

**AFFIN HOLDINGS BERHAD(23218-W)**  
(Incorporated in Malaysia)

Summary of Proceedings of the Fortieth Annual General Meeting Held at the  
Taming Sari Grand Ballroom, The Royale Chulan Kuala Lumpur, 5, Jalan Conlay  
50450 Kuala Lumpur on Monday, 18 April 2016 at 10.00 a.m.

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**PRESENT** : As per attendance list

**CHAIRMAN OF THE MEETING** : Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin  
Haji Zainuddin

**WELCOME ADDRESS**

On behalf of the Board Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin,  
the Chairman of the Board of Directors welcomed all the attendees to the meeting.

**QUORUM**

There being quorum, the meeting was called to order at 10.00 a.m.

**NOTICE OF MEETING**

The Notice convening the meeting having been served on shareholders, was taken as read.

## **ORDINARY BUSINESS**

### **ORDINARY RESOLUTION 1**

#### ➤ **AUDITED FINANCIAL STATEMENTS AND REPORTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

The Company's Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors were tabled.

#### **Financial Performance**

The Chairman invited En. Kamarul Ariffin bin Mohd Jamil, the Group Chief Executive Officer (Group CEO) to make a presentation to Shareholders on the financial performance of the Group for financial year ended 31 December 2015. The key highlights of the presentation are as follows:-

#### **Key Highlights**

- Profit before tax & zakat of RM519.3 million [FY2014 : RM806.9 million]
- Profit after tax of RM382.2 million [FY2014 : RM598.5 million]
- Total income of RM1,802.5 million [FY2014 : RM1,819.8 million]
- Income composition
  - i) Net interest income of RM 947.8 million [FY 2014 : RM969.3 million]
  - ii) Islamic banking income of RM 238.9 million [FY 2014 : RM220.4 million]
  - iii) Other operating income of RM 615.7 million [FY 2014 : RM630.1 million]
- Allowance / (Writeback) for Impairment Losses
  - i) Impairment losses on loans, advances & financing of RM188.4 million [FY 2014 : Write back of losses on loans, advances and financing of RM16.3 million]
  - ii) Write back of impairment losses on securities of RM23.8 million [FY 2014 : Impairment losses on securities of RM0.3 million]
- Net interest margin of 1.93% [FY 2014 : 2.02%, FY 2013 : 2.10%, FY 2012 : 2.17%, FY 2011 : 2.25%]

Net interest margin is on a downtrend due to margin compression despite growth in total loan base.
- Cost to income ratio of 60.2% in 2015 [FY 2014 : 54.8%, FY 2013 : 47.0%, FY 2012 : 46.0%, FY 2011 : 47.7%]
- For FY 2015, personnel cost was 54.9%, Administration and General cost was 9.4%, promotion and marketing cost was 12.2% and establishment cost was 23.5% of the total overhead.

## **Performance by Subsidiaries/ Associate**

### ➤ Subsidiaries

- AFFIN Bank Group, the biggest contributor to the Group's bottom line, delivered a PBT of RM461.2 million. [FY 2014 : RM 720.1 million]

#### Key achievements in Financial Year 2015

- AFFIN Bank Group has launched the first multi-bank platform - Investment Account Platform (IAP) which facilitates the channeling of funds from individual & institutional investors to finance projects and ventures.
  - The first financial institution to offer the market an electronic subscription and payment service for the application of Rights Issue.
  - Expanded its network, total number of branches nationwide to 106.
- AFFIN Hwang Investment Bank Berhad Group registered a PBT of RM84.2 million for the year under review. [FY 2014 : RM 107.4 million].

#### Key achievements in Financial Year 2015

- AFFIN Hwang IB group retained no1 position for total value & volume traded in the domestic market.
- 16% AUM growth to RM35b; top 5 fund house in Malaysia.
- Thanachart & potential Indonesian alliance consolidating regional aspiration.
- Daiwa alliance gaining traction in the capital Markets space; pending BNM for strategic equity stake in AHC.

### ➤ AXA AFFIN Life Insurance Berhad

AXA AFFIN Life Insurance Berhad recorded a net loss of RM29.2 million for the financial year under review. [FY 2014 : profit before tax of RM 8.9 million]

#### Key achievements in Financial Year 2015

- Growth of weighted new business premium (WNBP) of 15% (Industry growth of 4%)
- WNBP growth of 11% for agency and 21% for bancassurance & DM/TM
- Premium growth of 10%.
- New business value growth of 21%.

