September 2020, RHB, like the industry, continued to provide support to borrowers who had lost their jobs or whose incomes had been affected by the pandemic. We continue to engage our borrowers and offer various forms of repayment assistance based on their financial circumstances.*

*In addition, effective 23 November 2020, targeted repayment assistance was also given to eligible borrowers under the B40 and microenterprises categories.*

*Our borrowers who have received repayment assistance as at 31 March 2021 are as follows:*

% of Outstanding Loan Balance	Approved RA*		
	No. of accounts	RM bil	%
<b>GROUP RETAIL</b>	180,984	16.5	17%
<b>SME</b>	1,697	3.3	15%
<b>COMMERCIAL &amp; CORPORATE</b>	61	5.7	12%
<b>TOTAL DOMESTIC</b>	182,742	25.5	15%

*\* RA approved for loans only*

- c) Has the Bank seen improvement in the collection of loans from borrowers under the extended relief measures?

**RHB Bank's response:**

*Generally, we are seeing an improving trend in the repayment behaviour of our borrowers who enjoyed the repayment assistance.*

*For Retail portfolio, 65.4% have resumed payment as at end-March 2021 while the balance is mainly customers whose accounts are still under deferment scheme whereby repayment is not required for a certain period. For our Business Banking portfolio, the trend is similar, whereby 96.1% of customers who enjoyed R&R have been current in their repayment. For Corporate Banking, all our customers that enjoyed R&R, have been prompt in their repayment.*



d) Is there an increased default risk for the loans involved in the TPA?

**RHB Bank's response:**

*Please see our response above.*

*However, with the recent surge in Covid-19 cases and imposition of MCO3.0, we remain cautious in our credit risk management and will continue to monitor the performance of our credit portfolio closely. Although there are early indicators of economic recovery, the trajectory depends largely on the pandemic containment measures, economic stimulus effects and speed of vaccination efforts.*



e) Is there a need for provisions for these loans?

**RHB Bank's response:**

*We are guided by the requirement by Bank Negara Malaysia (BNM) on provisioning and have adequately provided for our expected credit losses on our loans and financing.*

*As mentioned, we had been prudent with our allowances for expected credit losses with a credit charge ratio of 0.58% in FY2020. This has resulted in the improvement of our loan loss coverage (excluding regulatory reserve) to 119.7% in FY2020 compared with 85.7% in FY2019.*

*We will continue to be prudent in our provisions and are prepared to increase the amount if necessary.*

3. What is the size of loans to vulnerable sectors like retail and hospitality which continue to be affected by the imposition of various movement control orders?

**RHB Bank's response:**

*We identified vulnerable sectors as sectors that are involved in:*

- *'Tourism & Hospitality' which includes hotels, recreational, air transport, restaurants and tour agencies*
- *'Retail Trade' which includes retail trade and shopping complexes*

*Our Group exposure to these sectors is roughly around 8.0% of total Gross Loans outstanding, with non-retail exposure of around 6.2% and retail at 1.7%.*

4. RHB Bank's CASA ratio increased to 30.9% in FY2020, compared to 25.7% in FY2019 due to the 28.3% growth in CASA deposits.

Is the increase in CASA ratio sustainable? How does the Group sustain the high CASA ratio? Will the strong growth in CASA deposit in FY2020 give rise to net interest margin expansion in FY2021 due to lower funding cost?

**RHB Bank's response:**

*We expect CASA to continue to grow in FY2021 with CASA mix remaining at around 30%.*

*In fact, we still anticipate healthy CASA growth for Q1 2021 as a result of lower spending given the impact of the prolonged pandemic and movement control order as well as disbursements of i-Sinar and i-Lestari funds into customer accounts.*

*However, as the economy recovers over time, we expect CASA growth to moderate as consumer spending picks up.*

*CASA remains one of our key focus areas and we intend to continue growing CASA across all business segments, augmented by our digital on-boarding initiatives and ecosystem play, especially in the SME space.*

*In general, we expect net interest margin (NIM) to improve in FY2021 compared to 1.96% including net modification losses impact in FY2020, supported by the CASA mix as well as repricing of fixed deposits during the year.*

5. RHB Bank has integrated the management of its international businesses as a “one country model”. As every country has its own issues to deal with e.g., cultural differences, foreign laws and regulations, how does the consolidated management model generate the intended synergy to all overseas business units?

RHB Bank’s response:

*The “one-country model” is applicable to each individual country within our Group International Business in which RHB has both corporate banking (CB) and investment banking (IB) presence, namely Singapore, Cambodia and Thailand, and not to all these countries as one.*

*In each of these countries, we manage the CB and IB businesses strategically as “one”, focusing on creation of synergies between the businesses through joint account planning and cross selling of products and services, as well as leveraging on our overall in-country resources, expertise and best practices where applicable.*

*This strategic approach enables us to be more efficient and coordinated and thus enhances our ability to serve our customers better.*

6. The execution of the FIT22 strategy has reached its halfway mark. How has the Bank performed based on the key performance indicators (KPIs) set in the blueprint?

