AFFIN HOLDINGS BERHAD

39th ANNUAL GENERAL MEETING

20 April 2015

Reply to Questions by MSWG

1. STRATEGY / FINANCIALS

QUESTION:

1. On page 134, Note 36 of the Annual Report, we noted that collective and individual impairment made during FY2014 had increased substantially from RM13.9 million to RM33.5 million and RM49.3 million to RM92.3 million respectively. Please explain the increase and what is the security coverage and recoverability prospect of these assets?

   Please also refer to Note 9, (pages 106-107) and explain the security coverage and measures taken to address the impaired consumer durable which has risen from RM234.9 million in FY 2013 to RM286.7 million in FY2014.

AFFIN'S reply:

The increase in collective impairment of RM19.6 million was due to provision made to two contract financing accounts. Legal efforts have been instituted to recover the amounts due.

The increase in individual impairment of RM43.0 million was due to change in the policy of assigning 100% probability of default from 7 months in arrears to 4 months in arrears and higher allowance for loan impairment due to loan growth during the year.

AFFIN'S reply (cont'd):

As for Note 9, the increase in impaired loan under the working capital category was only RM17.9 million attributed to AFFIN Bank Berhad. The balance of RM33.9 million was due to the classification in 2013 as impaired loans under 'Purchase of Securities' category.

QUESTION:

2. We noted that in Note 45 (page 144), Group Income for “ brokerage” had dropped significantly from RM17.1 million in FY 2013 to RM3.2 million in FY 2014. Please explain the reasons and what is the outlook for this year?

AFFIN’s reply:

The brokerage income as per note 45 is related to brokerage earned from the ultimate holding corporate body, Lembaga Tabung Angkatan Tentera (LTAT). The decrease in the said brokerage income was due to lower trading volume by LTAT in FY 2014, in line with the market conditions for the year under review.

AFFIN’s reply (cont’d):

As shown in Note 33 (page131), the Group’s brokerage income for FY 2014 was RM118.8 million, an increase of RM46.1 million as compared to RM72.7 million for FY 2013, mainly attributable to AFFIN Hwang Investment Bank Berhad.

QUESTION:

3. Please share on the synergies and tangible benefits that the Group has derived since the acquisition of Hwang DBS. What is the single most challenging issue with the acquisition?

AFFIN'S reply:

As per our projections, we are expecting to realise around RM25 million of synergies in FY 2015. Although a portion of the synergies (revenue synergies) are based on the performance of the market, we are confident that based on the run rate of synergies realised as at end March 2015, we should be able to deliver on our targets if the prevailing market conditions persist.

AFFIN's reply (cont'd):

The most challenging issue in relation to the acquisition would have been the differences in culture between AFFIN and Hwang businesses.

The management has embarked a comprehensive communications campaign to highlight the strengths and best practices from both businesses and ensured all the identified major differences in the business approach and practices between the two groups are properly aligned on a timely basis.

The launch of the new brand, Affin Hwang Capital, was also a conscious strategy undertaken by the management to create a new merged identity which is a hybrid of both the legacy brands.

QUESTION:

4. Please share on any progress the Group had made in Hong Kong/China market and the synergies that the Group could tap with their substantial shareholder. The Bank of East Asia Limited.

AFFIN's reply:

The Group is still exploring the possibility of setting up Islamic Banking operations in Hong Kong/China market for the mutual benefits of the Group and The Bank of East Asia, Limited (BEA).

AFFIN's reply:

The synergies that the Group had tapped with the substantial shareholder, BEA so far are in the areas of business referrals especially on trade financing and sharing of best practices and experience, investment banking, stockbroking and staff exchange training programme.

2. CORPORATE GOVERNANCE

QUESTION:

1. MSWG is promoting standards of corporate governance best practices in PLCs. In this regard, we hope and encourage the Board to publish a summary of proceedings on the salient points raised at general meetings on the Company’s website in the spirit of transparency and good Corporate Governance practice.

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AFFIN's reply:

We take note of MSWG's recommendation and will consider publishing a summary of proceedings on the salient points raised at the general meetings on the Company's website in the spirit of transparency and good Corporate Governance practice.

QUESTION:

Tenure of Independent Directors ("IDs")

We noted that the Board had adopted a 12 years maximum tenure period for Independent Directors after 2013 as stated on page 36 of the Corporate Governance Statement. In line with the MCCG 2012 recommendation, we hope that the Board would gradually embrace the spirit and intention of the Code in its succession planning process, going forward.

AFFIN's reply:

We take note of MSWG's recommendation.

THANK YOU