

RHB BANK BERHAD

Virtual 58th Annual General Meeting

Pre-AGM Questions Raised By Shareholders & PNB

10 May 2024





**Permodalan Nasional
Berhad**

Financial Performance and Outlook - TWP24 Strategic Targets (1/1)

Shareholder's Name	Question 1
PNB	<p>RHB Bank has established a strategic objective of achieving an ROE of 11.5% by FY24. However, recent guidance from management suggests an ROE of at least 10% in FY24, indicating challenges in attaining the higher target.</p> <ul style="list-style-type: none"> i. What steps are being undertaken to improve RHB's ROE from its current position of 9.5% in FY23? ii. Considering current market conditions, are there any developments that could elevate the ROE to the vicinity of 11.5%?

Response
<p><u>Item 1</u></p> <ul style="list-style-type: none"> • <i>The Group's FY2023 financial performance was primarily impacted by higher funding costs and allowances for expected credit losses (ECL).</i>

Response

- *Higher funding cost was attributed to intense deposit competition spillover into 2023 and migration from CASA to FD for the higher rates. This was evident in the 14.3% YoY growth seen in FD.*
- *Consequently, NIM for the year contracted to 1.82% from 2.24% reported a year ago.*
- *We also had to set aside higher ECL for selected overseas operations although the impact was mitigated by COVID overlays writeback.*
- *For FY2024, the Group remains cautiously optimistic but expect performance to improve by:*
 - From profitability perspective:*
 - *Net interest income - expected to improve as we foresee competition for deposits to continue to moderate, providing some respite from further NIM compression.*
 - *Non interest income - better fee income expected and pocket of opportunities to grow treasury income.*
 - *Overheads - continue to tighten our cost discipline.*

Response

From balance sheet perspective:

- *Continue to grow assets in our target segments while maintaining credit discipline.*
- *Remain prudent by continuing to manage asset quality closely.*
- *Maintain strong fundamentals through robust capital and liquidity position.*
- *Nevertheless, we remain cautious of external factors such as the uncertain US monetary policy stance, inflationary pressures, and escalation of geopolitical conflicts.*

Item 2

The Group's guidance for ROE is at least 10% in FY24, as we remain cautious of external factors such as the uncertainty in US monetary policy stance, inflationary pressures, and escalation of geopolitical conflicts.

Shareholder's Name	Question 2
PNB	<p><i>GTGM recorded a profit before tax of RM913.3 million, a decline of 29.4% from the previous year. This was mainly due to a decrease of 75.6% in net fund based income due to global monetary policy tightening exerting persistent upward pressure on deposit rates and bond yields, partially offset by an increase of 105.7% in non-fund based income."</i></p> <p>It has been observed that the segment's profitability has been on a downward trend since FY21.</p> <ol style="list-style-type: none"> 1. How has this segment been performing to date? 2. What is the performance outlook for the GTGM segment for the remainder of FY24?

Response

Item 1

Despite elevated market challenges, GTGM has performed better than previous year in terms of revenue and PBT growth to date; focusing on customer centricity and improved trading and investment performance navigating higher market and credit risks opportunely, while managing cost of funds effectively.

Item 2

GTGM is expected to continue to register strong financial performance for the remainder of 2024 from reinforced customer centricity with the emphasis on bespoke products and solutions for customers to navigate market challenges efficiently and effectively, and ensuring disciplined funding, trading and investment activities.

Shareholder's Name	Question 3
PNB	<p>For FY23, Islamic Financing grew by 2.8% which was lower compared to the Group's loans growth of 4.8%. The lower growth in Islamic Financing was partly attributable to a 18.0% contraction in the corporate banking business.</p> <ul style="list-style-type: none"> i. Can you provide details on the contraction in the corporate banking business (including number of affected accounts, affected sectors, size of financing, etc)? ii. Has the situation in this corporate banking business recovered? <p>Additionally, we observed a slight decline in Islamic Share to Group Financing Assets from 44.6% in FY22 to 44.3% in FY23.</p> <ul style="list-style-type: none"> iii. Under TWP24, one of the goals for the Group Shariah business is to increase Islamic share of group financing. What is the specific contribution target that RHB aspires to achieve?

Response

Item 1

RHB Islamic (Bank) had a few Government of Malaysia (“GOM”) Islamic assets/financing which were redeemed in 2023 via the Sukuk market due to the GOM’s revised strategy to tap the Sukuk market for a more competitive pricing. This was coupled by scheduled payments and prepayments of a few local Islamic assets by our corporate clients.