### ➤ AXA AFFIN General Insurance Berhad

- AXA AFFIN General Insurance Berhad recorded a PBT of RM114.8 million in 2015. [FY 2014 : RM 120.4 million]
- Achieved GWP of RM1.33 billion in 2015, a growth of 17.7%.
- Ranked 5<sup>th</sup> and is the fastest growing insurance group.
- Group health growth of 20%, Motor growth of 21% and Motorcycle growth of 33%.

- Loan, advances & financing was RM43.9 billion in 2015. [FY 2014 : RM 41.1 billion]
  - i) Consumer segment of RM 20.1 billion [FY 2014 : RM19.0 billion]
  - ii) Corporate segment of RM 23.8 billion [FY 2014 : RM 22.1 billion]

Loan growth for 2015 was at 6.87% or RM2.8 billion.

- Deposits from customers was RM50.5 billion in 2015. [FY 2014 : RM 50.6 billion]
  - i) Consumer segment of RM 12.8 billion [FY 2014 : RM13.7 billion]
  - ii) Corporate segment of RM 37.7 billion [FY 2014 : RM 36.9 billion]
- As at 31 December 2015 the Group's CET capital ratio, Tier 1 Capital ratio and Total Capital ratio were healthy and well above the regulatory requirements.
  - CET 1/TIER 1 Capital Ratio
    - AFFIN Bank Berhad of 11.94% [FY 2014 : 12.32 %]
    - AFFIN Islamic Bank Berhad of 13.20 % [FY 2014 : 12.47%]
    - AFFIN Hwang Investment Bank Berhad of 32.07% [FY 2014 : 30.72%]
  - Total Capital Ratio
    - AFFIN Bank Berhad of 14.33% [FY 2014 : 13.56 %]
    - AFFIN Islamic Bank Berhad of 14.42 % [FY 2014 : 13.67%]
    - AFFIN Hwang Investment Bank Berhad of 32.07% [FY 2014 : 30.72%]

- Asset quality

Gross Impaired Loan ratio of 1.90%  
[FY 2014 : 1.82%, FY 2013 : 1.98%, FY 2012 : 2.28%, FY 2011 : 2.84%]

Net Impaired Loan ratio of 1.02%  
[FY 2014 : 0.84%, FY 2013 : 0.92%, FY 2012 : 1.13%, FY 2011 : 1.32%]

- Gross dividend and dividend payout ratio

Gross dividend per share of 7.99 sen for 2015  
[FY 2014 : 15.0 sen, FY 2013 : 15.0 sen, FY 2012 : 15.0 sen, FY 2011 : 12.0 sen]

Dividend payout of RM155.2 million for 2015  
[FY 2014 : RM291.4 million, FY 2013 : RM224.2 million, FY 2012 : RM183.1 million, FY 2011 : RM134.5 million]

Dividend payout ratio of 67.2% for 2015  
[FY 2014 : 58.3 %, FY 2013 : 80.2 %, FY 2012 : 65.3 %, FY 2011 : 60.6 %]

➤ **AFFIN Bank Group Transformation**

- Creating a discernible impact in the marketplace – change in scale and performance along key measures.
- Establishing a cohesive franchise across distribution channels, products and customer segments.
- Aligning assets and resources to deliver on planned goals.
- Fostering a culture and governance which will enable ownership and accountability for results.
- The transformation strategy will optimize shareholder returns.

AFFIN Bank Group operates in an increasingly challenging environment across every aspect of the industry.

Customers

- Changes in socio-demographics.
- Rise of new affluent segments.
- Rise of more self-directed customers with technology savviness

Industry rivalry.

- Increasingly higher awareness and/of wider choices.
- Pressure to create “intelligent workforce”.

Substitutes

- Increasing encroachment of non-banks-telcos, retailers, auto/developers, tech cos.

Industry rivalry

- Risk of disintermediation in payments and lending spaces.
- Need to think “alliance” and collaboration.

