

AFFIN BANK BERHAD (“ABB” OR THE “BANK”)

PROPOSED DIVIDEND REINVESTMENT PLAN

1. INTRODUCTION

On behalf of the Board of Directors of ABB (“**Board**”), Affin Hwang Investment Bank Berhad (“**AHIB**”) is pleased to announce that ABB proposes to undertake a dividend reinvestment plan that gives the shareholders of ABB (“**Shareholders**”) the option to reinvest their dividend(s) as declared by ABB (either an interim, final or special dividend) (“**Dividend(s)**”) in new ordinary shares in ABB (“**ABB Shares**”) (“**Proposed DRP**”).

2. DETAILS OF THE PROPOSED DRP

2.1 Overview

The Proposed DRP will provide the Shareholders with an opportunity to reinvest their Dividend in new ABB Shares rather than to receive it in cash.

In the event where a Dividend is declared, the Board may in its absolute discretion, determine whether to pay such Dividends in cash or to offer the Shareholders the option to reinvest the whole or a portion of the Dividend in new ordinary shares in ABB (“**New Shares**”) (“**Reinvestment Option**”), and where applicable, the size of portion of such Dividends to which the Reinvestment Option applies (“**Electable Portion**”). Where the Reinvestment Option is not exercised by the Shareholders in whole, any remaining portion of the Dividend will be paid in cash (“**Cash Portion**”).

Shareholders should note that ABB is not obliged to undertake the Proposed DRP for each and every Dividend declared by ABB.

The Electable Portion may encompass the whole Dividend or a portion of the Dividend. For the purpose of implementing the Proposed DRP, there are no restrictions prescribed in the Constitution of the Bank for the Shareholders to participate in the Proposed DRP.

Unless the Board has determined that the Proposed DRP will apply to a particular Dividend, all the Dividend as may be declared by the Bank will be paid in cash to the Shareholders in the usual manner.

2.2 Election to reinvest Dividends into New Shares

In respect of the Electable Portion, each Shareholder has the following options:

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| Option 1 | to elect to exercise the Reinvestment Option by reinvesting the entire Electable Portion in New Shares at an issue price to be determined in accordance with Section 2.4 below (“ Issue Price ”) and to receive the Cash Portion, if applicable; |
| Option 2 | to elect to exercise the Reinvestment Option by reinvesting part of the Electable Portion in New Shares at the Issue Price and to receive in cash the balance of the Electable Portion and Cash Portion, if applicable; or |
| Option 3 | to elect not to exercise the Reinvestment Option and thereby receive the entire Dividend entitlement in cash. |

Approval will be sought from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for New Shares on the Main Market of Bursa Securities pursuant to each and every Dividend to which the Reinvestment Option is made available by the Board. The Issue Price shall be announced either on the same day as or before the Bank's release of the announcement of the books closure date in relation to a Dividend for which the Board determines that the Proposed DRP applies to ("**Books Closure Date**").

Subsequently, a notice of election, which Shareholders are to give their written confirmation on their exercise of the Reinvestment Option, ("**Notice of Election**") will be despatched to the Shareholders. Instructions will be provided in the Notice of Election in respect of the action to be undertaken by the Shareholders to exercise the Reinvestment Option. The last day (which will be a date to be fixed and announced by the Board) which the Bank is to receive the Notice of Election ("**Expiry Date**") will be stated in the Notice of Election.

After the Expiry Date, the Bank will transfer funds amounting to the total Dividends, after deduction of the Dividend which have been elected by the Shareholders for reinvestment in New Shares, from the Bank's account to the non-interest bearing account opened by the Bank to facilitate the payment of Dividends ("**Dividend Payment Account**") held in trust for the Shareholders.

In accordance with Paragraph 6.09 of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), the Bank will, within 8 market days from the Expiry Date or such other periods as may be prescribed by Bursa Securities ("**Allotment Date**"), allot and issue the New Shares and despatch notices of allotment to the Shareholders when the Shareholders elect to exercise the Reinvestment Option. The New Shares to be issued pursuant to the Proposed DRP will not be underwritten.

