



ALLIANCE BANK

Alliance Bank Malaysia Berhad 198201008390 (88103-W)

Minutes of 38th Annual General Meeting (“AGM”) of **ALLIANCE BANK MALAYSIA BERHAD** (“Alliance Bank” or “the Bank”) held as a fully virtual meeting through live streaming and online remote voting from the broadcast venue at the Agate and Sapphire Room, 20th Floor, Menara Multi-Purpose Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur on Wednesday, 19 August 2020 at 10.00 a.m.

- Directors present at Broadcast Venue** : Tan Sri Dato’ Ahmad Bin Mohd Don – Chairman
Mr. Thayaparan S Sangarapillai
Ms. Susan Yuen Su Min
- Directors present remotely via video conferencing** : Mr. Lee Ah Boon
Datuk Wan Azhar Wan Ahmad
Mr. Lee Boon Huat
Mr. Ho Hon Cheong
Mr. Tan Chian Khong
Mr. Lum Piew
- In Attendance** : Mr. Joel Kornreich (Group Chief Executive Officer) (“GCEO”)
Mr. Ronnie Royston Fernandez (Group Chief Financial Officer) (“GCFO”)
Mr. Lee Wei Yen (Group Company Secretary)
- Representatives from Messrs. PricewaterhouseCoopers PLT
Mr. Ong Ching Chuan
Mr. Jimmy Khoo
Mr. Liew Wang Siang
- Shareholders, Proxies and Corporate Representatives** (“collectively referred to as “Members” hereinafter) : 294 Members holding a total of 860,704,554 shares representing 55.60% of the total issued share capital, attended the Meeting via the Vote 2U platform online remote voting facilities as per the Attendance List.
- Chairman** : Tan Sri Dato’ Ahmad Bin Mohd Don took the Chair and called the Meeting to order.
- Quorum** : The Group Company Secretary confirmed the presence of the requisite quorum.
- He reported that the Bank had received proxy forms and certificates of appointment of corporate representatives from 191 shareholders holding a total of 850,361,766 shares representing 54.93% of the total issued share capital of the Bank for the Meeting. Out of these, 156 shareholders with a total of 671,537,428 shares representing 43.38% of the total issued share capital of the Bank had appointed Chairman of the Meeting as their proxy to vote for them at the Meeting. 35 shareholders with a total of 203,112,438 shares representing 13.12% of the total issued share capital of the

Bank had appointed other proxies and corporate representatives to attend this Meeting.

Notice of Meeting : Tan Sri Chairman declared the Notice convening the AGM dated 20 July 2020, having been served on Members was taken as read.

1. Welcome by Chairman

Tan Sri Chairman extended a warm welcome to the Members for attending the Bank's 38th AGM, a fully virtual meeting which was broadcasted live from the Broadcast Venue as part of the Bank's safety and precautionary measures of not having mass gatherings to curb the spread of COVID-19. Members were encouraged to participate, vote and ask questions via online text.

He first introduced to Members, the Directors who participated at the Meeting remotely, followed by Directors and the GCEO, GCFO, the Group Company Secretary who were present at the Meeting.

Tan Sri Chairman informed the Meeting that a repeated question has been received from shareholders regarding door gift and as this is a virtual AGM with no physical attendance required, the Bank will not be giving any door gift to Members attending this Meeting. In compliance with the Main Market Listing Requirements of Bursa Malaysia, all resolutions set out in the Notice of the AGM would be voted by poll. The poll would be conducted electronically through online remote voting on the Vote2U e-voting platform administered by Agmo Studio Sdn Bhd and the poll results to be validated by BDO Consulting Sdn Bhd ("BDO") as Independent Scrutineers.

2. Business Performance Presentation

Mr. Joel Kornreich, GCEO presented to the Members the business update and performance of the Group for the financial year ended 31 March 2020 and the strategic priorities for the next financial year.

3. Agenda Items for the AGM

3.1 Audited Financial Statements for the Financial Year Ended 31 March 2020 and Reports from the Directors and Auditors thereon

To receive Audited Financial Statements for the financial year ended 31 March 2020 and Reports from the Directors and Auditors.

