



40TH ANNUAL GENERAL MEETING

MSWG QUESTIONS & ANSWERS

18 April 2016

STRATEGY /FINANCIALS

QUESTION 1

On page 78 of the Annual Report, we noted that the profitability and asset quality ratios had deteriorated compared to FY 2014 coupled with rising cost to income ratio and lower loan loss coverage seen in FY 2015. What actions the Board would take to improve the profitability performance and including its asset quality? What is the main reason for its substantial drop in profit before tax for its commercial banking segment from RM720.1 million in FY 2014 to RM461.0 in FY 2015?

AFFIN'S Reply:

The drop in profit before tax of the commercial banking segment was mainly due to higher allowances for loan impairment on a few lumpy loans, lower recoveries and decrease in both operating income and net interest income as a result of volatility in the global market condition which limits the overall opportunity for the commercial bank.

To improve the profitability performances and asset quality, the Board will closely monitor the management efforts to improve profitability on the areas that have been identified and also closely monitoring the impaired loans for fast track recoveries.

QUESTION 2:

We noted in Note 9, page 122 of the Annual Report on loans, advances and financing, a significant increase in the impairment figures for “personal loans, working capital and others” totaling RM425.8 million or around 51% of the total impaired loans, advances and financing of RM834.2 million as at FY2015 and this is a substantial increase of 37% compared to RM311.0 million for the categories reported in FY2014. Please explain the reasons and what would be the position going forward into FY2016?

AFFIN'S Reply:

The increase in the loan impairment for “personal loans, working capital and others” was due to re-classification of a few lumpy loans which includes the rescheduled and restructured (R & R) loans based on the BNM’s new guideline issued in April 2015. We expect the position to improve in FY 2016 as these impairments were one-off in nature and efforts are currently being made to resolve these impaired loans.

QUESTION 3:

What is the Bank's policy on Board members and Senior Management personnel holding banking accounts in the Group? If so, how does the Group address the risk associated with having an account with the same bank?

AFFIN'S Reply:

The handling of banking accounts for Board Members and Senior Management personnel in the Group is similar with the Bank's "on-boarding" customer process which is subjected to AML/CFT screening process that include amongst others 'Customer Due Diligence', 'Know Your Customer' and 'Enhanced Customer Due Diligence' checks.

The transactions in the banking accounts are monitored by the Bank through an internal process, to comply with the AML/CFT laws and Bank Negara Malaysia's reporting regulations.

QUESTION 4:

Does the Bank have its own “ Responsibility Lending Policy”? If so, please highlight the principles, the Bank’s compliance and its effectiveness?

AFFIN'S Reply:

It is the Bank's principle to uphold responsibility in all its banking undertakings and lending activities in compliance to regulatory and internal requirements at all times. All procedures and policies relating to this have been embedded in the Bank's credit evaluation system and subject to rigorous audit review by internal and external auditors as well as the regulators.