



ALLIANCE FINANCIAL GROUP

Alliance Financial Group Berhad (6627-X)

Minutes of the 48th Annual General Meeting (“AGM or the Meeting”) of **ALLIANCE FINANCIAL GROUP BERHAD** held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on **Friday, 18 July 2014 at 3.00 p.m.**

- Directors Present** : Datuk Oh Chong Peng (Chairman)
Dato’ Thomas Mun Lung Lee
Mr. Stephen Geh Sim Whye
Mr. Tan Yuen Fah
Mr. Kung Beng Hong
Mr. Ou Shian Waei
Mr. Sng Seow Wah
Mr. Lee Ah Boon
- Absent with Apologies** : Tuan Haji Megat Dziauddin bin Megat Mahmud
- Members and Proxies Present** : As per Attendance List
- Invited Guests** : As per Attendance List
- In Attendance** : Mr. Gary Teo (Group Chief Financial Officer)
Mr. Lee Wei Yen (Group Company Secretary)
- Chairman** : Datuk Oh Chong Peng took the Chair and called the Meeting to order at 3.00 p.m.
- Welcome Address/ Announcement** : Datuk Chairman extended a warm welcome to the members/proxies (“the Members”) present and introduced the Directors present to the Members.
- Quorum** : The Group Company Secretary confirmed the presence of a quorum.
- Group Chief Executive Officer’s Presentation** : Mr. Sng Seow Wah, Group Chief Executive Officer of Alliance Bank Malaysia Berhad and Director of the Company presented to the AGM the financial highlights of the Group for the financial year ended 31 March 2014 and strategic priorities for financial year ending 31 March 2015.

At the end of the presentation by Mr. Sng, Datuk Chairman briefed the Members on the reason of Mr. Sng’s leaving upon expiry of his contract which was also one of the questions raised by the Minority Shareholder Watchdog Group (“MSWG”) in its letter dated 10 July 2014 for the AGM.

Mr. Sng had decided not to renew his contract as he needs to attend to important family matters in Singapore. On behalf of the Board, Datuk Chairman assured Members that the Bank is led by a strong and experienced management team. All senior management positions have been filled and the Board does not anticipate any disruptions to the Bank's business and operations. There will be no change in the Bank's core strategic priority and the Bank will continue to focus on its niche in the core segments of Consumer and Business Banking.

The Board will announce the successor once the selection process has been completed and the candidate cleared with the regulatory authority.

Datuk Chairman thanked Mr. Sng for his commitment and dedication in leading the Group to greater heights.

Mr. Sng then proceeded to present to the Members the Company's responses to the remaining questions raised by the MSWG in its letter dated 10 July 2014.

Notice of Meeting : On the proposal of Datuk Chairman and with consent of the Members present, the Notice convening the AGM having been duly served on members was taken as read.

1. Audited Financial Statements for the Financial Year Ended 31 March 2014

The Audited Financial Statements for the financial year ended 31 March 2014 were laid at the Meeting in accordance with Section 169 of the Companies Act, 1965.

After dealing with questions (please refer to Appendix I attached), the Meeting proceeded to the next item on the Agenda.

2. Increase of Directors' Fees

On the proposal of Mr. Phang Ah Kow and seconded by Mr. William Woon, Datuk Chairman put the following motion to the Meeting by way of a show of hands and declared the resolution carried:

"THAT the increase of Directors' fees from RM537,000 to RM600,000 in respect of the financial year ended 31 March 2014 be and is hereby approved."

3. Re-election of Directors pursuant to Article 82 of the Company's Articles of Association

(a) Re-election of Sng Seow Wah as a Director

On the proposal of Mr. Wan Heng Wah and seconded by Mr. William Woon, Datuk Chairman put the following motion to the Meeting by way of a show of hands and declared the resolution carried:

"THAT Mr. Sng Seow Wah, who retires in accordance with Article 82 of the Company's Articles of Association, be and is hereby re-elected as a Director of the Company."

(b) Re-election of Tan Yuen Fah as a Director

On the proposal of Mr. Wan Heng Wah and seconded by Mr. Phang Ah Kow, Datuk Chairman put the following motion to the Meeting by way of a show of hands and declared the resolution carried:

“THAT Mr. Tan Yuen Fah, who retires in accordance with Article 82 of the Company’s Articles of Association, be and is hereby re-elected as a Director of the Company.”

4. Re-Appointment of Messrs PricewaterhouseCoopers as Auditors

On the proposal of Mr. Heng Kok Kuan and seconded by Mr. Wong Mok Sui, Datuk Chairman put the following motion to the Meeting by way of a show of hands and declared the resolution carried:

“THAT Messrs PricewaterhouseCoopers be and are hereby re-appointed as Auditors of the Company for the ensuing year at a remuneration to be fixed by the Directors.”