This matter was laid before the Meeting in accordance with Section 340(1) of the Companies Act, 2016 for discussion only. As formal approval of the Members was not required, it was not put forward for voting.

3.2 Re-election of Datuk Wan Azhar Bin Wan Ahmad who retires by rotation pursuant to Article 87 of the Bank's Constitution – Ordinary Resolution 1

“THAT Datuk Wan Azhar Bin Wan Ahmad, who retires in pursuant to Article 87 of the Bank's Constitution, be and is hereby re-elected as a Director of the Bank.”

3.3 Re-election of Mr. Lee Boon Huat who retires by rotation pursuant to Article 87 of the Bank's Constitution – Ordinary Resolution 2

“THAT Mr Lee Boon Huat, who retires pursuant to Article 87 of the Bank's Constitution, be and is hereby re-elected as a Director of the Bank.”

3.4 Re-election of Mr. Lum Piew who retires pursuant to Article 93 of the Bank's Constitution – Ordinary Resolution 3

“THAT Mr Lum Piew, who retires pursuant to Article 93 of the Bank's Constitution, be and is hereby re-elected as a Director of the Bank.”

3.5 Payment of Directors' fees and Board Committees' fees for financial year ended 31 March 2020 – Ordinary Resolution 4

“THAT the payment of Directors' fees and Board Committees' fees amounting to RM1,828,115 to the Non-Executive Directors in respect of the financial year ended 31 March 2020 be and is hereby approved.”

3.6 Payment of Directors' fees and Board Committees' fees from 1 April 2020 until the next Annual General Meeting of the Bank – Ordinary Resolution 5

“THAT the payment of Directors' fees and Board Committees' fees to the Non-Executive Directors from 1 April 2020 until the next Annual General Meeting of the Bank based on the current fee structure be and is hereby approved.”

3.7 Directors' benefits (other than Directors' fees and Board Committees' fees) – Ordinary Resolution 6

“THAT the Directors' benefits (other than Directors' fees and Board Committees' fees) payable to eligible Non-Executive Directors up to an amount of RM1.2 million from the 38th AGM to the next AGM be and is hereby approved.”

3.8 Re-appointment of PricewaterhouseCoopers PLT as Auditors – Ordinary Resolution 7

“THAT PricewaterhouseCoopers PLT be and are hereby re-appointed as Auditors of the Bank and that the Directors be and are hereby authorized to fix their remuneration.”

4. **Minority Shareholders Watch Group Questions and Answers**

The Group Company Secretary read out the questions from Minority Shareholder Watch Group (“MSWG”) from its letter dated 10 August 2020 and the Bank’s responses thereto.

Strategy and Financials Matters

MSWG Question 1

The key focuses for Alliance Bank in FY2021 are to enhance credit risk management by reducing exposure to high-risk sectors and stepping up collection efforts (page 25 of Annual Report 2020).

What sectors are considered high-risk? Were they considered as high risk when the Bank ventured into those sectors?

Answer

The high-risk sectors are those that are significantly impacted by the COVID-19 pandemic. The Group estimated that it currently has less than 5% of exposure to those highly affected sectors (namely, tourism, restaurants, hotel and non-essential retail). The Group has virtually no exposure to aviation and oil and gas.

Prior to the pandemic, these sectors were not classified as high risk. The Bank’s credit risk methodology is constantly evolving. The Bank will continuously re-evaluate the sectors that the Bank will venture into, depending on the state of the economy and its risk appetite.

MSWG Question 2

Gross impaired loans (GIL) ratio of Alliance Bank spiked to 2% in FY2020, as compared to 1.1% in FY2019. Meanwhile, net impaired loans ratio increases to 1.3% from 0.6% the year before. The GIL and NIL ratio in FY2020 were significantly higher than the past four years when it ranged between 1.0% - 1.3%, and between 0.6% - 1.0% respectively (page 10 of Annual Report 2020).

During the year, the Bank’s allowance for expected credit losses (ECL) on loans and impairment increased 126% year-on-year to RM314.5 million from RM139.2 million (page 19 of Annual Report 2020) in the year before due to full provision for several significant corporate accounts and asset quality deterioration in Alliance ONE Account and mortgage portfolio.