Item 2

Going forward, the Islamic Business Unit is already working with several corporate clients to selectively grow the Bank’s footprint regionally and globally via Islamic financing and also, to have deeper penetration of targeted local industries where the Bank can provide holistic financing solutions to our corporate clients.

Item 3

RHB Group remains committed to increase Islamic share of group financing in Malaysia.

Although we saw a slight dip in FY23 to 44.3%, this is on the back of longer term improvement from 43.0% in FY21 and 40.5% in FY20.

For FY24, we target to achieve >45% of our domestic financing from our Islamic business, with a medium to long term target of more than 50% share.

Shareholder's Name	Question 4
PNB	<p>However, profit before tax was lower by 143.0% attributed mainly to higher impairment in Thailand, the gross impaired loans (“GIL”) ratio increased from 1.8% in 2022 to 3.1% in 2023.</p> <p>What are the reasons for the deterioration in asset quality in Thailand? Does the management expect GIL to remain elevated in FY24?</p> <p>What are the steps taken to improve the profitability of this segment going forward?</p> <p>Are there any specific segments that RHB Bank intends to prioritise in overseas markets and what is the rationale behind this strategic focus?</p>

Response

Deterioration of asset quality in Thailand has arisen from a combination of various factors such as downside risk of the SME segment stemming from the high interest rate environment and the sluggish economy. Most of the repayment assistance programmes in our portfolio had expired and notably the larger corporates thrived and weathered through the hard times. However, as for the SME segment, many of these borrowers continued to struggle and some to the extent defaulted and/or non-performing.

We expect the GIL to remain elevated due to the lengthy recovery process. Fitch Ratings expect the Thai banking sector's impaired-loans ratio to remain stressed in 2024 and 2025 as businesses continue to reel from the post-pandemic effects.

Response
<p><i>Immediate actions include 1) optimization of cost, 2) encouraging higher utilization by high quality borrowers in the Corporate and NBF1 segments, 3) improve governance and supervision through reorganize op model of Thailand control functions and increase resourcing for control functions, and 4) additional headcount for recovery & legal. Longer term actions include repositioning Thailand as a regional out post for corporate and SEA clients by providing cross-border services/referrals, collaborate and leverage on RHB Securities Thailand and build a cross-border treasury team.</i></p> <p><i>We are currently prioritizing to accelerate our Singapore loan and deposit bases, with the focus to grow in all business segments.</i></p>

Shareholder's Name	Question 5
PNB	<ul style="list-style-type: none">i. How much does RHB spend on cybersecurity relative to its total IT spend?ii. How much has RHB saved in costs by automating processes and moving customers to online banking channels?iii. What are RHB's plans for further developing its digital banking platform?

Response

i. We spent approximately 10% of our IT spend on cyber security.

ii. By moving customers to online banking channels, as well as automating key branch processes, RHB has seen annual cost avoidance of approximately RM60-100 million each year.

Response

iii. RHB's digital banking platform serves almost 90% of all transactions and is constantly enhanced to improve the everyday banking experience for our customers. The focus moving forward is to be able to anticipate customers' needs and to provide valuable recommendations and products relevant to their life stage as they occur.

2

Retail Shareholders

Shareholder's Name	Question 1
TEH KIAN LANG	Will 2024 be a better year than 2023 or be worse due to new challenges?

Response
<p><i>Malaysia economy is expected to improve 2024, although downside risks remain from prolonged high interest rates in advanced economies and recent escalation of geopolitical conflicts.</i></p> <p><i>Against this backdrop, the Group remains vigilant on the outlook for the rest of the year but committed to deliver growth in 2024 by:</i></p> <ul style="list-style-type: none"> <i>- Continuing to grow asset responsibly and maintaining credit discipline</i> <i>- Remaining prudent by continuing to manage asset quality and monitor cost closely</i> <i>- Maintaining strong fundamentals through robust capital and liquidity position</i>

Shareholder's Name	Question 2
LOH PEK YOO	What is the current status with the Tokyo marine insurance?

Response
<i>The Bank is current in the midst of a renewal process to determine the best partner that can provide market leading propositions for its customer.</i>

Shareholder's Name	Question 3
ONG HAN CHENG	Can I know how big is the risk of digital bank compare with normal banking system?