5. Special Business – Ordinary Resolutions

(a) Re-appointment of Dato’ Thomas Mun Lung Lee as a Director pursuant to Section 129 of the Companies Act, 1965

On the proposal of Mr. Phang Ah Kow and seconded by Mr. William Woon, Datuk Chairman put the following motion to the Meeting by way of a show of hands and declared the resolution carried:

“THAT Dato’ Thomas Mun Lung Lee, a Director who retires pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.”

(b) Re-appointment of Datuk Oh Chong Peng as a Director pursuant to Section 129 of the Companies Act, 1965

As Datuk Chairman was an interested party, he invited Dato’ Thomas Lee to take the Chair while the motion was being considered.

On the proposal of Mr. William Woon and seconded by Mr. Wan Heng Wah, Dato’ Thomas Lee put the following motion to the Meeting by way of a show of hands and declared the resolution carried:

“THAT Datuk Oh Chong Peng, a Director who retires pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.”

Datuk Chairman resumed the Chair and thanked members for their support.

6. Any other business

Datuk Chairman informed the Meeting that the Company has not received any notice to transact any other business.

7. Conclusion

There being no other business to consider, Datuk Chairman declared the Meeting closed at 4.20 p.m. and thanked members for their presence.

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

CONFIRMED AS A CORRECT RECORD

**DATUK OH CHONG PENG
CHAIRMAN**



ALLIANCE FINANCIAL GROUP

Alliance Financial Group Berhad (6627-X)

48TH ANNUAL GENERAL MEETING
FRIDAY, 18 JULY 2014 AT 3.00PM

SUMMARY OF QUESTIONS & ANSWERS AT AGM

1. Cik Azarea Juliana, proxy holder for Employees Provident Fund Board, commended the Board for maximizing shareholders value by increasing the dividend payout from 50% to up to 60% of the net profit after tax. She made the following enquiries:

- 1.1 We note that there was an amendment to the resolution on the re-election of Mr Sng Seow Wah as a Director and the Board is aware that Mr. Sng will be leaving the Bank soon. Does the Company have any proposed candidate in mind? How soon the Company will make announcement on the successor?

Answered by Datuk Chairman:

Mr. Sng Seow Wah is due for retirement by rotation at this Annual General Meeting. We are putting him up for re-election today.

The Company has appointed a headhunter to select the suitable candidate and we will make an announcement to this effect once finalised.

- 1.2 Would there be any formal process for the appointment of Director?

Answered by Datuk Chairman:

For good corporate governance, the Company has an internal policy and guideline for appointment of Directors. There is an existing policy in the Company's Board Charter which states that "independent directors after having served for 12 years will not be considered for further re-appointment".

- 1.3 Does the Bank have any succession plan for the management team?

Answered by Datuk Chairman:

Yes, the Company has a proper succession plan in place. However, successors can be sourced internally as well as externally.

2. Mr. Lee Siew Chow, a shareholder of AFG enquired:
- 2.1 Is the Bank local or foreign owned? Does DBS Singapore inject any fund into the Bank?

Answered by Datuk Chairman:

The Bank is a Malaysian domestic bank.

No, DBS has not injected any fund to our Bank. DBS has applied to BNM to take up a stake in AFG and it is still pending BNM's approval.

3. Mr. Wan Heng Wah, a shareholder of AFG sought clarifications on the following:
- 3.1 As Mr Sng Seow Wah has decided not to renew his contract with the Bank, is the Bank able to maintain its current year commendable growth in the net interest income and non-interest income?

Answered by Mr. Sng Seow Wah, Group Chief Executive Officer:

Our loans growth was strong. But we did not see the same demand this new financial year due to the slowing market and the tighter regulatory guidelines.

However, we are focused on building sustainable growth in both Consumer and Business Banking, and we have kick-started numerous initiatives to drive both the growth of net interest income and non-interest income.

- 3.2 What is the contribution of the 10 years collaboration with Manulife to the Bank?

Answered by Mr. Sng Seow Wah, Group Chief Executive Officer:

The partnership with Manulife is beneficial to the Bank. With this strategic tie-up, insurance specialists have been recruited by the Bank to provide comprehensive insurance advisory services to our customers.

As the Bank's current insurance penetration is approximately 15% of the total customers, there is tremendous opportunity to expand the Bancassurance offering.

- 3.3 Despite the increase in cost, the Bank has managed to keep the operating expenses lower by 1.7% for the year under review. Does the Bank have any target to reduce its operating expenses further?

Answered by Datuk Chairman / Mr. Sng Seow Wah, Group Chief Executive Officer:

The Bank has a year-on-year target to reduce its cost-to-income ratio but there is a limit depending on its operating environment. Furthermore, an additional inflation of 2% to 3% is expected with the GST implementation next year. The biggest challenge we have today would be inflation.

4. Mr. Phang Ah Kow, a shareholder of AFG congratulated the Board and the Management for a successful year. He bid farewell to Mr. Sng Seow Wah and thanked him for his contribution and good job. He enquired on the following:

- 4.1 What is the staff turnover of the Bank for the year under review?