To what extent will Alliance Bank’s GIL, NIL and allowance for ECL loans and impairment rise further in FY2021 bearing in mind the COVID-19 pandemic?

With expected increase in allowance for provision, how will the net credit costs trend in FY2021?

Answer

The Group believes that with its continuing efforts and hopefully an improving economy, credit costs will be brought under control.

The Group will continue to remain vigilant in managing asset quality and continue to proactively engage with our customers to provide solutions; and in contributing to the well-being of the country and helping those deeply-affected customers, we will be providing payment relief assistance.

For Gross Impaired Loans and Net Impaired Loans, the Group's 31 March 2020 levels were 2.0% and 1.3% respectively. It is too early to provide any forecast for impaired loans currently due to the effect of the moratorium and other uncertainties caused by the pandemic.

MSWG Question 3

Banks have granted an automatic six-month moratorium for all their individual and SMEs customers starting from 1 April 2020 to 30 September 2020 to help relieve clients' financial burden.

- (a) ***What is the size of the loan involved under the six-month moratorium to Group's total loans, advances and financing ?***
- (b) ***What is the percentage of Alliance Bank's total loans, advances and financing that have been restructured and rescheduled (R&R) due to the COVID-19 pandemic? Under the R&R loan segment, which are the most affected sectors within Alliance Bank's total loans, advances and financing?***
- (c) ***What is the expected size of day-one modification loss to Alliance Bank due to the six-month moratorium on hire purchase loans?***

Answer

The amount of loans, advances and financing to individuals and SMEs that are currently under automatic moratorium is RM23.2 billion:

- This represents about 81% opt-in ratio; or
- 53% of the Group's loans, advances and financing book.

From customer engagement, we estimate that about 15% of SMEs and 20% of retail customers may require financial assistance.

The Group is currently talking to customers and offering payment relief assistance to all. In addition, the Group will provide moratorium extension of 3 months to the unemployed, businesses in highly affected sectors, and the B40 segment.

The Group has quantified the impact of day-one modification loss and this information will be provided in our first quarter results ended 30 June 2020 (for FY2021) to be announced by end of August 2020.

Question 4

Consumer and SME Banking are the two core businesses of Alliance Bank contributing about 50% of the Group's pre-provision operating profit.

- (a) ***As the two segments are expected to be hit hard by the COVID-19 pandemic, how will the two divisions perform in FY2021? Will the Bank be able to maintain the same positive loan growth in the two segments?***
- (b) ***Bankruptcies and insolvencies are expected to rise because of the pandemic. With substantial loan exposure to SMEs and individuals segments (which is 79.26% or RM34.61 billion of total RM43.66 billion total gross loans, advances and financing in FY2020), how does the Bank ensure debt collection from SMEs and individuals remain intact?***

Answer

Profit contributions from both Consumer and SME banking will be impacted by Overnight Policy Rate (OPR) cuts

The Bank will cautiously grow both segments but at a slower pace than FY2020 (Consumer: +2.8% & SME: +7.6% year-on-year).

19% of our customers opted-out from the moratorium. This represents those that do not require moratorium assistance and can service their loans.

The Group has enhanced our credit risk framework to identify customer risk levels and prioritise our outreach to customers accordingly. We estimate about 15% of SMEs and 20% of retail customers may require financial assistance. We will offer payment relief assistance programs to help them.

Concurrently, the Bank has strengthened its collection team capacity with additional 25% workforce to accommodate the anticipated surge in customer request for payment relief assistance.

The Bank has communicated with its customers (via letters and SMS), provided information on our website and social media channels and equipped our contact centre staff to provide guidance to help our customers.

MSWG Question 5

While a low interest rate environment helps banks to lower their cost of funds, depositors may also prefer to put or invest their money in alternative investment to generate higher returns.

Does Alliance Bank expect to record a lower CASA ratio in FY2021? How does the Bank promote its CASA products to potential depositors and investors?

Coupled with the six-month loan moratorium measure to borrowers, will a potential decline in CASA ratio result in liquidity pressure to Alliance Bank?

Answer

Based on the current trend, we expect to maintain our CASA ratio in FY2021.