Response
<p><i>We see the risk of the Digital Banks being low relative to the overall banking system.</i></p> <p><i>BNM's licensing framework caps each digital banks' assets at RM3 billion during the foundational phase (initial 3-5 years of operations).</i></p> <p><i>As comparison, the total assets of the 5 digital banks of RM15 billion will constitute less than 0.5% of total bank assets (~RM3,500 billion) in Malaysia.</i></p> <p><i>Nevertheless, we will ensure that Boost Bank is governed by a strong risk management framework which includes robust cybersecurity and digital fraud countermeasures to ensure the utmost safety and reliability for customers.</i></p>

Shareholder's Name	Question 4
SOON CHIONG YAW	By referring to your latest 4th quarterly report (2023-12-31), I have notice that your LLC excluded regulatory reserve decline to 71.7%. Do you have any plans to improve your coming LLC result.

Response

The lower LLC (excluding Reg. Reserves) was mainly due to increase in gross impaired loans (GIL). However, these recently-turned impaired accounts are highly collateralized, thus conserving the provisions required.

Nevertheless, LLC with regulatory reserves should be used to assess the adequacy of overall provisions for assets (incl loans) as the regulatory reserves are set aside in capital.

LLC with regulatory reserves are above 100%, indicating we have at least 1x coverage for impaired accounts. Moving forward, the Group intends to sharpen its asset quality management and potentially increase LLC in foreseeable future, pursuant to our initiatives in managing asset quality.

The Group will continue to exercise prudence in our lending policy where the focus has always been on secured or highly collateralised financing.

Shareholder's Name	Question 5
KOW LIH SHI	<p>What would company do for Implement e-wallet. In banking, does e-wallet. Cost of operate. Compare to return. From charges is profit ?</p> <p>What is the Company's action plan to gain more profit revenue.</p>
Response	
<p><i>RHB's long term strategy centered around our MBK to deliver customer experience and drive quality growth. It is our commitment to continuously enhance and improve our digital banking offerings such as DuitNow QR, Request to Pay and access to 32 foreign currencies through our award winning Multi Currency Account (MCA) product. We will continue to invest in the digital space to address ever changing market trends and customer preferences. And that is evident in the RM8.6m additional investment in Boost Bank as our commitment towards greater financial inclusion in Malaysia.</i></p>	

Response

For FY2024, the Group remains cautiously optimistic but expect performance to improve this year by:

From profitability perspective:

Net interest income - expected to improve as we foresee competition for deposits to continue to moderate, providing some respite from further NIM compression

Non interest income - better fee income expected and pocket of opportunities to grow treasury income

Cost - continue to tighten our cost discipline

From balance sheet perspective:

Continue to grow assets in our target segments while maintaining credit discipline

Remain prudent by continuing to manage asset quality closely

Maintain strong fundamentals through robust capital and liquidity position

Shareholder's Name	Question 6
WONG WENG WAH	WHEN THE BOOST BANK LAUNCH ? ESTIMATE WHEN CAN BREAK EVEN ?

Response
<p><i>Boost Bank is expecting to launch to public in the near future as we have completed our Alpha testing phase successfully.</i></p> <p><i>RHB has set aside a significant amount of investment to provide Boost Bank the best chance of success. We project at least 3-5 years before the digital bank breaks even and we view this as a long-term investment targeted towards sustainable growth.</i></p>

Shareholder's Name	Question 7
TEH ZHEN KIAT	How RHB BANK to increase the profit in future and reduce the cost operating within the competitor in 5 digital bank was announced by BNM?

Response

RHB continues to invest in our digital infrastructure and product offerings to ensure that we remain at the forefront in competing against the new market entrants.

In addition, we also continue to strengthen our focus on service excellence, which we see as a key differentiator in winning and maintaining the trust of customers, ultimately allowing us to gain market share in the future.

Shareholder's Name	Question 8
CHAI YIA YUNG	1. Does the bank able to maintain the current dividend yield of 7% in the long run? 2. What is the bank's plan to reward shareholders?
CHEONG MUN YEI	Increase dividend
LEE CHEE CHIANG	Will we be expected a better Dividend next quarter. Thanks
ALAN PANG YINJIN	Increase dividend
PHONG KOK LEONG	Is RHB planned to revise the Dividend Payout Ratio to higher level?