Answered by Mr. Sng Seow Wah, Group Chief Executive Officer:

In the banking industry, it is normal to have staff turnover at all levels and the industry's average is about 18%. The staff turnover of the Bank is between 16% and 18%.

Several years ago, we started to measure and identify what sort of staff is leaving the Bank. In the Bank, we have a performance rating from 1 to 5. High performers are staff who are rated 1 and 2, and those who are rated 4 and 5 are poor performers.

When we compare with 4 years ago, we found out that the large proportion of the turnover today is from staff who are rated 4 and 5. We pay performance bonuses based on performance.

Staff turnover can be good for the Bank as it allows us to re-examine the need for those positions and to bring in new and experienced talent from the industry, and infusion of new ideas.

- 4.2 What is the revenue contribution from the CASA deposits and the Islamic Banking business to the Bank?

Answered by Mr. Sng Seow Wah, Group Chief Executive Officer:

Our CASA ratio is one of the highest in the industry at 34%. CASA means current account and savings account while the other type of deposits are fixed deposit and interbank deposit. CASA helps us achieve stable liquidity with lower funding cost. It is an important component to minimise Net Interest Margin (NIM) losses.

In the past, our Islamic Banking business was dependent on a major product called KOOP financing. However, the regulatory authority has decided to stop the KOOP financing in 2010 and the loan book of our Islamic Banking business has since been affected. We have formulated the overall strategy, and are now looking at strengthening the infrastructure for the expansion of the Islamic Banking business.

5. Mr. Bhupinder Singh, proxy holder for Mr. Gurmit Singh, thanked Mr. Sng Seow Wah for his comprehensive business performance presentation. He sought clarifications on the following:

- 5.1 Although the cost-to-income ratio for FY2014 is 46.6% which is lower as compared to the previous year, is it possible for the Bank to bring the cost-to-income down further?

Answered by Mr. Sng Seow Wah, Group Chief Executive Officer:

The Bank has a target to improve its cost-to-income ratio to 45% through targeted revenue growth and improved productivity but it is not easy to do that.

We are confident that we will be able to achieve 45% cost-to-income ratio. We have invested in infrastructure, technology and streamlined various end-to-end processes to enhance efficiency and productivity in order to serve our customers better. This has resulted in surplus positions in support functions across the Bank. A rationalisation of staff levels is necessary via Voluntary Separation Scheme (VSS) and Mutual Separation Scheme (MSS) exercises. These one-off expenses will result in a reduction in the monthly overheads, and improve future profitability of the Group.

- 5.2 Given that the Overnight Policy Rate (OPR) has been increased by 25 basis points, will this increase be factored into the fixed deposit rate?

Answered by Mr. Sng Seow Wah, Group Chief Executive Officer:

When the OPR goes up, the loan rates will go up and consequently the deposit rates will also go up. How much the increase for the deposit rates is dependent on the Net Interest Margin (NIM) of the Bank and the Group Assets and Liabilities Management Committee (GALCO) will manage the NIM of the Bank on a monthly basis.

If we pay higher fixed deposit rates, it will lower our NIM / earnings and consequently affect our dividend payout to the shareholders.

- 5.3 The structured investments are lean towards the Bank and not in favour of the customer?

Answered by Mr. Sng Seow Wah, Group Chief Executive Officer:

There are two major categories of structured investments i.e. unit trust and bond based investment products. We have a very rigorous process for every investment product that we sell, we make sure our customers understand the risk that go with the investment products they have. We never sell any product that stack against our customers just because we want to make money out of it.

6. Question from Mr. Muniandy, a shareholder of AFG enquired that:

- 6.1 Do we have any Director who is representing Temasek?

Answered by Datuk Chairman:

The Board has no direct representative from Temasek. However, there are two Directors who are representatives from Fullerton Financial Holdings Pte Ltd, a wholly-owned subsidiary of Temasek.

- 6.2 Given the possibility of M&A (Merger and Acquisition) between CIMB Bank and RHB Bank, how will it affect the future of AFG?

Answered by Datuk Chairman:

Presently, the Board has not been involved in any discussion on M&A deals.

7. Mr. Lim Yew Meng, a proxy holder for Madam Chan Swee Fong sought clarification on the following:

7.1 What is the rationale for selling off Alliance Investment Management Berhad (“AIMB”)?

Answered by Mr. Sng Seow Wah, Group Chief Executive Officer:

AIMB was not doing well for many years as we did not have the size, the critical mass, and the right people to manage AIMB. The biggest challenge for us was to find the right people.

Instead of putting in our resources in the area where we do not have advantages and the right mix of people, we have the option of diverting our resources to other areas.

The practical way was to sell AIMB and focus on our core strengths in Consumer, SME and Transaction Banking segments, and at the same time invest in Wealth Management, Bancassurance, Financial Markets and Investment Banking in order to bring the best to our customers, and ultimately returns for our shareholders.

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