



41ST ANNUAL GENERAL MEETING

MSWG Questions & Answers

24 April 2017



STRATEGY /FINANCIAL

QUESTION 1

The Group has embarked on a three-year Group Strategic Transformation Program known as "AFFINITY". Please elaborate on the progress and results the Group had achieved since the commencement of the strategic program in 2016.

What is the total capital expenditure allocation for the program and highlight the key strategic change that the program would transform and differentiate the banking group to compete in the new banking landscape?

AFFIN'S Reply:

The Affinity Strategic Transformation Program (ATP) is a comprehensive Transformation Program that covers the Bank's eight pillars (Target Customer Segment, Delivery Channels, Products & Solutions, Operation, Performance Management, People, Technology and Risk & Compliance Governance).

Under the Eight pillars, there are 32 new transformation projects of which 25 projects (6 has been completed as at April 2017) have been initiated since July 2016. The 32 new Transformation Projects are divided into three categories namely direct financial improvement projects, strategic foundation building projects and operational foundation building project.

AFFIN'S Reply:

To date, ATP managed to increase the stock of undisbursed mortgage loans from RM700 million to RM3 billion and generate a yearly cost saving of RM30 million per annum from the outsourcing of IT functions.

In addition, we have established seven new departments namely Customer Experience Organization, Corporate & Public Sector, SME & Commercial Sector, Islamic Client Solution, strengthened our IT Retained Organization, Data Governance Organization and Digital Banking Unit.

The total cost for ATP is estimated to be RM300 million including the capital expenditure and operating expenditure and will be spread over a period of four years and most of these costs would be capitalized.

QUESTION 2:

AFFIN Islamic had its 10th anniversary in 2016 with new milestones achieved despite the challenging and competitive environment.

Please share on what would be the Group vision and targets for its Islamic business in line with its three-year strategic plan and going forward its greater footing and presence in the ASEAN/East Asia region.

AFFIN'S Reply:

For AFFIN Islamic Bank (AiBB), the main thrust is to enhance its products and services offerings to the customers. The Bank has launched AFFIN education Financing-i, which offers financing facility to students from universities/colleges to further their studies in Diploma/Degree/Postgraduates courses.

The other new product launched was the Restricted Investment Account (RIA) under a Mudharabah concept. The RIA offers returns based on performance of underlying assets with mandate by customers and maturity and withdrawal conditions agreed at inception.

AFFIN'S Reply:

Launching of Credit Card-i is expected to be in the 3rd quarter of 2017. AiBB continues to explore diverse shariah concepts in its product offerings to meet the need of our customers. AFFIN Bank Group had implemented "Priority Islamic" in June 2016 with the aim to enhance its Islamic business portfolio to 40% of Group portfolio in the next two years.

In the effort to widen its customer reach and further enhance the brand value and visibility, the bank is exploring the potential of establishing and collaborating with a new and strong partner in ASEAN particularly in Thailand and Indonesia.

QUESTION 3:

Since its acquisition and rationalization of AFFIN Hwang Investment Bank Berhad and AFFIN Hwang Asset management Berhad for the last two years, could the Group share on the plan to take AFFIN Hwang Capital (AHC) businesses to the next level in line with its strategic plan.

Is there any minimum target the Group has set for the AHC?
Please elaborate.

AFFIN'S Reply:

When AFFIN acquired the businesses of HwangDBS Investment Bank Group, the strategic plan was to transform the merged AFFIN Hwang Capital (AHC) to become a leading independent bank-backed investment bank.

The merged and enlarged AHC had provided the scale and platform necessary to transform itself to the next level by building sustainable positions of significance in its three core businesses of Securities, Asset Management and Investment Banking. This is to be achieved by delivering high quality advisory, execution and service excellence as well as driving its share of wallet with clients.

AFFIN'S Reply:

Secondly, by driving cross-divisional collaboration to realize business opportunities with the alignment of structure, processes and incentives across its businesses. And, thirdly, by leveraging on its increased scale by investing to strengthen its capabilities as well as to drive cost efficiency.

AHC's targets were to be within top five in the businesses it operates in. AHC was ranked first in Bursa Malaysia's latest 1Q2017 trading value and trading volume, its Unit Trust Industry AUM was ranked third, and its Advisory business is currently within the top 4 or 5 bracket for domestic Investment Banks. Net synergies achieved to date are 10 months ahead of schedule.

QUESTION 4:

On the requirement of MFRS 9 implementation effective 1st January 2018 and Basel III – capital requirements.

Please share on the preparation and measures to comply with the stringent requirements affecting the Group's operations in relation to its compliance required under MFRS 9 and Basel III capital requirements?

Would there be any big impact on its asset provisioning level?

AFFIN'S Reply:

The Group has engaged consultants for the MFRS 9 implementation project and also in discussion with the external auditors at the relevant stages of the project.