Response

- *The Group displayed improving dividend payout ratio post-pandemic, with consistent payout ratio of above 50% and attractive dividend yield of 6%-7%.*
- *Given our resilient financial performance and strong capital position, we were able to maintain dividend payout ratio of above 50%, with 61.1% dividend payout for FY2023.*
- *Moving forward, we will continue to reward shareholders aiming for at least 50% cash dividend payout while optimising our capital utilisation to gain better returns.*

Shareholder's Name	Question 9
CHEW HON MUN	Is it possible to release hefty CET-1 portfolio to reward shareholders? Our share price has been lagging behind compared to other banks. Any initiatives to boost the share price (e.g.: special dividend or higher dividend, bonus issue)?

Response

As at 17th April 2024 (prior to share price adjustment for ex-date on FY23 second interim dividend), our share price has improved to RM5.72, representing 3-year CAGR of 9.0%. This is in-line with improvement in KLCI and KLFIN Indexes (3-year CAGR of 1.4% and 10.6% respectively).

RHB remains committed to rewarding its shareholders with a healthy dividend payout consistently above 50%, with attractive dividend yield of 6% to 7% post-pandemic.

Shareholder's Name	Question 10
TEH ZHEN KIAT	Can the dividend be declared 4 times per year to increase the flexibility for the long term investor like me to do reinvestment again into the bank ?i think that is the better way may prevent speculation of FIFO Investor to break the price of RHB BANK share?

Response

The Group has been consistently rewarding our shareholders with two dividend payouts per year; Interim and Second Interim/Final dividends.

RHB remains committed to rewarding its shareholders with a healthy dividend payout consistently above 50%, with attractive dividend yield of 6% to 7% post-pandemic.

Shareholder's Name	Question 11
LOOI ENG HUAT	I wish to submit RHB Bank reinvestment plan online, please help how to submit.

Response
<p><i>Please refer to DRP Statement for more details. You can download a softcopy of the DRP Statement via the link below:</i></p> <p>https://www.rhbgroup.com/-/media/Assets/Corporate-Website/Document/Supported-Doc/RHB Bank Berhad DRP Statement.pdf</p>

Shareholder's Name	Question 12
TEE YEE LAM	<p>For the dividend reinvestment plan, could RHB absorb the RM 10 revenue stamp?</p> <p>Currently, the stamp cannot be bought through pos office and shareholder need to register in LHDN and submit the application to purchase only RM 10 revenue stamp. Some more, need to wait for LHDN approval to buy RM 10 stamp.</p>

Response

RHB shall not bear the stamp duty as it shall be payable by the shareholders, being the person whom first sign (execute) the agreement/notice of election.

Effective 1 January 2024, the Inland Revenue Board of Malaysia (“IRBM”) has terminated the usage of revenue stamps as a stamping method at all IRBM stamping duty counters and district stamping offices.

Shareholder's Name	Question 13
<p>RAMRAJ SIVAGNANAM A/L SIVAJANAM</p>	<p>Since 2012 (14 Years ago) till now, RHB Bank's share price has been somewhat static ranging between RM5 to RM6 Per Unit. This is excluding the economic crisis in 2016 and the heaviest COVID period in 2020.</p> <p>May I kindly inquire what are the new projects, initiatives or mergers etc. that RHB Bank will embark on in the next 1-2 years, in order to increase the share price Per Unit, to beyond RM6?</p> <p>This is to ensure in the next 14 years from now i.e. 2038, RHB Bank share price won't continue to remain between the range RM5 to RM6 Per Unit.</p> <p>The answer to this question will influence my decision, if I want to continue investing my hard-earned money, buying RHB shares. Thank you and Selamat Hari Raya.</p>

Response

RHB's share price

For your information, RHB Bank Berhad assumed the listing status from RHB Capital Berhad in 2016 with share price upon completion of the listing at RM4.84.

Prior to the pandemic, our share price improved to about RM5.70 – RM5.80. However, during the pandemic, the share price dropped to as low as RM4.23 (October 2020).

Our share price has since improved, consistent with the global economic recovery.

As at 17th April 2024 (prior to share price adjustment for ex-date on FY23 second interim dividend), our share price has improved to RM5.72, representing 3-year CAGR of 9.0%. This is in-line with improvement in KLCI and KLFIN Indexes (3-year CAGR of 1.4% and 10.6% respectively).

In addition, our dividend payout has also improved from 50% in FY2019 to 61% in FY2023.