Further, in accordance with Paragraphs 8.26(2) and 9.19(2)(a)(ii) of the Listing Requirements, a dividend (cash, by share or both) must be paid within 1 month from the Books Closure Date and in any event, within 3 months from the date of the declaration of the Dividend or the date on which the approval is obtained in a general meeting of ABB, whichever is applicable. For avoidance of doubt, Dividends for the shareholders who elect not to exercise their Reinvestment Option will also be paid concurrently on the Allotment Date, in cash, in the usual manner.

An announcement will also be made in respect of the day on which the New Shares will be listed and quoted on the Main Market of Bursa Securities.

Shareholders will receive the Dividend in cash if they do not, expressly elect in writing via the Notice of Election, to exercise the Reinvestment Option by the Expiry Date. As such, Shareholders need not take any action if they wish to receive their Dividend in cash.

The percentage shareholding of a Shareholder in the Bank may be diluted should he/ she decide not to exercise his/ her Reinvestment Option. However, the extent of the dilution, if any, will depend on the number of New Shares issued by the Bank pursuant to the level of the Reinvestment Option exercised by other Shareholders, which cannot be determined at this juncture.

2.3 Taxation

Irrespective of whether the Shareholders elect to exercise the Reinvestment Option, a tax voucher will be despatched and for income tax purposes, the Shareholders shall be treated as having received a cash distribution equivalent to the amount of the Dividend declared. Hence, the exercise of the Reinvestment Option does not relieve the Shareholders of any income tax obligation (if applicable) and there is no tax advantage to be gained in exercising the Reinvestment Option or otherwise.

2.4 Pricing of New Shares pursuant to Proposed DRP

The Issue Price, which will be determined and fixed by the Board on the date to be determined by the Board ("**Price Fixing Date**"), shall not be more than 10% discount to the 5-day volume-weighted average market price ("**VWAP**") of ABB Shares immediately prior to the Price Fixing Date to be determined. For avoidance of doubt, the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the Issue Price.

The Price Fixing Date shall be determined and announced by the Board, upon procuring all relevant approvals, either on the same day as or before the announcement of the Books Closure Date in relation to a Dividend to which the Reinvestment Option applies.

There are no brokerage fees and other related transaction costs payable by the Shareholders (who exercise the Reinvestment Option) unless otherwise provided by any statute, law or regulation.

2.5 Eligibility to participate in the Proposed DRP

All Shareholders are eligible to participate in the Proposed DRP, subject to:

- (i) restriction to Shareholders with registered addresses outside Malaysia as at the relevant Books Closure Date so as to avoid any violation on the part of ABB of the securities laws applicable outside Malaysia; and
- (ii) the requirement that such participation by the Shareholders will not result in a breach of any other restriction applicable on such Shareholder's holding of ABB Shares which may be imposed by statute, law or regulation in force in Malaysia or any other relevant jurisdiction.

For Shareholders who do not have a registered address in Malaysia but wish to participate in the Proposed DRP, the Shareholders are required to provide an address in Malaysia to the Bank's share registrar for service of documents and should inform the respective stockbrokers to effect the change of address. Accordingly, the share registrar will send the Notice of Election and other documents relating to the Proposed DRP to the address provided. Such notification of the change of address should be done not later than 3 market days before the relevant Books Closure Date.

2.6 Odd lots and fractional shares

A Shareholder who elects to reinvest the entire Electable Portion or part thereof and receive New Shares may be allotted such New Shares in odd lots depending on the Shareholder's entitlement of the New Shares. Shareholders who receive odd lots of New Shares and who wish to trade such odd lots on Bursa Securities may do so in the Odd Lot Market, which allows trading of odd lots (with a minimum of 1 ABB Share).

A Shareholder who does not wish to receive New Shares in odd lots may round down the number of New Shares elected such that he will receive New Shares in multiples of and not less than a board lot comprising 100 New Shares. Where a Shareholder's entitlement of New Shares is less than 1 board lot, the Shareholder can elect to receive his entire Dividend entitlement in cash or New Shares in odd lots.

Under the Proposed DRP, the shareholders who elect to exercise the Reinvestment Option shall not be allotted fractional shares. As such, the amount of Dividend relating to such fractional shares will be paid in cash in the usual manner. Additionally, any amount of the Dividend payment that is insufficient for the issuance of 1 New Share will be received in cash by the Shareholders in the usual manner.