The Bank will continue to promote SavePlus and acquire new CASA from the businesses payroll services signed up through Alliance@Work, and their respective employees' enrolment into the payroll services.

Going forward, the Bank will continue to maintain sufficient liquidity.

MSWG Question 6

Alliance Bank paid 21.9% of its net profit to shareholders as dividend in FY2020 (FY2019: 48.1%). Is the dividend payout ratio expected to be lower in FY2021 given that the dividend payout ratio already reduced by more than half in FY2020?

Answer

As a result of the unprecedented situation caused by COVID-19, the Bank has to prioritise capital conservation in order to support future business expansion. Out of abundance of caution, we opted to further preserve our capital levels.

The Bank will revisit dividend distribution once the full economic impact of the COVID-19 pandemic becomes clearer. Currently, the Bank will not be able to comment on FY2021 dividend payout expectation.

Corporate Governance Matters

MSWG Question 7

With only one woman director on the Board, Alliance Bank has departed from Practice 4.5 of the Malaysian Code on Corporate Governance (MCCG), which states that for Large Companies (which includes Alliance Bank), the Board must have at least 30% women directors.

The Bank targeted to apply the Practice by financial year ended 31 March 2022 (page 21 of Corporate Governance Report FY2020), which is a delay from the targeted timeline of 31 December 2020 stated earlier (Alliance Bank's reply to MSWG dated 23 July 2019).

What are the challenges in identifying suitable women candidate to meet the targeted timeline set earlier?

Answer

As part of the Bank's Board Gender Diversity policy, in identifying suitable board candidate for appointment through the Group Nomination & Remuneration Committee (GNRC), the Board ensures that women candidates are given priority consideration in the selection and recruitment process of Directors towards achieving the gender diversity target of 30% women participation.

While it is important to promote board gender diversity, the Board is of the view that the normal selection criteria based on an effective mix of competencies, skills, experience, and knowledge to strengthen the Board remains a priority.

The following were some of the challenges faced by the Bank in its process of identifying suitable women candidates:

- Skill sets from the pool of candidates do not meet all the criteria;
- Candidates that met our requirements already sit on too many boards, or unwilling to give up full time employment which could have time commitment issue.

To address the above challenges, the GNRC will cast a broader net and seek untapped potential candidates for future recruitment of candidates.

Tan Sri Chairman thanked the Group Company Secretary for reading out the agenda items and sharing the responses to MSWG with the Meeting.

5. Director who retires and not seeking re-election

Tan Sri Chairman informed that Mr. Thayaparan S Sangarapillai who retires by rotation pursuant to Article 87 of the Bank's Constitution at the conclusion of this AGM and did not seek re-election, will retire as a Director of the Bank at the conclusion of this AGM.

6. Questions and Answers Session with Members

Tan Sri Chairman opened the Questions and Answers Session and invited the GCEO to address the questions received from Members.

GCEO informed that some of the questions had already been addressed during his presentation earlier and in the Bank's reply to MWSG queries. He summarised the remaining questions and the Bank's responses relating thereto.

6.1 Impact of COVID-19

What is the impact of COVID-19 on the Bank's profitability, and what we are doing to mitigate the impact?

In FY2020, there was an early COVID-19 impact to the Bank of RM45.0 million due to credit cost provisioning. The impact of COVID-19 in the 1st half of FY2021 was mainly due to the Overnight Policy Rate ("OPR") cuts and some pre-emptive provisioning. However, the full economic impact of the COVID-19 pandemic is still unclear currently.

The Bank has taken the following actions to mitigate the impact of COVID-19:

- Manage cost of funds and take profit from bond book to offset OPR cuts.
- Enhanced credit risk framework to identify customer risk levels and prioritise calling customers to understand their situation and help them in managing their loan repayments.

6.2 Impairment/credit losses

Recently in the news, a property company has defaulted on its loan.

(i) What has the Bank done to prevent large impairments?

(ii) Did the COVID-19 portfolio stress test show any deterioration in impairments?

The Bank is unable to comment on its customers as it is our duty to protect the confidentiality of our customers' information as provided under the secrecy provision in the Financial Services Act 2013.