RHB Bank's response:

*We have made good progress midway into our FIT22 strategy. We have achieved consistent performance improvement in key measures such as ROE and CIR since 2017, before being interrupted by COVID-19. However, our ROE target of 11.5% by 2022 is at risk due to the impact of COVID-19.*

*We will stay committed to our FIT22 strategy and continue working towards the defined initiatives. Some of our FIT22 achievements include:*

- *Affluent – Grew the number of our premier banking customers by +13.6% to 79.3k and increased the total AUM of premium customers by +20.1% to RM40.1 billion*

- *SME – Grew our loans and deposits despite the challenging environment while improving and gaining traction in our SME e-Solutions platform which now has 10,282 customers*
- *Large Cap – Increased our market share of fee income among large cap clients to 25.0%*
- *Mid Cap – Increased our client penetration rate among mid cap clients to 64.6%*
- *Analytics – Realised RM119.5 million in analytics benefits in 2020 through continuous investment in analytics and targeted Group-wide adoption*
- *Digital – Approximately 40% of new mortgage applications were acquired through the MyHome app. Introduced the Smart Interview feature in the RHB Financing (SME) mobile app which allows SMEs to complete online financing applications which include virtual interviews and site inspections*
- *AGILE – Scaled up AGILE@Scale across the group, with more than 4,000 staff adopting the Agile way-of-working*
- *CIR – Achieved a CIR of 47.1% in 2020, the lowest since 2017*
- *NPS – Achieved an NPS score of +11 in 2020, from +9 in 2019*



7. RHB has introduced five ESG Risk Assessment tools (ERA) for five ESG sensitive sectors namely palm oil, oil & gas, manufacturing of iron, steel & other metals, power producer and manufacturing of cement.

Under the ERA, what are the criteria included to assess and determine the ESG risks of clients? What will be the actions taken on existing and new clients who are unable to pass the assessment?

RHB Bank's response:

*RHB's ESG Risk Assessment (ERA) tools comprise General ERA and Industry Specific ERA. The General ERA is applicable to ESG Sensitive Sectors, which were identified based on ESG vulnerabilities, levels and are classified as ESG Sensitive Sectors. In identifying the ESG Sensitive Sectors, we are guided by the sectors that has been categorized by International Finance Corporation ("IFC") / World Bank as "High Risk" and sectors that have been under intense spotlight on ESG issues within the region.*

*The General ERA is applicable to all ESG Sensitive Sectors and focuses on:*

- i. Legal issues associated with the clients' ESG performance;*
- ii. Material adverse environmental issues faced;*
- iii. Material adverse occupational health & safety issues;*
- iv. Establishment of safe and proper working conditions and labour practices;*
- v. Implementation of good corporate governance practices; and*
- vi. Environmental impact studies conducted for projects (where required).*

*Industry Specific ERA have been developed for 5 sectors namely palm oil, oil & gas, manufacturing of iron, steel & other metals, power producers and manufacturing of cement. These represent additional ERA criteria for the relevant sectors, on top of the General ERA. The approach to Industry Specific ERA is also available in our sustainability reports and 'Our Approach to Sustainability' on the corporate website. ([https://www.rhbgroup.com/files/others/sustainability/RHB\\_Our\\_Approach\\_to\\_Sustainability\\_\\_Mar\\_2020\\_\\_v3\\_\\_1\\_.pdf](https://www.rhbgroup.com/files/others/sustainability/RHB_Our_Approach_to_Sustainability__Mar_2020__v3__1_.pdf)).*

*From the assessment, our clients are assigned an ESG risk rating of 'Low', 'Medium' or 'High' to reflect the levels to which they have met the standards under our General ERA and Industry-Specific ERAs. Clients who are rated 'Medium' or 'High' may be imposed with time-bound mitigation action plans to mitigate the ESG issues, which will be monitored as part of the annual review process. The borrower's/customer's ERA rating will be reviewed on an annual basis. This will be taken into consideration for conventional and Islamic lending/ financing decision-making.*

*We will continue to engage with our customers on an ongoing basis to create awareness and a better understanding of good ESG practices, enabling progressive improvement of our practices as well as those of our clients.*

8. For the current year under review, 12 complaints pursuant to RHB Bank's Whistleblowing Policy were received, investigated and pursued.

To what do the complaints relate to? Have all the complaints been resolved? Please provide a summary of actions taken pursuant to the complaints.

RHB Bank's response:

*All of the complaints received were investigated and appropriate actions were taken based on the outcome of the investigation carried out internally. The Board Audit Committee supervises all the whistleblowing matters attended by the Group Integrity & Governance division and is kept abreast of all on-going complaint cases pursued and investigated. The said board committee is provided with relevant information on the investigation status and/or any disciplinary action taken, if any, on a monthly basis by the Group Integrity & Governance division. Statistical data of these complaint cases were also reported periodically to the Malaysian Anti-Corruption Commission (MACC) on a half-yearly basis.*

*The 12 complaints received pursuant to the Group's Whistleblowing Policy were allegations that involved staff misconduct, corrupt practice and unfair treatment of staff. We wish to highlight that all these complaints were thoroughly investigated and closed with appropriate actions taken, where warranted.*

*Based on the outcome of the investigation, the following were actions taken to-date for the 6 out of the 12 complaints received:-*

- Appropriate disciplinary actions were taken against those found committing misconducts, including issuance of warning letter, imposition of deferment of increment, demotion and/or dismissal following respective disciplinary proceedings.*
- In other cases, the respective parties were either;*
  - ✓ Given verbal warning and coaching by Group Human Resource on professional ethics and leadership skills; or*
  - ✓ Reported to the Financial Intelligence & Enforcement Department, Bank Negara Malaysia for suspected money laundering case.*

*No further action was taken on 6 other complaints as the allegations of the cases were unfounded either due to lack of evidence or simply baseless accusations.*



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

Thank you for your active remote  
participation in the 55<sup>th</sup> AGM