The Expected Credit Loss (ECL) modelling, policy documentations, system readiness for MFRS9 implementation are currently on target and are expected to be completed by 3Q 2017, with 3 months parallel run to 4Q 2017.

Based on preliminary impact assessment of the ECL, the impact on the capital adequacy ratio is less than 1% to the Group i.e. well within the capital requirements level under Basel III.

CORPORATE GOVERNANCE

QUESTION 1 : Board Members' Attendance

We noted that Mr. Joseph Yuk Wing Pang attended 7 out of 11 Board meetings in FY2016.

What were the reasons for Mr. Joseph not being able to attend the Board Meetings during the financial year?

AFFIN'S Reply:

Mr. Joseph Yuk Wing Pang had attended eight meetings out of eleven meetings while his alternate director, Mr. Peter Yuen Wai Hung attended three meetings out of the eleven meetings.

Mr. Joseph Pang was unable to attend the three meetings due to his work commitments as the Senior Adviser to The Bank of East Asia, Limited in Hong Kong.

QUESTION 2: Section 129, Companies Act 1965

At the 40th AGM of the Company held on 18th April 2016, Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad age 70, was re-appointed pursuant to Section 129 of the Companies Act 1965 to hold office until the next AGM. His term of office therefore will technically end at the conclusion of the 41st AGM irrespective of no age limit for directors under the Companies Act 2016.

In view that there was no resolution tabled for Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad to continue to act as a Director of the Company, could the Board advise whether Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad would be re-appointed as Director of the Company by the Board?

AFFIN'S Reply:

Section 129 of the Companies Act 1965 provides that a director of a public company who has reached 70 years of age can only be appointed to the board on an annual basis supported by not less than a 75 per cent vote of the shareholders at the general meeting. Section 129 has been repealed by the Companies Act 2016 which has no age limit for directors.

The Board of Directors had on 20 April 2017 resolved to re-appoint YM Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad when his term of office ends at the conclusion of 41st Annual General Meeting of the Company pursuant to section 202(3) of the Companies Act 2016, in order that for him to continue in office as director of AHB, without any lapse of time.

QUESTION 3: Related Party Transactions

We refer to page 240 of the Annual Report and page 13 of the Shareholders Circular dated 31st March 2017, and noted that Dr. Rosnah binti Omar, an independent director of the Group was listed as one of the interested directors in the transaction.

Please explain.

AFFIN'S Reply:

Dr. Rosnah binti Omar is an interested director as stated in the circular to shareholders dated 31 March 2017 in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.

AFFIN Bank Berhad (ABB) had entered into a tenancy agreement with Dr. Rosnah in year 2011, i.e prior to her appointment as a Director of AFFIN Holdings Berhad on 5 February 2014 for rental of her property at Ara Damansara as ABB's branch office at RM8,800 per month, which amount is deemed immaterial. The transaction is carried out on arm's length basis whereby the terms are not more favourable than those with other landlords.

QUESTION 4: Appointment of Proxy

Section 334 (3) of the Companies Act 2016 stated that in the case of a poll, the instrument appointing a proxy shall be deposited at the registered office of the company not less than 24 hours before the time appointed for the taking of the poll.

However, we noted that the Notes to the Notice of AGM issued by the Company required the instrument appointing a proxy to be deposited at the Registered Office of the Company not less than 48 Hours before the time set for the meeting.

QUESTION 4: Appointment of Proxy

Could the Board explain the discrepancy and were the proxy instruments lodged less than 48 hours but not less than 24 hours before the time set for the meeting taken as valid?

AFFIN'S Reply:

Subsection 334(3) of the Companies Act 2016 regulates the time period for lodgement of proxy forms or instrument. AHB's Articles of Association has the same rule under Article 93.

For a proxy form or instrument to be valid, it must be deposited not less than 48 hours before the time for holding the meeting or adjourned meeting (48-hour rule) or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll (24-hour rule).

AFFIN'S Reply:

Subsection 334(3) refers to two different time period:-

- (a) The time for holding the meeting or adjourned meeting which refers to the time as set out in the notice of meeting of when the meeting shall be held; and
- (b) The time appointed for taking of the poll which refers to the time fixed by the chairman of the meeting for the purpose of taking the poll.

The two different time periods refer to two different events and accordingly the different time frame for depositing the proxy forms or instrument would apply accordingly.

AFFIN'S Reply:

When a notice of meeting was given, it contains the date and time for the meeting to take place and does not contain any time appointed for the taking of the poll.

Instead the time appointed for taking of the poll will only be decided by the chairman of the meeting during the time when the resolutions are to be put to vote at the meeting after due dealing with the business of the meeting as set out under subsection 332(2) of the Companies Act 2016.



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