

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

PROPOSED VARIATION TO THE UTILISATION OF PROCEEDS RAISED FROM THE DIVESTMENT (AS DEFINED HEREIN) TO AFFECT THE PAYMENT OF THE PROPOSED SPECIAL DIVIDEND (AS DEFINED HEREIN) (“PROPOSED VARIATION”)

(Unless otherwise defined, the abbreviations and definitions used throughout this announcement shall have the same meaning as those previously defined in the circular to the shareholders of ABB dated 26 April 2022 in relation to the divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad by Affin Hwang Investment Bank Berhad, a wholly-owned subsidiary of ABB, to Starlight Asset Sdn Bhd (“Divestment”) (“Divestment Circular”).

1. INTRODUCTION

We refer to the previous announcements in relation to the Divestment and the Divestment Circular.

The Board took cognizance of the request by the shareholders of ABB to declare dividends out of the proceeds of the Divestment at the EGM for the Divestment, held on 25 May 2022. The Divestment was completed on 29 July 2022. On 18 October 2022, ABB had announced among others, the proposed single-tier special dividend of RM0.1809 per ordinary share of ABB (“**ABB Share**”) amounting to approximately RM400.2 million, to be paid out to the shareholders of ABB (“**Proposed Special Dividend**”). To affect the payment of the Proposed Special Dividend, the utilisation of the Divestment’s proceeds disclosed in the Divestment Circular will need to be varied in the manner set out in **Table 1** below and approved by the shareholders of ABB at an EGM to be convened.

Further details of the Proposed Variation are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED VARIATION

2.1 Proposed Variation

On 28 January 2022, Affin Hwang IB had on behalf of the Board, announced the Divestment.

The Divestment was subject to the following approvals being obtained:

- (i) the shareholders of ABB; and
- (ii) the SC for the following (“**SC Approval**”):
 - (a) sale and purchase of the Sale Shares as it will result in the change in the controller of AHAM and AIIMAN;
 - (b) change of AHAM’s name; and
 - (c) the Purchaser to be a “related corporation” of AHAM and AIIMAN or an entity as may be approved by the SC pursuant to the Licensing Handbook issued by the SC.

On 26 May 2022, ABB had made a clarification announcement stating, inter alia, that during the annual general meeting and EGM held on 25 May 2022, ABB had informed the shareholders of ABB that any declaration of special dividend to be paid out of the proceeds from the Divestment can only be considered after the completion of the Divestment and the approval from Bank Negara Malaysia (“**BNM**”) being obtained for any special dividend.

On 1 July 2022, Affin Hwang IB had, on behalf of the Board, announced that AHAM and AIIMAN had obtained the SC Approval.

On 29 July 2022, Affin Hwang IB had, on behalf of the Board, announced that the Divestment has been completed.

Under the Proposed Variation, the Board proposes to reallocate up to RM400.2 million out of the proceeds from the Divestment to cater for the Proposed Special Dividend in the manner set out in **Table 1** below, the entitlement date of which will be determined by the Board later.

The details of the variation to the utilisation of proceeds are as follows:

Table 1

Details	⁽¹⁾ Original proposed utilisation	* Amount utilised as at the LPD	Original balance yet to be utilised as at the LPD	Proposed Variation		Revised balance yet to be utilised	⁽²⁾ Original timeframe for utilisation	Revised timeframe for utilisation
	RM'million	RM'million	RM'million	RM'million	%	RM'million		
To fund ABB Group's banking activities and/or working capital requirements ⁽³⁾	1,400.9	-	1,400.9	⁽⁴⁾ (400.2)	⁽⁵⁾ 28.2	1,000.7	Within 24 months	No change
Proposed Special Dividend	-	-	-	⁽⁴⁾ 400.2	-	400.2	-	⁽⁶⁾ Within 3 months
Estimated expenses in relation to the Divestment	16.6	2.0	⁽⁷⁾ 14.6	-	-	14.6	Immediate	No change
Total	1,417.5	2.0	1,415.5		28.2	1,415.5		

Notes:

* 30 September 2022, being the latest practicable date prior to this announcement ("LPD").

