RCE CAPITAL BERHAD

(Company No. 2444-M)

SUMMARY OF KEY MATTERS DISCUSSED AT THE SIXTY-FIFTH ANNUAL GENERAL MEETING HELD ON 28 AUGUST 2019

NO.	QUESTIONS RAISED BY MINORITY SHAREHOLDERS WATCH GROUP	RESPONSES TO MINORITY SHAREHOLDERS WATCH GROUP
	STRATEGY/FINANCIAL MATTERS	
1.	The loan growth for FY2019 is 5.2% compared to 8.0% in FY2018. How do you address the declining loan growth and what is the target for FY2020?	Loans growth ○ The household debt to GDP ratio fell to 83.0% from 83.8% in 2017 (Bank Negara Malaysia Financial Stability and Payment Systems Report 2018), but still remain high. ○ The banking industry is expecting loans growth of approximately 5.0% for 2019. Our growth is in tandem with industry average, and in fact, slightly above industry average. ○ The demand for loan will always exist. However, we focus on quality loans and are mindful being a responsible lender.
	Group’s non-core income (“NCI”) for FY2019 of RM15.5 million increased by RM3.8 million or 32.2% from RM11.7 million. What is the Group’s strategy to sustain its NCI for FY2020? (page 15, Annual Report)	NCI ○ The increase in NCI was mainly contributed by higher interest income earned from deposits with licensed financial institutions (“FIs”) arising from the increase in sinking fund collections specifically ring-fenced for our existing Sukuk Programmes. ○ We understand the importance of cash flow management. Hence, we will continue to ensure that we have sufficient liquidity in place with the objective of optimising interest income, which is an indirect source of business income.

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2.	In the Management Discussion & Analysis, some of your performance indicators like Cost To Income Ratio had increased from 21.6% to 22.2%, Gross Impaired Loans had deteriorated from 7.1% to 7.4% and the reduction of the Loan Loss Coverage from 178.0% to 172.1%. What measures have you taken to improve on these areas in FY2020? (page 16, Annual Report)	Cost To Income Ratio increased from 21.7% to 22.2% o Higher expense incurred mainly due to upgrading of the existing infrastructure to ensure efficiency and compliance purposes. Notwithstanding that, it is well below industry average. Gross Impaired Loans ("GIL") deteriorated from 7.1% to 7.4% o GIL for FY2018 and FY2019 are based on different computations arising from different methodology and model. o On 01.04.2018, the adoption of Malaysian Financial Reporting Standard ("MFRS") 9, Financial Instruments have fundamentally changed the Group's measurement of allowance for impairment by replacing MFRS 139's incurred loss model with the expected credit loss ("ECL") model. o Accordingly, the ECL allowance which is more forward looking under MFRS 9 is higher and more volatile than MFRS 139, due to additional macroeconomic variables being added to the calculation of impairment. Loan Loss Coverage ("LLC") reduced from 178.0% to 172.1% o Although our LLC decreased to 172.1%, it still remains at a respectable level, higher than banking industry's LLC of 97.9% for 2018. This further demonstrates that our asset quality is resilient and credit risk management policies are sound. o We will continue to monitor these performance indicators, taking into account the regulatory compliance requirements and business operation efficiency.

(Summary of Key Matters Discussed at the Sixty-Fifth Annual General Meeting held on 28 August 2019 – cont'd)

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<tr><th>NO.</th><th>QUESTIONS RAISED BY MINORITY SHAREHOLDERS WATCH GROUP</th><th>RESPONSES TO MINORITY SHAREHOLDERS WATCH GROUP</th></tr>
<tr><td>3.</td><td>Consumer Financing's revenue grew by 7.0% in FY2019 and profit after tax was 7.7% higher than a year before. What are your targets for FY2020? (page 17, Annual Report)</td><td>We aim to grow quality loans as a responsible lender to ensure the sustainability of our Customer Financing segment.</td></tr>
<tr><td>4.</td><td>Your Investment Holding, Management Services and Others ("IHMSO") achieved a lower revenue of RM0.6 million compared to FY2018, mainly due to the Group's focus on recovery of non-performing loans. (page 17, Annual Report)

What is your target on the recovery of non-performing loans for FY2020?