2.7 Availability

If at any time after the Board has determined that the Proposed DRP shall apply to any Dividend and before the allotment and issuance of New Shares in respect of the Electable Portion reinvested, the Board considers that by reason of any event or circumstance (whether arising before or after such determination) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement the Proposed DRP and regardless of whether the Reinvestment Option is exercised by the Shareholders, the Board may, in its absolute discretion and as it deems fit and in the interest of ABB and without assigning any reason whatsoever, cancel the application of the Proposed DRP in relation to the Electable Portion.

In such event, the Electable Portion shall be paid in cash to the Shareholders in the usual manner.

2.8 Modification, suspension and termination of the Proposed DRP

Subject to any requirement or provision imposed by any statute, law or regulation in force in Malaysia, as the case may be, the Proposed DRP may be modified, suspended (in whole or in part) or terminated at any time by the Board as the Board deems fit by giving notice in writing to all Shareholders. In the event the Board decides to cancel the application of the Proposed DRP in relation to the Electable Portion, the Shareholders will receive the Electable Portion in cash in the usual manner from the Dividend Payout Account.

2.9 Ranking of New Shares

The New Shares to be issued pursuant to the Proposed DRP will rank equally in all respects with the existing ABB Shares, except that the holders of the New Shares shall not be entitled to any Dividend, rights, allotments and/or other distributions which may be declared, made or paid preceding the date of allotment of the New Shares.

The New Shares are prescribed securities and will be credited directly into the respective Central Depository System account(s) of Shareholders who exercise their Reinvestment Option. No physical share certificates will be issued.

2.10 Utilisation of cash retained arising from the Proposed DRP

The amount of cash retained arising from the Proposed DRP can only be ascertained on or after the Expiry Date by which the Shareholders have elected whether to exercise their respective Reinvestment Option. Therefore, the time frame for the utilisation of cash retained can only be determined then. Nonetheless, the retained proceeds from the Proposed DRP (after deducting estimated expenses for the Proposed DRP) will be utilised for working capital and/or other requirements of ABB and/or ABB and its subsidiaries ("**Group**") as the Board may, in their absolute discretion and as they deem fit and in the interest of ABB.

2.11 General

It should be noted that the grant of the right to participate in the Proposed DRP (i.e. to elect to reinvest the entire Electable Portion or part thereof into New Shares) is made to all Shareholders, including Directors, substantial shareholders and other interested persons (including persons connected with a Director or substantial shareholder) of the Bank who hold ABB Shares, subject to restriction referred to in **Sections 2.5 and 3**.

Shareholders' approval for the Proposed DRP and the issuance of New Shares arising from the Proposed DRP will be sought at the forthcoming extraordinary general meeting of ABB to be convened. Subsequently, approval for future issuances of New Shares is to be sought at the AGM of ABB on an annual basis.