(1) Original intended utilisation of proceeds from the Divestment as set out in **Section 5** of the Divestment Circular.

(2) From the date of the completion of the Divestment.

(3) To fund ABB Group's growth including financing and investing activities such as, amongst others, investing in government securities, treasury bills, money market and non-money market instruments (including private debt securities, bonds and wholesale funds), to meet liquidity obligations arising from withdrawal of deposits and retention of credit, new loan disbursements as well as for purposes of defraying operating expenses incurred in the course of day-to-day business operations. The exact proceeds to be utilised for each component cannot be determined at this juncture as it would depend on the operating requirements of ABB Group at the time of utilisation.

(4) ABB had on 18 October 2022 announced, among others, the following:

(i) the declaration of the Proposed Special Dividend of RM0.1809 per ABB Share amounting to approximately RM400.2 million, which includes the option to reinvest RM0.0724 per ABB Share ("**Electable Portion of Special Dividend**") into new ABB Shares pursuant to the dividend reinvestment plan ("**DRP**") of ABB (the establishment of which was approved by the shareholders of ABB on 15 May 2018) ("**Special Dividend DRP Shares**"); and

- (ii) *BNM had on 17 October 2022, approved the increase in issued share capital of ABB to facilitate the issuance of such number of Special Dividend DRP Shares.*

In the event that the actual net cash outlay for the Proposed Special Dividend is lower than this allocation pursuant to the Proposed Variation, such surplus will be retained in the original allocation stated in the Divestment Circular to fund ABB Group's banking activities and/or working capital requirements.

- (5) *The Proposed Variation, as a percentage of the total proceeds from the Divestment of RM1,417.5 million.*
- (6) *From the date of the EGM for the Proposed Variation.*
- (7) *Comprising professional fees for the Divestment, the allocation of which will be fully utilised by end of October 2022.*

Pending the utilisation of the proceeds, the unutilised proceeds have been placed in interest-bearing deposit accounts or investments in money market instruments as the Board deems fit.

2.2 Proposed Special Dividend

With the completion of the Divestment and the receipt of the Divestment proceeds as announced by ABB on 29 July 2022, the Board is pleased to propose a special dividend to reward the shareholders of ABB for their continuous support, which is subject to the Proposed Variation being approved by the shareholders of ABB at an EGM to be convened.

The Proposed Special Dividend amounts to RM0.1809 per ABB Share or approximately RM400.2 million in total. The Board has provided the option for the shareholders of ABB to reinvest a portion of the Proposed Special Dividend through a DRP as follows:

	RM per ABB Share	RM'million	%	Special Dividend DRP Shares
				'000
Cash	0.1085	240.0	60.0	-
Electable Portion of Special Dividend	0.0724	160.2	40.0	* 98,872
Proposed Special Dividend	0.1809	400.2	100.0	98,872

* *Please refer to the illustration in Section 4 of this announcement below for the computation of the illustrative number of the Special Dividend DRP Shares that may be issued under the Electable Portion of Special Dividend.*

As set out above, the shareholders of ABB are able to choose whether they wish to receive up to 40% of the Proposed Special Dividend in the form of new ABB Shares instead of in the form of cash.

3. RATIONALE FOR THE PROPOSED VARIATION AND PROPOSED SPECIAL DIVIDEND

As set out in the Divestment Circular, the proceeds from the Divestment were originally intended to be utilised mainly to fund ABB Group's banking activities and/or working capital requirements in the manner set out in **Table 1** above.

The Proposed Special Dividend is intended to reward the shareholders of ABB for their continuous support towards the ABB Group, after taking into consideration sufficient capital buffer for the ABB Group and reassessment of ABB Group's working capital requirements to catalyse substantial growth in its lending operations.