Since IHMSO has also reduced its loss before tax slightly from RM1.1 million a year ago to RM1.0 million, when do your expect the segment to breakeven?</td><td>• Its contribution is insignificant as compared to our main business, Consumer Financing as shown below:
<table>
<tr><th></th><th>Revenue</th><th></th><th>Profit Before Tax</th><th></th></tr>
<tr><td></td><td>RM' mil</td><td>%</td><td>RM' mil</td><td>%</td></tr>
<tr><td>Consumer Financing</td><td>262.0</td><td>99.8</td><td>132.1</td><td>100.8</td></tr>
<tr><td>IHMSO</td><td>0.6</td><td>0.2</td><td>(1.0)</td><td>(0.8)</td></tr>
<tr><td>Total</td><td>262.6</td><td>100.0</td><td>131.1</td><td>100.0</td></tr>
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• The recovery of non-performing loans is usually lumpy, unpredictable and is on a best effort basis.

• IHMSO consists of subsidiaries which are mainly under maintenance mode, inactive but are part of our operations.</td></tr>
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1.</td><td>CORPORATE GOVERNANCE MATTERS

Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements requires companies to publish the summary of Key Matters Discussed at the previous AGM onto the companies' website. As at 7 August 2019, the Company did not publish the summary of Key Matters Discussed at the AGM held in 2018 onto the website.

Please explain.</td><td>• The summary of Key Matters Discussed at the AGM held in 2018 can be found at our website under the Investor Relations tab using the link below: https://ir2.chartnexus.com/rce/agm.php?y=2018.

• The Group has always adhered to corporate governance requirements and the summary of Key Matters Discussed has always been posted promptly after the conclusion of each AGM.</td></tr>
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(Summary of Key Matters Discussed at the Sixty-Fifth Annual General Meeting held on 28 August 2019 – cont'd)

NO.	QUESTIONS RAISED BY SHAREHOLDERS/PROXIES	RESPONSES FROM DIRECTORS/CHIEF EXECUTIVE OFFICER
1.	In year 2013, the Group experienced material decline in profitability, please elaborate the history on this, and what have the Management learnt and will the Management foresee that to happen again in the future?	Prior to 2013, the Company was in a different landscape whereby there was an extension of financing tenure to government servants up to 25 year tenure. In 2013, Bank Negara Malaysia had implemented the Financial Services Act 2013 and guidelines to limit the maximum tenure of personal financing to 10 years. Thus, the Company had to reassess its accounts and provide for the relevant impairment in its accounts. With the Company's strong footing today, better credit scoring models and rating on receivables, Management believes that the assets quality is more robust now.
2.	In relation to capital markets perception towards the Company, what have the Management done to address the stigmas on assets quality and scalability of the Company?	The Company remains focused as a niche market player and will continue to bring in quality loans by assessing the products and credit scoring models periodically in order to remain competitive in the prevailing market environment. Although there are concerns on the scalability of the financing market or downsizing in the government sectors, the Prime Minister has made it clear that there will be no chopping or sacking exercise. As a compensating factor, presumably if there is a decline in the number of government servants, there should be an increase in the salary of government servants.
3.	What is the cause of high gross impaired loan of 7.4%?	For banks, their impaired loan includes various types of loans such as housing loan, commercial loan, etc. whereas RCE Capital Berhad only focus on personal loan financing which is categorised as unsecured loans with higher risk. Having said that, higher risk is usually associated with greater probability of higher return.

(Summary of Key Matters Discussed at the Sixty-Fifth Annual General Meeting held on 28 August 2019 – cont'd)

NO.	QUESTIONS RAISED BY SHAREHOLDERS/PROXIES	RESPONSES FROM DIRECTORS/CHIEF EXECUTIVE OFFICER
4.	Who are the borrowers of the Company? Which group does the borrowers belong to?	The borrowers are government servants with average salary ranging from RM5,000 to RM6,000. Majority of the borrowers are from M40 group (middle income level).
5.	Did the Company ask for 3 months payslip or EA Form from borrowers for loan management purposes?	The Company do request for payslip or EA Form as these are the standard procedures required prior to processing of loans application. The Company will also verify the e-payslip instead of relying on the hardcopies provided by the borrowers. The Company is always mindful in its procedures to avoid fraud.
6.	Is there any limitation to the loan provided by the Company to individual?	There is loan limitation and the loan given is largely dependent on the borrowers' creditability.