New entrants

- WTO/TPPA.
- Gravitation to scale and size.
- Rise of Islamic FIs.
- Borderless players-offshore FIs.

Industry rivalry

- Risk of getting stuck-in-the-middle-limits of domestic growth.
- Universal approach to markets.

## Suppliers

- Funding suppliers (customers) market, multiple options.
- Talent wars and retention.

## Industry rivalry

- Product innovation and positioning critical.

## Implications

- Challenge of participating in “Banking Renaissance” with current operating model-channels, products, customers.
- Significant investments in capabilities and people required to stay relevant over the medium to long term.
- Rethink business boundaries in terms of products and services, channel partners, product alliances.

## AFFIN Bank group transformation

- In-flight transformation initiatives
  - Functional structure already rolled out. Some adjustment still needed.
  - Consumer transformation being implemented resulted in loan stock increase and improved turnaround time.
  - Adjustment in salaries to address for internal equity.
  - Compliance framework and capability enhanced.
  - Performance based KPIs with negative KPIs implemented at senior management level.
  - Separation of credit management and risk management.
- In Flight transformation End Goals (2020)
  - Cradle to grave banking – despite size, to provide services to all bankable segments of the economy.
  - Embrace the digitalization- specific focus on mobile payment and mobile banking.
  - Move towards a consumer based bank- with 60% consumer 40% corporate.
  - Increase fee based income – 30% of total income from 20% currently.
  - Restructure deposit profile – 40% CASA, 60% FD.
  - Expand into external markets.

## ➤ Target operating model blueprint

The blueprint for the new target operating model comprises seven key pillars covering business scope, operations enablers and performance management.

- Pillar 1 – Target customer segments
    - Business scope components : Addresses strategic questions on who are our customers, what do they need and how do we reach them.
  - Pillar 2 – Distribution channels
  - Pillar 3 – products and solutions
  - Pillar 4 – Operations
  - Pillar 5 – technology
    - Operations enablers : links and supports the execution and delivery capability with the business model goals around operations, technology and people.
  - Pillar 6 – people and organization
  - Pillar 7 – Performance management
    - Ensures goals and model discipline through a comprehensive set of metrics.
- AFFIN Group new head office
- The new building located at Tun Razak Exchange (TRX) will house all AFFIN Group of Companies including AFFIN Holdings Berhad, AFFIN Bank berhad, AFFIN Islamic Bank Berhad, AFFIN Hwang Investment Bank group, AXA AFFIN Life and General Insurance.
  - The building will have state of the art technology driven Central Branch, digital technology centre, credit card and wealth management centre, stockbroking centre, staff training centre, call centre, meeting rooms, cafeteria, gym, nursery and auditorium.
  - The Group is expected to achieve cost savings from the rental being paid currently, which is estimated to be RM26.0 million per annum and the Group will also enjoy TRX-specific tax incentives.
  - Snapshot of the new building
    - Net floor area : 660,000 sqft
    - Number of floors : 35 floors
    - Number of parking bays : 830 bays
    - Average plot ratio : 15.2x
    - Average floor plate ; 23,530 sqft
- AFFIN Hwang Capital
- FY2015 Performance
  - Profit before tax of RM 84.2 million [FY 2014 : RM 107.4 million]
  - Results are in line with challenging capital markets environments in 2015.

- First full-year results post HwangDBS IB acquisition (Apr 2014) & merger with AFFIN IB (Sept 2014)
- One-off integration-related expenses.
- Achievements
  - Equity brokerage.
  - Number 1 for total value and volume traded in the Malaysian market in 2014 and 2015.
  - Asset manager.
  - Number 5 by AUM and recognised as top fund houses in Malaysia for 2014 and 2015.
- Strategy going forward
  - Strengthening market position
    - No 1 Equity brokerage
    - Top 5 asset manager
    - Position of significance for deal advisory & fund raising
  - Business resilience & diversification
    - Strategic business performance initiatives
    - Complimentary business & income diversification
    - Expanding product capability & reach thru Daiwa collaboration
  - ASEAN Network
    - Broadening equity trading coverage thru key strategic partners – Daiwa & Thanachart
    - Securing Asian partnership for remaining jurisdictions.

Please refer to the attachment for the full presentation by the Group CEO on the financial performance for financial year ended 31 December 2015.