For illustrative purposes only, the improvement in ABB Group's pro forma CET1 after taking into consideration the Proposed Variation, as compared to that presented in the Divestment Circular are as follows:

Table 2

	%
CET1 as at 31 December 2021	14.20
Pro forma CET1:	
• After the Divestment ⁽¹⁾	16.90
• After the Divestment and Proposed Variation:	
- Scenario A ^{(2), (3)}	16.17
- Scenario B ^{(2), (3)}	16.46

Notes:

(1) As set out in the Divestment Circular.

(2) As set out in the second paragraph of **Section 4** of this announcement.

(3) Separately on 18 October 2022, ABB announced the distribution of a single-tier interim dividend of RM0.0453 per ABB Share ("**Interim Dividend**") in respect of the FYE 31 December 2022. The Board had also determined that the *DRP* be applied to the Interim Dividend, in which 100% of the Interim Dividend can be elected to be reinvested into new ABB Shares ("**Electable Portion of Interim Dividend**").

Strictly for illustrative purposes only and assuming that all shareholders of ABB elect to receive the entire Interim Dividend in the form of new ABB Shares under the Electable Portion of Interim Dividend ("**Interim Dividend DRP Share(s)**") at the Issue Price (as defined in **Section 4** below), the pro forma CET 1 position of ABB Group will be as follows, after taking into account the pro forma increase in the share capital of ABB of RM100.2 million via the issuance of 61,863,295 Interim Dividend DRP Shares:

Pro forma CET1:

- After the Divestment and Proposed Variation:
- Scenario A 15.98
- Scenario B 16.46

As set out in **Table 2** above, the pro forma enhancement of ABB Group's CET1 is still expected to remain resilient and able to support ABB Group's overall growth strategies under its "ABB Group Long-Term Business Plan & Strategy for 2023 – 2025 (A25)" transformation program. These growth strategies are also expected to mitigate the absence of future income contribution from the AHAM Group following the completion of the Divestment. Further information on ABB's A25 plan can be obtained at ABB's website (<https://affin.listedcompany.com/misc/briefing/2022/2Q22.pdf>).

4. EFFECTS OF THE PROPOSED VARIATION AND PROPOSED SPECIAL DIVIDEND

The effects of the Proposed Variation are dependent upon the extent the shareholders of ABB elect to receive the Electable Portion of Special Dividend in Special Dividend DRP Shares.

For illustrative purpose only, throughout **Section 4** of this announcement, the effects of the Proposed Variation are presented based on the following scenarios:

Scenario A : Assuming that the Proposed Special Dividend is paid entirely in cash and no issuance of Special Dividend DRP Shares

Scenario B : Assuming that:

- all shareholders of ABB elect to receive the entire Electable Portion of Special Dividend in Special Dividend DRP Shares; and
- the remaining amount of the Proposed Special Dividend is paid in cash.

In the case of **Scenario B**, the number of Special Dividend DRP Shares that ABB could potentially issue under the Electable Portion of Special Dividend is illustrated based on the following assumptions:

- (i) illustrative issue price of RM1.62 ("**Issue Price**"), computed based on the maximum discount of 10.0% to the adjusted 5-days volume-weighted average price ("**VWAP**") of ABB Shares as at the LPD of RM1.7977, as follows:

		RM
5-days VWAP of ABB Shares as at the LPD	[A]	2.0239
Less:		
Proposed Special Dividend	[B]	0.1809
Interim Dividend	[C]	0.0453
Adjusted 5-days VWAP of ABB Shares	[D]= [A]- [B]- [C]	1.7977
Less: 10% discount	[E]=10%*[D]	0.1798
Issue Price (RM)	[F] = [D] - [E]	1.6179 Rounded up to RM1.62
and;		

(ii) no occurrence of fractional adjustments which require settlement of the difference in cash.

Based on the assumptions above, the maximum number of Special Dividend DRP Shares that may be issued by ABB under Scenario B is as follows:

Electable Portion of Special Dividend (RM'million)	[A]	160.2
Issue Price (RM)	[B]	1.62
Special Dividend DRP Shares ('000)	[C] = [A] / [B]	98,872

4.1 Issued share capital and substantial shareholders' shareholdings

Under **Scenario A**, the Proposed Variation will not have any effect on the issued share capital and substantial shareholders' shareholdings of ABB as it does not involve any issuance of new ABB Shares.