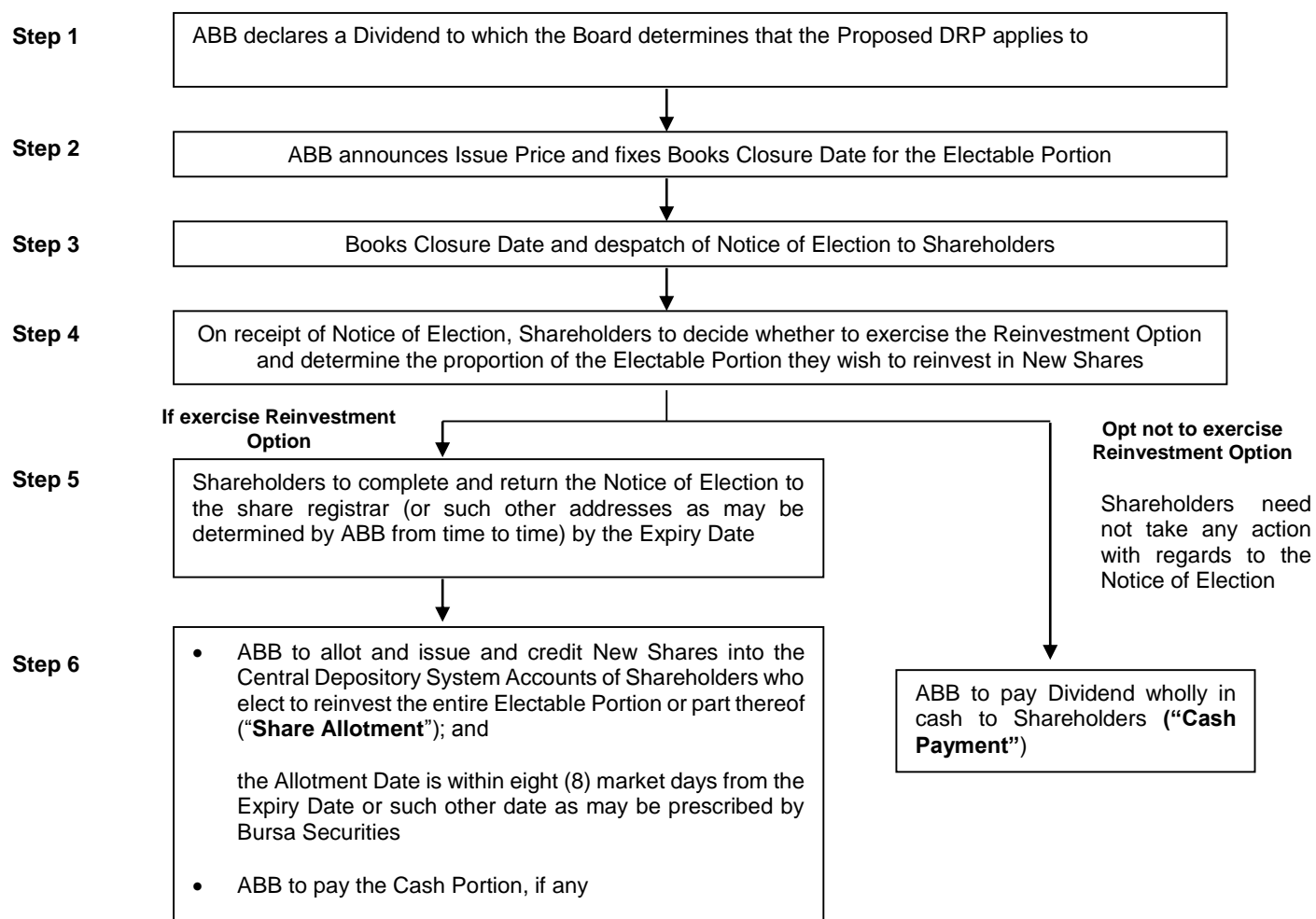
For avoidance of doubt, the specific approval to be obtained from the shareholders for the issuance of New Shares arising from the Proposed DRP is separate from and in addition to the general mandate (i.e. the shareholders' approval under Sections 75 and 76 of the Companies Act, 2016 ("**Act**") for general purpose, where the Shares to be issued shall not exceed 10% of the total number of issued shares of the Bank (less treasury shares, if any)) that may be sought at the annual general meeting ("**AGM**") on an annual basis.

Amendments to the Constitution of ABB are not required under the Proposed DRP as neither the Constitution of ABB nor the Act prohibits the implementation of any dividend reinvestment plan.

Further details on the Proposed DRP will be provided in a circular which will be despatched to the Shareholders of the Bank at a later date, upon the finalisation of the terms and conditions of the dividend reinvestment plan statement governing the Proposed DRP.

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The process flow chart in relation to how the Proposed DRP is to be administered is shown below.



Note: -

In respect of Step 6, the Share Allotment and payment of Cash Portion or the Cash Payment (where applicable) will occur on the same day, which will be within 1 month from the Books Closure Date and in any event, within 3 months from the date of the declaration of the Dividend or the date on which the approval is obtained in AGM of ABB, whichever is applicable.

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3. IMPLICATION OF THE RULES ON TAKE-OVER, MERGERS AND COMPULSORY ACQUISITIONS (“RULES”) AND OTHER SHAREHOLDING LIMITS

3.1 The Rules

Shareholders should take note of Paragraph 4.01 of Part B of the Rules and Section 217 of the Capital Market and Services Act 2007 (“**CMSA**”), a Shareholder should note that he/she may be under an obligation to extend a mandatory take-over offer for the remaining ABB Shares not already owned by him/her and persons acting in concert with him/her (collectively, referred to as the “**Affected Parties**”), if:

- (i) by participating in the Proposed DRP in relation to the reinvestment of the Electable Portion, the Affected Parties have obtained control via the acquisition or holding of, or entitlement to exercise the control of voting shares or voting rights of 33% or more, or such other amount as may be prescribed in the Rules, in the Bank, howsoever effected; or
- (ii) the Affected Parties acquire (including by participating in the Proposed DRP in relation to any Electable Portion) more than 2% of the voting shares or voting rights of the Bank in any 6-month period, and the Affected Parties hold more than 33% but not more than 50% of the voting shares or voting rights of ABB during the said 6 months period.

