

RCE CAPITAL BERHAD
(Company No. 2444-M)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE SIXTY-SECOND ANNUAL GENERAL MEETING HELD ON 24 AUGUST 2016

NO.	KEY MATTERS DISCUSSED	RESPONSES FROM DIRECTORS/MANAGEMENT
1.	<p>What is the Group's interest rate as it didn't seem to be competitive with its peers in the market?</p> <p>What is RCE's cost of funds?</p>	<p>RCE does not operate the same way as other financial institutions ("FIs") whereby FIs obtain funding from the public. Our sources of fund come from Cagamas and issuance of Sukuk. Moreover, RCE does not have branches like other FIs do and hence, our interest rate would be less competitive as compared to them. Notwithstanding thereof, we have sustained demand for loan.</p> <p>RCE's cost of funds is currently lower than BLR and is being monitored continuously.</p>
2.	<p>In 2013, there was a substantial decline in profits due to loan impairment. Any changes to the risk profile on the loan to civil servants since then?</p>	<p>Prior to 2013, loans were given to civil servants for a maximum tenure of 10 years, which was then moved up to 15 years, 20 years and etc. Back then, no FI would give unsecured loan for more than 20 years like RCE. In 2013, RCE re-evaluated its loan portfolio in a more prudent manner and thus such impairment arose.</p> <p>Subsequently, Bank Negara Malaysia came out with regulation to restrict the loan tenure for government servants to up to 10 years. Since then RCE had implemented credit scoring model to evaluate loan applications. The credit risk characteristics of government servants are no different from others.</p>
3.	<p>What is the allocation for the loans and receivables amounting to approximately RM1.4 billion as reported in the Audited Financial Statements? Seems like virtually 100% to civil servants?</p>	<p>Yes, it is virtually 100% to civil servants.</p> <p>RCE uses short-term financing, i.e. revolving line of credit ("RC") to build up the receivables and thereafter issues bonds, upon which the RC would be settled.</p>

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(Summary of Key Matters Discussed at the Sixty-Second Annual General Meeting – cont'd)

NO.	KEY MATTERS DISCUSSED	RESPONSES FROM DIRECTORS/MANAGEMENT
4.	<p>Would the Company pay the same dividend rate for the next 3 years? Any plan for the RM340 million reserves reported on page 50 of the Annual Report?</p> <p>What is the expected compounded annual growth rate in terms of earnings per share (“EPS”) over the next 3 years?</p>	<p>RCE does not have a specific dividend policy. However, we have been continuously paying dividend to our shareholders. The Company will endeavour to reward its shareholders for their continuous support with dividend but there is no guarantee that there will be same dividend payout for the next 3 years.</p> <p>The Company will strive to maintain an adequate reserve balance.</p> <p>On the expected compounded EPS growth rate over the next 3 years, the Company is unable to give any guidance for now. However, as a whole, the Company’s performance should be improving.</p>