Under **Scenario B**, based on the assumptions stated above, the pro forma effect of the Proposed Variation on the issued share capital of ABB based on the latest audited consolidated financial statements of ABB as at 31 December 2021 is as follows:

Table 3

	No. of ABB Shares '000	Issued share capital RM'million	%
Share capital as at 31 December 2021	2,124,062	4,969.2	-
Share capital as at the LPD	(1) 2,212,330	(1) 5,131.6	95.7
Issuance of Special Dividend DRP Shares	98,872	160.2	4.3
Enlarged share capital	2,311,202	5,291.8	100.0

Notes:

(1) Number of ABB Shares and issued share capital of ABB increased following the listing and quotation for 88,267,338 new ABB Shares pursuant to the completion of the DRP of ABB applicable to the final dividend in respect of the FYE 31 December 2021 ("4th DRP") on 8 July 2022. The final dividend in respect of the FYE 31 December 2021 amounted to RM265.5 million or 12.5 sen per ABB Share which was paid out of the retained earnings of ABB ("2021 Final Dividend").

- (2) *Strictly for illustrative purposes only and assuming that all shareholders of ABB elect to receive the entire Interim Dividend in the form of Interim Dividend DRP Shares at the Issue Price, the enlarged share capital of ABB after the Proposed Special Dividend and Interim Dividend will be as follows:*

	<u>No. of ABB Shares</u> <u>'000</u>	<u>Issued share capital</u> <u>RM'million</u>	<u>%</u>
<i>Enlarged share capital after issuance of Special Dividend DRP Shares under Scenario B</i>	2,311,202	5,291.8	97.4
<i>Issuance of Interim Dividend DRP Shares</i>	61,863	100.2	2.6
<i>Enlarged share capital after issuance of Interim Dividend DRP Shares</i>	<u>2,373,065</u>	<u>5,392.0</u>	<u>100.0</u>

Consequently, under Scenario B, the shareholding percentage of the substantial shareholders of ABB will not be affected if all shareholders of ABB elect to reinvest the Electable Portion of Special Dividend in new ABB Shares.

However, in the event where the substantial shareholders of ABB elect to reinvest the Electable Portion of Special Dividend in new ABB Shares while some or all of the other shareholders of ABB do not elect to reinvest their Electable Portion of Special Dividend or elect to reinvest only part of their Electable Portion of Special Dividend, the shareholding percentage of the substantial shareholders of ABB will increase.

Inversely, where the substantial shareholders of ABB do not elect to reinvest the Electable Portion of Special Dividend in new ABB Shares while some or all of the other shareholders of ABB elect to reinvest their Electable Portion of Special Dividend or elect to reinvest only part of their Electable Portion of Special Dividend, the shareholding percentage of the substantial shareholders of ABB will be diluted.

4.2 NA, NA per share and gearing

For illustrative purposes only, the pro forma effects of the Proposed Variation on the NA, NA per share and gearing of ABB Group based on the latest audited consolidated financial statements of ABB as at 31 December 2021 and assuming that the Divestment and Proposed Variation had been effected on that date, are as follows:

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Table 4

	Per the Divestment Circular		(I)	*After (I) & the Proposed Variation	
	Audited as at 31 December 2021	After the Divestment	Adjustment for subsequent events	Scenario A	Scenario B
	RM'million	RM'million	RM'million	RM'million	RM'million
Share capital	4,969.2	4,969.2	⁽¹⁾ 5,131.6	5,131.6	⁽²⁾ 5,291.8
Reserves	4,919.8	6,067.8	⁽¹⁾ 5,802.3	^{(3), (4)} 5,401.2	^{(2), (4)} 5,401.2
Equity attributable to owners of ABB / NA	9,889.0	11,037.0	10,933.9	10,532.8	10,693.0
Non-controlling interest	44.7	-	-	-	-
Total equity	9,933.7	11,037.0	10,933.9	10,532.8	10,693.0
Borrowings	3,303.1	3,303.1	⁽¹⁾ 1,803.1	1,803.1	1,803.1
No. of ordinary shares ('000)	2,124,062	2,124,062	⁽¹⁾ 2,212,330	2,212,330	⁽²⁾ 2,311,202
NA per share (RM)	4.66	5.20	4.94	4.76	4.63
Gearing (times)	0.33	0.30	0.16	0.17	0.17