Therefore, in the event an obligation to undertake a mandatory take-over offer is expected to arise resulting from the exercise of the Reinvestment Option, the Affected Parties may make an application to the Securities Commission of Malaysia to obtain approval for an exemption from the obligation to undertake a mandatory take-over offer pursuant to the Rules prior to exercise their Reinvestment Option.

The statements herein do not purport to be a comprehensive or exhaustive description of all the relevant provisions of, or all implications that may arise under the Rules or other relevant legislation or regulations. Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer under the Rules as a result of any subscription of ABB Shares through their participation in the Proposed DRP are advised to consult their professional advisers at the earliest opportunity.

3.2 Other shareholding limits

ABB is a financial service company with activities in commercial banking and hire purchase as well as the holding company of other financial services companies which are involved in *inter-alia*, investment banking, Islamic banking, money-broking and insurance. The Group is a regulated entity with shareholding limitations prescribed by Financial Services Act 2013 (“**FSA 2013**”) and Islamic Financial Services Act 2013 (“**IFSA 2013**”). In the event any of the shareholding limits as prescribed under FSA 2013 and IFSA 2013 are expected to be breached with respect to any Shareholder (whether alone or together with any party acting in concert or associate) as a result of the exercise of the Reinvestment Option, the relevant Shareholders shall be required to seek the approval of Bank Negara Malaysia (“**BNM**”) for each exercise of the Reinvestment Option prior to them electing to participate and reinvest the entire Electable Portion or part thereof.

Shareholders are also reminded to ensure that their exercise of the Reinvestment Option, will not result in the breach of any restrictions on their respective holding of ABB Shares which may be imposed by any contractual obligation of Shareholders, or by statute, law or regulation in force in Malaysia or any other relevant jurisdiction, or by any relevant authorities, as the case may be (unless the requisite approvals under the relevant law, statute or regulation or from the relevant authorities are first obtained), or as prescribed in ABB’s Constitution.

In view of the other shareholding limits referred to above and notwithstanding the proportion of Electable Portion which may be determined to be reinvested by the Shareholders, the Board shall be entitled but not obligated to reduce or limit the number of New Shares to be allotted and issued to any Shareholder should the Board be aware or be informed of any expected breach of such shareholding limits or non-approval by BNM as a result of the exercise of the Reinvestment Option by such Shareholder.

4. RATIONALE FOR THE PROPOSED DRP

The establishment of the Proposed DRP is intended to:

- (i) strengthen the Group's capital position as any cash so retained within ABB, that would otherwise be made payable by way of Dividend, will be preserved as capital which will be used to fund working capital and/ or other requirements of the Bank or the Group;
- (ii) potentially improve the liquidity of ABB Shares currently listed on the Main Market of Bursa Securities through the issuance of New Shares pursuant to the Proposed DRP resulting in an enlarged ABB share capital base; and
- (iii) give an additional avenue for the investors to increase their equity participation in the Bank. In addition, Shareholders are expected to benefit from participation in the Proposed DRP as the New Shares may be issued at a discount and the subscription of such New Shares will be free from any brokerage fees and other related transaction costs (unless otherwise provided by any statute, law or regulation).

While the Proposed DRP will provide the Shareholders with greater flexibility in meeting their investment objectives, it also provides an alternative for ABB to balance the demand of its investors and its capital objective. In relation thereto, the Shareholders will not be worse off as a result of the implementation of the Proposed DRP as those who elect not to exercise the Reinvestment Option will still receive the Dividends in cash.

5. EFFECTS OF THE PROPOSED DRP

5.1 Share capital and substantial shareholders' shareholdings

The pro forma effects of the Proposed DRP are dependent on several factors including, amongst others:

- (i) the quantum of the Dividend;
- (ii) the Board's decision on the proportion/ size of the Electable Portion;
- (iii) the number of Shareholders who elect to exercise the Reinvestment Option and the extent of their election;
- (iv) the Issue Price of the New Shares; and
- (v) any necessary downward adjustment by the Board to the final number of New Shares to be allotted and issued to any Shareholder.