The Bank has performed stress tests taking into account the weakening economic conditions. The stress testing is intended to assess the adequacy of our capital buffers to absorb losses under stressed conditions, so that we are better prepared.

6.3 Employee Share Option Scheme

Does the Bank have an Employee Share Option Scheme (“ESOS”) program? Who is eligible to benefit from the program?

The Bank’s Employees’ Share Scheme has expired on 2 December 2017. There has been no new ESOS since then.

6.4 Digitization

What are the Bank’s digitization initiatives to remain competitive in Malaysia on the digital front?

The Bank has won the Best Digital Bank in Malaysia award at the International Data Corporation (“IDC”) Financial Insights Innovation Awards 2020. This is in recognition of the Bank’s digitization efforts such as the Branch-in-a-tablet initiatives.

The Bank has been working towards accelerating the elimination or centralisation of administrative processes through Robotic Process Automation and other digital initiatives. Some of these digitization initiatives include:

- Launch of the mobile BizSmart in June 2020 for business owners - being the first bank in Malaysia to enable e-Trade submissions via mobile.
- Launch of the e-KYC solutions in August 2020 to enable individuals to open an account, or apply for a personal loan entirely remotely.

6.5 Financial Performance

(i) Why have the Net Profit After Tax (“NPAT”) and Return on Equity (“ROE”) not improved for the last 5 years? Has the financial results been affected by credit deterioration?

The Bank’s strategy has been to grow its core segments in SME and Consumer Banking in the past 5 years. As a result, the Bank’s Revenue and Pre-provision Operating Profit have grown at a Compound Annual Growth Rate (“CAGR”) of 5%.

That said, the FY2020 NPAT was impacted by the impairment of large corporate accounts and early COVID-19 impact as well as lower Net Interest Margin due to OPR cuts.

(ii) Why has the Bank not reported similar big gains in financial investments in a declining interest rate environment? Is the Bank operating differently in this aspect compared to other banks?

The Bank’s treasury income improved year on year mainly from the sale of bonds and revaluation gain in trading book. Similar to peers, the Bank continues to manage its bond book to mitigate the impact of OPR cuts.

6.6 Voluntary/Mutual Separation Scheme

Are there any plans for Voluntary/Mutual Separation Scheme (“VSS/MSS”)?

The Bank had conducted its last VSS/MSS in FY2018 on a small scale affecting 211 employees. Since then, the Bank has not have any VSS/MSS. There is no plan for VSS/MSS in FY2021.

6.7 Remuneration of Senior Management

Due to the economic impact of COVID-19, has the Bank reduced the remuneration of Senior Management as part of its cost management initiatives?

The remuneration of Senior Management is reviewed on an annual basis regardless of the COVID-19 situation.

That said, the Bank had decided to freeze Senior Management increment for FY2021 and reduced the bonus payout for FY2020. This has reinforced the Bank's commitment on cost management initiatives in mitigating the impact of COVID-19.

6.8 Banking consolidation / Merger and Acquisition (“M&A”)

Do you foresee a possible banking consolidation/M&A in Malaysia to create bigger banks that can better withstand economic headwinds?

We do not comment on market speculation. It is business as usual at the Bank.

6.9 Directors' fees

Are there any plans to reduce the Directors' Fees for the financial year ending 31 March 2021 in view of COVID-19 pandemic and uncertainties ahead?

Answered by Tan Sri Chairman

While the Bank's current Directors' fees are not one of the highest in the industry, it is sufficient to remunerate Directors for their expertise, time and effort in guiding the Bank on its strategic and compliant path and overseeing its efforts to help its customers through the COVID-19 pandemic.

There being no further questions from Members, Tan Sri Chairman closed the questions and answers session. He announced that for any questions that the Bank will not be able to address during the allocated time of the questions and answers session, the Bank will reply via email at the earliest practicable time after the AGM and will make available the responses on the Bank's website.

7. Poll Voting Session

Tan Sri Chairman informed that the online polling commenced at 11.00 a.m. and would be closed in 15 minutes at 11.15 a.m.

Upon closure of the poll voting session, Tan Sri Chairman informed that the votes will be verified by the Independent Scrutineers and it would take about 20 minutes. The Meeting was adjourned at 11.15 a.m.