### **Questions by Minority Shareholder Watchdog Group**

Please refer to attachment for the Questions by Minority Shareholder Watchdog Group (MSWG) and the replies provided by the Company.

After dealing with the question from MSWG and other shareholders, the following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT the Audited Financial Statements for the financial year ended 31 December 2015 and Reports of the Directors and auditors be received.”***



## **ORDINARY RESOLUTION 2**

### **➤ TO DECLARE A FINAL SINGLE TIER DIVIDEND OF 5 SEN PER SHARE**

The Chairman of the meeting informed that the Company is proposing to declare a final single-tier dividend of 5 sen per share.

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT, the company is declaring a final single-tier dividend of 5 sen per share.”***

## **ORDINARY RESOLUTION 3**

### **➤ RE-ELECTION OF GEN (R) DATO' SERI DIRAJA TAN SRI MOHD ZAHIDI BIN HAJI ZAINUDDIN WHO RETIRES BY ROTATION PURSUANT TO ARTICLE 104 OF THE COMPANY'S ARTICLES OF ASSOCIATION**

The Chair of the meeting was handed over to YM Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad.

The Chairman of the meeting informed that YABhg Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin was subject to retirement under Article 104 of the Company's Article of Association and that being eligible, he had offered himself for re-election.

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT, Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin, retiring pursuant to Article 104 of the Company's Article of Association, be and was thereby re-elected as Director of the Company.”***

The Chair was then handed over back to YABhg Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin.

## **ORDINARY RESOLUTION 4**

### **➤ RE-ELECTION OF ABD MALIK BIN A RAHMAN WHO RETIRES BY ROTATION PURSUANT TO ARTICLE 104 OF THE COMPANY'S ARTICLES OF ASSOCIATION**

The Chairman of the meeting informed En. Abd Malik bin A Rahman was subject to retirement under Article 104 of the Company's Article of Association and that being eligible, he had offered himself for re-election.

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT Abd Malik bin A Rahman, retiring pursuant to Article 104 of the Company's Article of Association, be and was thereby re-elected as Director of the Company.”***

#### **ORDINARY RESOLUTION 5**

➤ **RE-ELECTION OF JOSEPH YUK WING PANG WHO RETIRES PURSUANT TO ARTICLE 110 OF THE COMPANY'S ARTICLES OF ASSOCIATION**

The Chairman of the meeting informed Mr. Joseph Yuk Wing Pang was subject to retirement under Article 110 of the Company's Article of Association and that being eligible, had offered himself for re-election.

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT Joseph Yuk Wing Pang, retiring pursuant to Article 110 of the Company's Article of Association, be and was thereby re-elected as Director of the Company”***

#### **ORDINARY RESOLUTION 6**

➤ **RE-ELECTION OF DATO' MUSTAFA BIN MOHAMAD ALI WHO RETIRES PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965**

The Chairman of the meeting informed that Dato' Mustafa bin Mohamad Ali was subject to retirement under Section 129(6) of the Companies Act, 1965 and that being eligible, had offered himself for re-election.

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT Dato' Mustafa bin Mohamad Ali, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and was thereby re-elected as Director of the Company to hold office until next Annual General Meeting.”***

#### **ORDINARY RESOLUTION 7**

➤ **DATO' MUSTAFA BIN MOHAMAD ALI WILL CONTINUE TO SERVE THE COMPANY IN THE CAPACITY AS AN INDEPENDENT DIRECTOR**

The Chairman of the meeting informed that Dato' Mustafa Ali was subject to shareholders' approval to continue to serve the Company in the capacity as an independent Director.

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT Dato' Mustafa bin Mohamad Ali will continue to serve the Company in the capacity as an Independent Director.”***

### **ORDINARY RESOLUTION 8**

➤ **RE-ELECTION OF RAJA TAN SRI DATO' SERI AMAN BIN RAJA HAJI AHMAD WHO RETIRES PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965**

The Chairman of the meeting informed YM Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad was subject to retirement under Section 129(6) of the Companies Act, 1965 and that being eligible, had offered himself for re-election.