The Proposed DRP is not expected to have any immediate effect on the substantial Shareholders' shareholding until such time as and when the Reinvestment Option is exercised. The shareholding percentage of the Bank's substantial Shareholders will not be affected if all Shareholders fully exercise their respective Electable Portion. However, where substantial Shareholders fully exercise their respective Electable Portion while some or all of the other Shareholders do not elect to reinvest their Electable Portion or elect to reinvest only part of their Electable Portion, the shareholding percentage of the Bank's substantial Shareholders will increase. Inversely, where the substantial shareholders of ABB do not exercise their respective Electable Portion while some or all of other shareholders elect to reinvest their Electable Portion or elect to reinvest only part of their Electable Portion, the shareholding percentage of our substantial shareholders will be diluted.

5.2 Earnings and earnings per share ("EPS")

The Proposed DRP is not expected to have any material effect on the earnings of the Group for the FYE 31 December 2018. However, purely for illustrative purpose, assuming the net earnings of the Group remain unchanged, the EPS of the Group will be proportionally diluted in consequence to any issuance of New Shares from the Proposed DRP. The quantum of such impact cannot be reliably ascertained at this point in time as such effects on the earnings of the Group are dependent on the extent of Shareholders who exercise the Reinvestment Option into New Shares.

Such reinvested amount will be reserved to fund working capital and/or other requirements of the Bank or the Group and is expected to contribute positively to the future earnings of the Group.

5.3 Net assets and gearing

The Proposed DRP will not have any immediate effect on the consolidated NA per Share and gearing level of the Group until such time when such Reinvestment Option is exercised. In any event, the NA per Share will not be higher than the pre-dividend payout position. The consolidated gearing position of the Group is expected to improve when Reinvestment Option is exercised. Such improvement however, will depend on the extent to which the Shareholders elect to exercise the Reinvestment Option.

5.4 Existing Convertible securities

As at the date of this announcement, the Bank does not have any existing convertible securities.

6. APPROVALS REQUIRED

The Proposed DRP is subject to the following approvals being obtained:

- (i) BNM, for the following:
 - (a) establishment of the Proposed DRP, if required; and
 - (b) the issuance of such number of New Shares arising from the application of the Proposed DRP.

Subsequent approval from BNM is to be sought for each declaration of Dividend and the increase in issued share capital of ABB arising from the Proposed DRP;

- (ii) Bursa Securities, for the listing of and quotation for the New Shares on the Main Market of Bursa Securities pursuant to Proposed DRP;

- (iii) the Shareholders, for the Proposed DRP and the issuance of New Shares arising from the Proposed DRP at the forthcoming extraordinary general meeting to be convened.

The approval from the shareholders shall continue to be in force until the conclusion of ABB's next AGM. Subsequently, approval for future issuances of New Shares is to be sought at the AGM of ABB on an annual basis. This specific approval is in addition to the general mandate sought under Sections 75 and 76 of the Act for general purposes; and

- (iv) approvals of any other relevant authorities and/or parties, if required.

The Proposed DRP is not conditional or inter-conditional upon any other proposal undertaken or to be undertaken by ABB.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors or major shareholders of ABB and/or persons connected to them have any interest, direct and/or indirect, in the Proposed DRP beyond their respective entitlements to Dividends as a shareholder of ABB, to which all other Shareholders are similarly entitled to.

8. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed DRP, including but not limited to the rationale and effects of the Proposed DRP, is of the opinion that the Proposed DRP is in the best interest of the Bank.

9. ADVISER

AHIB has been appointed as the Adviser to ABB for the Proposed DRP.

10. ESTIMATED TIME FRAME FOR COMPLETION

The implementation of the Proposed DRP will be determined later by the Board which may, in its absolute discretion, declare Dividend and determine whether the Reinvestment Option applies to the said Dividend.

A detailed indicative timeline for the implementation of the Proposed DRP for any Dividend declared for which the Board determines that the Proposed DRP applies to will be set out in the Circular to Shareholders to be despatched in due course.

This announcement is dated 24 April 2018.