Response

Outlook for 2024

We expect the Group's performance to improve in tandem with GDP growth forecast at 4.6% in 2024 (vs 3.7% in 2023)

We will continue with the strategic execution of TWP24 Strategy and committed to deliver growth and preserve strong fundamentals by:

- ***Continuing to grow assets in our target segments while maintaining credit discipline.***
- ***Remaining prudent by continuing to manage asset quality and monitor cost closely.***
- ***Maintaining robust capital and liquidity position.***

Shareholder's Name	Question 14
YAP FOONG CHONG	Non online conventional AGM feels more connected. Is that possible?

Response

Thank you for your feedbacks.

We will consider the possibility of conducting a hybrid meeting in the future once we are assured with the technology needed to support a seamless, stable and secure large-scale meeting in hybrid mode.

In the meantime, we will continue with virtual mode.

Shareholder's Name	Question 15
YEOH OOI PHOE @ YEOH WOUI POAY	I am a client of RHB Investment Bank. May I know why trading of odd lot shares using the RHB Share Trading website is NOT available. Thank you.

Response

Enhancement in progress and targeted to be available in RHB Share Trading by end of May 2024.

Shareholder's Name	Question 16
CHEW HON MUN	<p>Regarding the Boost Bank:</p> <ul style="list-style-type: none"><li data-bbox="631 511 2397 668">(i) Is there any additional funding required for its operating and capital expenditure in the short- to medium-term? If so, what is the estimated funding amount in the foreseeable term?<li data-bbox="631 739 2244 839">(ii) What is the estimated and/or potential "loss" for the 1st year of operation? The estimated of break-even of the digital banking business?<li data-bbox="631 911 2288 1011">(iii) How does the Boost Bank compete with other competitors like GXBank and AEON Bank? How does the Boost Bank positioning its services compared to peers?<li data-bbox="631 1082 2270 1239">(iv) When is the estimated date the Boost Bank will open to Public and what are the promotional incentives to attract higher sign-up rate and grab a higher portion of market share?

Response

- (i) RHB has set aside a budgeted amount for investment in Boost Bank to provide them with the best chance of success. This is part of a scheduled capital injection roadmap from Shareholders during the initial years for Boost Bank to scale.***
- (ii) Boost Bank has budgeted a modest loss in the first year of operations, given the focus on setting up the core infrastructure required. Moving forward, we estimate at least 3-5 years before Boost Bank achieves breakeven.***
- (iii) Boost Bank has a unique proposition as it is part of the Boost ecosystem, and is also backed by a consortium consisting of strong shareholders. As such, Boost Bank will be able to leverage on the existing combined expertise and customer ecosystems of Axiata and RHB to differentiate itself against its peers.***
- (iv) Public launch is expected to happen in the very near future. Boost Bank will launch with market-leading product offerings as well as attractive promotion rates which will be announced in due course, along with public roll-out.***

Shareholder's Name	Question 17
LEE CHEW FOONG	<p>We, as shareholders, have worked hard but our efforts have not been appreciated and valued in the past few years.</p> <p>Since our most respected Board of directors had decided not to give any door gift to shareholders who had given a lot of time, efforts, participation, contribution, involvement during the past 3 years AGM and in this 2024 AGM, we would propose that no directors fees and expenses should also be given to the Board of Directors for attending past and present AGM meetings.</p>
YAP FOONG CHONG	<p>Monetary gift like e-Wallet will be nice for online participation. How about it?</p>
SIM JOO LAY	<p>Gift to attend AGM.</p>
YEOH KIM TOON	<p>hopeful RHB reconsider reward & recognition to shareholders with corporate gift/memorabilia, such as USB thumb drive, printed '58th AGM 2024'. I can facilitate this gift making if given an opportunity since I am in this business, coincidentally.</p>

Shareholder's Name	Question 17
ANG JILI NG IT SZE @ NG JOO SAI	How do participants collect their door gifts? may I know this year AGM any door gift for shareholders, please send to me the hard copy of annual reports to me.

Response

The Bank will not be providing any Door Gifts for this year and this approach is consistent with other conglomerates/FIs that are moving towards more substantive rewards to shareholders, namely in the form of better financial performance results and dividend yields.

The Group has recently declared a second interim dividend of 25 sen per share, which will be made under the Dividend Reinvestment Plan, consisting of cash payout of 15 sen per share, and an electable portion of 10 sen per share. The total dividend payout for FY2023 is 40 sen per share.

The Group however understands the Shareholders' sentiment and will reassess the need to provide Door Gifts as appropriate in due course.

The End