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and was thereby re-elected as Director of the Company to hold office until next Annual General Meeting.”***

### **ORDINARY RESOLUTION 9**

➤ **PAYMENT OF DIRECTORS' FEES**

The Chairman of the Meeting informed the meeting that a sum of RM1,246,084,93 was recommended for payment as Directors' Fees for the financial year ended 31 December 2015.

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT Directors' Fees of RM1,246,084.93 for the financial year ended 31 December 2015 be approved for payment to the Directors.***

### **ORDINARY RESOLUTION 10**

➤ **PAYMENT OF DIRECTORS' FEES ON A MONTHLY BASIS FOR THE PERIOD OF 1 JANUARY 2016 TO THE DATE OF NEXT ANNUAL GENERAL MEETING OF THE COMPANY**

The Chairman of the Meeting informed the meeting that a sum of RM106,750 per month totaling RM1,601,250 for the period of 1 January 2016 to the date of next Annual General Meeting of the Company be paid on a monthly basis. Shareholders' approval will be sought for any adjustments to the monthly payment of Directors' fees in the Next Annual General Meeting of the Company.

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT Directors' Fees of RM106,750 per month totaling RM1,601,250 for the period of 1 January 2016 to the date of next Annual General Meeting of the Company be paid on a monthly basis. Shareholders' approval will be sought for any adjustments to the monthly payment of Directors' fees in the Next Annual General Meeting of the Company.***

## **ORDINARY RESOLUTION 11**

### **➤ RE-APPOINTMENT OF AUDITORS**

The Chairman of the Meeting informed the meeting that Messrs. PricewaterhouseCoopers had indicated their willingness to continue in office.

The meeting was requested to consider the re-appointment of Messrs. PricewaterhouseCoopers as auditors of the Company for the next financial year.

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT Messrs. PricewaterhouseCoopers be re-appointed as Auditors of the Company for the next financial year ending 31 December 2016 at remuneration to be fixed by the Directors.”***

## **ORDINARY RESOLUTION 12**

### **➤ AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

The Chairman informed the meeting of that shareholders' approval is required as authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965.

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT the Directors have the authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965.”***

## **ORDINARY RESOLUTION 13**

### **➤ ALLOTMENT AND ISSUANCE OF NEW ORDINARY SHARES OF RM1.00 EACH IN AFFIN HOLDINGS BERHAD IN RELATION TO THE DIVIDEND REINVESTMENT PLAN BY THE COMPANY THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY WITH THE OPTION TO REINVEST THEIR WHOLE OR A PORTION OF THE DIVIDEND FOR WHICH THE REINVESTMENT OPTION APPLIES IN NEW AFFIN SHARES**

The Chairman informed the meeting that the allotment and issuance of the new ordinary shares of RM1.00 each in the Company (AFFIN Shares) in relation to the dividend reinvestment plan by the Company that provides the shareholders of the Company with the option to reinvest their whole or a portion of the dividend for which the reinvestment option applies in new AFFIN Shares (Dividend Reinvestment Plan).

The following ordinary resolution was put to the meeting for a vote and was duly passed:-

***“THAT subject to the approval by Bursa Securities being obtained, approval and is hereby given to the Company to allot and issue the ordinary shares of RM1.00 each in the Company in relation to the dividend reinvestment plan by the Company that provides the shareholders of the Company with the option to***

*reinvest their whole or a portion of the dividend for which the reinvestment option applies in new AFFIN Shares .”*

#### **ORDINARY RESOLUTION 14**

➤ **PROPOSED SHAREHOLDERS’ MANDATE AND ADDITIONAL MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (PROPOSED SHAREHOLDERS’ MANDATE)**

The Chairman handed over the Chair to Raja Tan Sri Dato’ Seri Aman bin Raja Haji Ahmad to his deemed interest on this agenda by virtue of being a Director representing Lembaga Tabung Angkatan Tentera in the Board of AFFIN Holdings Berhad.

Raja Tan Sri Dato’ Seri Aman bin Raja Haji Ahmad took over the Chair and informed the Meeting of the proposed shareholders’ mandate and additional mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

The following ordinary resolution was put to the Meeting for a vote and was duly passed:

***“THAT the proposed shareholders’ mandate and additional mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature be approved.”***

#### **TERMINATION OF MEETING**

There being no other business, the meeting ended at 12.30 p.m. with a vote of thanks to the Chair.