Notes:

(1) After adjusting for the following material subsequent events which occurred after 31 December 2021:

(i) Increase in the number of ABB Shares and issued share capital of ABB pursuant to the 4th DRP. Accordingly, the reserves of ABB Group reflect the 2021 Final Dividend.

(ii) Net decrease in gearing due to the following:

(a) redemption of ABB's first series subordinated medium term notes ("MTN") of RM1.0 billion in nominal value on 7 February 2022;

(b) ABB's private placement of RM500.0 million subordinated MTNs to selected investors, which was completed on 18 July 2022; and

(c) redemption of ABB's second series subordinated MTN of RM1.0 billion in nominal value on 20 September 2022.

(2) Reflecting Scenario B, where the Proposed Special Dividend is settled as follows:

	RM'million	No. of ABB Shares '000
Cash	240.0	-
New ABB Shares	160.2	* 98,872
Proposed Special Dividend	400.2	98,872

* Based on the Issue Price of RM1.62

(3) Assuming that none of the shareholders of ABB elect to receive their entitlement of the Electable Portion of Special Dividend in Special Dividend DRP Shares.

* Strictly for illustrative purposes only and assuming that:

Scenario for the Proposed Special Dividend	Assumption for Interim Dividend
<i>Under Scenario A</i>	<i>All shareholders of ABB elect to receive the entire Interim Dividend in cash</i>
<i>Under Scenario B</i>	<i>All shareholders of ABB elect to receive the entire Interim Dividend in the form of Interim Dividend DRP Shares at the Issue Price</i>

the NA, NA per share and gearing of ABB Group after the Proposed Variation, the Proposed Special Dividend and Interim Dividend will be as follows:

	*After the Proposed Variation and issuance of the Interim Dividend DRP Shares	
	Scenario A	Scenario B
	RM'million	RM'million
Share capital	5,131.6	5,392.0
Reserves	+ 5,300.9	+ 5,300.9
Equity attributable to owners of ABB / NA	10,432.5	10,692.9
Non-controlling interest	-	-
Total equity	10,432.5	10,692.9
Borrowings	1,803.1	1,803.1
No. of ordinary shares ('000)	2,212,330	2,373,065
NA per share (RM)	4.72	4.51
Gearing (times)	0.17	0.17

+ After deducting the Interim Dividend of RM100.2 million and estimated expenses in relation to the DRP for the Interim Dividend of approximately RM0.02 million.

(4) After deducting the estimated expenses in relation to the Proposed Variation of approximately RM0.91 million, which consist of professional fees, fees payable to relevant authorities, printing, advertising and other miscellaneous expenses related to the Proposed Variation and the implementation of the DRP thereto.

4.3 Earnings and EPS

Following the completion of the Divestment on 29 July 2022, ABB Group has ceased to receive any earnings from the AHAM Group.

For illustrative purposes only, assuming that the Divestment had been completed on 1 January 2021, being the beginning of the FYE 31 December 2021, the pro forma effects of the Proposed Variation on the earnings and EPS of ABB Group, the Proposed Variation and the Proposed Special Dividend will not have any impact on the pro forma earnings of ABB Group as illustrated in the Divestment Circular. However, the Proposed Special Dividend will have a dilutive effect on the pro forma EPS of ABB Group to the extent of the issuance of Special Dividend DRP Shares, as follows:

Table 5

	Amount	^Basic EPS	
		Proposed Variation	
		(1) Scenario A	(2) Scenario B
No. of ABB Shares in issue ('000)		2,110,963	2,209,835
	RM'million	sen	Sen
PATAMI for the FYE 31 December 2021	526.9	24.96	23.84
Less: Deconsolidation of PAT of AHAM for the FYE 31 December 2021	(92.9)	(4.40)	(4.20)
Pro forma PATAMI for the FYE 31 December 2021 before accounting for the one-off pro forma gain arising from the Divestment	434.0	20.56	19.64
Add: One-off pro forma gain arising from the Divestment assuming effected at the beginning of the FYE 31 December 2021	1,037.2	49.13	46.94
Pro forma PATAMI for the FYE 31 December 2021 per the Divestment Circular	(3) 1,471.2	69.69	66.58

Notes:

- (1) Computed based on the weighted average number of ABB Shares in issue of 2,110,963,000 as at the beginning of FYE 31 December 2021.
- (2) Computed based on the weighted average number of ABB Shares in issue of 2,110,963,000 as at the beginning of FYE 31 December 2021 and including 98,872,021 Special Dividend DRP Shares assumed to be issued under Scenario B.
- (3) As disclosed in the Divestment Circular.

^ Strictly for illustrative purposes only and based on the assumption below:

Scenario for the Proposed Special Dividend	Assumption for Interim Dividend
Under Scenario A	All shareholders of ABB elect to receive the entire Interim Dividend in cash
Under Scenario B	All shareholders of ABB elect to receive the entire Interim Dividend in the form of Interim Dividend DRP Shares at the Issue Price,

the pro forma EPS of ABB Group will be diluted after the Proposed Variation, the Proposed Special Dividend and Interim Dividend as follows:

	Basic EPS	
	Proposed Variation	
	Scenario A	Scenario B
No. of ABB Shares in issue ('000)	2,110,963	2,271,698
	sen	Sen
PATAMI for the FYE 31 December 2021	24.96	23.19
Less: Deconsolidation of PAT of AHAM for the FYE 31 December 2021	(4.40)	(4.09)
Pro forma PATAMI for the FYE 31 December 2021 before accounting for the one-off pro forma gain arising from the Divestment	20.56	19.10
Add: One-off pro forma gain arising from the Divestment assuming effected at the beginning of the FYE 31 December 2021	49.13	45.66
Pro forma PATAMI for the FYE 31 December 2021 per the Divestment Circular	69.69	64.76

~ Computed based on the weighted average number of ABB Shares in issue of 2,110,963,000 as at the beginning of FYE 31 December 2021 and including (a) 98,872,021 Special Dividend DRP Shares assumed to be issued under Scenario B as well as (b) 61,863,295 Interim Dividend DRP Shares assumed to be issued.

The quantum of the dilution in ABB Group's EPS cannot be determined at this juncture as it is dependent on the extent to which the shareholders of ABB elect to receive the Electable Portion of Special Dividend in Special Dividend DRP Shares.

5. APPROVALS REQUIRED

The Proposed Variation is subject to the approval of the shareholders of ABB at the forthcoming EGM to be convened, which will enable ABB to affect the payment of the Proposed Special Dividend to the shareholders of ABB.

6. CONDITIONALITY

The Proposed Variation is not conditional upon any other corporate exercise/scheme being undertaken or proposed to be undertaken by ABB.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and/or chief executive of ABB and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Variation, save for their respective entitlements as shareholders of ABB, to which all other shareholders of ABB are similarly entitled.

8. DIRECTORS' STATEMENT

The Board, having considered, amongst others, the resultant pro forma CET1 ratio which is expected to remain resilient after the Proposed Special Dividend and able to support the future business plans of ABB, the rationale and the effects of the Proposed Variation, is of the opinion that the Proposed Variation is in the best interest of ABB.

9. ADVISER

Affin Hwang IB has been appointed as the Principal Adviser for the Proposed Variation.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approval from the shareholders of ABB being obtained for the Proposed Variation, the Proposed Special Dividend is expected to be paid by the end of December 2022.

This announcement is dated 18 October 2022.