8. Poll Results

Tan Sri Chairman called the Meeting to order at 11.35 a.m. for announcement of the poll results. Based on the poll results which had been verified by the Independent Scrutineers, Tan Sri Chairman declared that all Ordinary Resolutions carried as follows:

| | For | | Against | |
|-----------------------|---------------|----------|---------------|---------|
| | No. of Shares | % | No. of Shares | % |
| Ordinary Resolution 1 | 851,745,092 | 99.98461 | 131,105 | 0.01539 |
| Ordinary Resolution 2 | 851,770,592 | 99.98761 | 105,505 | 0.01239 |
| Ordinary Resolution 3 | 851,770,492 | 99.98760 | 105,605 | 0.01240 |
| Ordinary Resolution 4 | 851,138,396 | 99.97395 | 221,817 | 0.02605 |
| Ordinary Resolution 5 | 851,130,580 | 99.97394 | 221,833 | 0.02606 |
| Ordinary Resolution 6 | 851,130,076 | 99.97388 | 222,337 | 0.02612 |
| Ordinary Resolution 7 | 849,432,492 | 99.77323 | 1,930,605 | 0.22677 |

Ordinary Resolution 1

Re-election of Datuk Wan Azhar Bin Wan Ahmad who retires by rotation pursuant to Article 87 of the Bank's Constitution

RESOLVED THAT Datuk Wan Azhar Bin Wan Ahmad, who retires by rotation pursuant to Article 87 of the Bank's Constitution, be and is hereby re-elected as a Director of the Bank.

Ordinary Resolution 2

Re-election of Mr. Lee Boon Huat who retires by rotation pursuant to Article 87 of the Bank's Constitution

RESOLVED THAT Mr. Lee Boon Huat, who retires by rotation pursuant to Article 87 of the Bank's Constitution, be and is hereby re-elected as a Director of the Bank.

Ordinary Resolution 3

Re-election of Mr. Lum Piew who retires pursuant to Article 93 of the Bank's Constitution

RESOLVED THAT Mr. Lum Piew, who retires pursuant to Article 93 of the Bank's Constitution, be and is hereby re-elected as a Director of the Bank.

Ordinary Resolution 4

Payment of Directors' fees and Board Committees' fees for financial year ended 31 March 2020

RESOLVED THAT the payment of Directors' fees and Board Committees' fees amounting to RM1,828,115 to the Non-Executive Directors in respect of the financial year ended 31 March 2020 be and is hereby approved.

Ordinary Resolution 5

Payment of Directors' fees and Board Committees' fees from 1 April 2020 until the next Annual General Meeting of the Bank

RESOLVED THAT the payment of Directors' fees and Board Committees' fees to the Non-Executive Directors from 1 April 2020 until the next Annual General Meeting of the Bank based on the current fee structure be and is hereby approved."

Ordinary Resolution 6

Directors' benefits (other than Directors' fees and Board Committees' fees)

RESOLVED THAT the Directors' benefits (other than Directors' fees and Board Committees' fees) payable to eligible Non-Executive Directors up to an amount of RM1.2 million from the 38th AGM to the next AGM be and is hereby approved.

Ordinary Resolution 7

Re-appointment of PricewaterhouseCoopers PLT as Auditors

RESOLVED THAT PricewaterhouseCoopers PLT be and are hereby re-appointed as Auditors of the Bank and that the Directors be and are hereby authorized to fix their remuneration.

9. Other Business

Tan Sri Chairman informed members that the Bank did not receive any notice to transact any other business,

10. Close of Meeting

Before closing the Meeting, Tan Sri Chairman thanked Mr. Thayaparan who retired as a Director at the conclusion of this AGM, for his contributions to the Alliance Bank Group and wished him the very best in his future endeavour.

There being no other business to consider, Tan Sri Chairman declared the Meeting closed at 11.45 a.m. and thanked Members for their presence.

The Meeting ended with a vote of thanks to the Chair.

CONFIRMED AS A CORRECT RECORD

**AHMAD BIN MOHD DON
CHAIRMAN**

Date: 30 September 2020