



ALLIANCE FINANCIAL GROUP

Alliance Financial Group Berhad (6627-X)

Private & Confidential

Minutes of the 49th Annual General Meeting (“AGM or the Meeting”) of **ALLIANCE FINANCIAL GROUP BERHAD** held at Imperial Ballroom, Level G, One World Hotel, First Avenue, Bandar Utama City Centre, 47800 Petaling Jaya, Selangor on **Tuesday, 21 July 2015 at 2:30 p.m.**

- Directors Present** : Datuk Oh Chong Peng (Chairman)
Dato’ Thomas Mun Lung Lee
Mr. Stephen Geh Sim Whye
Mr. Kung Beng Hong
Mr. Ou Shian Waei
Mr. Lee Ah Boon
Tuan Haji Megat Dziauddin bin Megat Mahmud
- Members and Proxies Present** : As per Attendance List
- Invited Guests** : As per Attendance List
- In Attendance** : Mr. Joel Kornreich (Chief Executive Officer)
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 2:30 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.
- Business Performance Presentation** : Mr. Joel Kornreich, Chief Executive Officer of Alliance Financial Group Berhad presented to the AGM the financial highlights of the Group for the financial year ended 31 March 2015 and the key strategic priorities for financial year ending 31 March 2016.
- Thereafter, Mr. Lee Wei Yen, Group Company Secretary presented to the Members on the Company’s answers to the questions raised by the Minority Shareholder Watchdog Group in its letter dated 13 July 2015 in relation to the 2015 Annual Report.
- 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 2015

The Audited Financial Statements for the financial year ended 31 March 2015 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. William Woon Peng Wah and seconded by Mr. Lam Chee Soon, 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 RM600,000 to RM660,000 in respect of the financial year ended 31 March 2015 be and is hereby approved.”

3. Re-election of Mr. Lee Ah Boon who retires by rotation pursuant to Article 82 of the Company's Articles of Association.

On the proposal of Mr. Lam Chee Soon and seconded by Ms. Wong Lay See, Datuk Chairman put the following motion to the Meeting by way of a show of hands and declared the resolution carried:

“THAT Mr. Lee Ah Boon, 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 Madam Soh Kwai Lan and seconded by Ms. Tina Chin Sok Keng, 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.”

Special Business – Ordinary Resolutions

5. Re-appointment of Directors pursuant to Section 129 of the Companies Act, 1965

5.1 Re-appointment of Mr. Kung Beng Hong as a Director pursuant to Section 129 of the Companies Act, 1965

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

“THAT Mr. Kung Beng Hong, 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.”

5.2 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 Peng Wah, 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.”

5.3 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. Wan Heng Wah and seconded by Mr. Phang Ah Kow, 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.”

6. Retention of Independent Directors

6.1 Retention of Datuk Oh Chong Peng as an Independent Director of the Company

On the proposal of Mr. William Woon Peng Wah and seconded by Mr. Phang Ah Kow, 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 who has served as an Independent Director of the Company for a cumulative term of more than 9 years be and is hereby retained as an Independent Director of the Company.”

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

6.2 Retention of Dato' Thomas Mun Lung Lee as an Independent Director of the Company

On the proposal of Mr. William Woon Peng Wah and seconded by Mr. Adrian Ooi Lye Beng, 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 who has served as an Independent Director of the Company for a cumulative term of more than 9 years be and is hereby retained as an Independent Director of the Company.”

6.3 Retention of Tuan Haji Megat Dziauddin bin Megat Mahmud as an Independent Director of the Company

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

“THAT Tuan Haji Megat Dziauddin bin Megat Mahmud who has served as an Independent Director of the Company for a cumulative term of more than 9 years be and is hereby retained as an Independent Director of the Company.”

6.4 Retention of Mr. Stephen Geh Sim Whye as an Independent Director of the Company

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

“THAT Mr. Stephen Geh Sim Whye who has served as an Independent Director of the Company for a cumulative term of more than 9 years be and is hereby retained as an Independent Director of the Company.”

7. Any other business

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

8. Conclusion

There being no other business to consider, Datuk Chairman declared the Meeting closed at 4:05 p.m. and thanked the 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)

49TH ANNUAL GENERAL MEETING
TUESDAY, 21 JULY 2015 AT 2:30 P.M.

SUMMARY OF QUESTIONS & ANSWERS AT AGM

1. Mr. Wan Heng Wah, a shareholder sought clarification on the following:
 - 1.1 For the financial year ended 31 March 2015, there was a net charge for impairment provisions of RM32.9 million, in contrast to a net write back of RM28.5 million in the previous year. As the Group has recovered most of the legacy impaired loans in the last three years, the ratio of gross impaired loans has also declined to a low of 1.0%, with loan loss coverage of 102.7%. Does the Group expect a provision on credit charge in the financial year 2016? Would there be a migration of credit ratings for corporate loans portfolio which will impact the loans loss impairment?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

Our overall credit cost including recoveries was 11.5 bps for FY2015. We expect our net credit costs for the financial year ending 31 March 2016 to be higher in the range of 20 bps to 25 bps in view of the challenging economic environment. We also expect some migration of credit ratings in the corporate and commercial loans portfolio to impact the collective assessment provision.

2. Mr. Phang Ah Kow, a shareholder congratulated the Board and Management for the banking awards won in the year 2015, especially “The Best SME Bank in Asia Pacific, Gulf region & Africa”. He sought clarifications on the following:
 - 2.1 What was the Bank’s ranking in the industry in respect of small and medium size enterprise (“SME”) banking? What was the contribution of SME banking to the Group?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

SME banking is a fast growing segment in the Group, and the loans portfolio grew by 26.8% year-on-year. It contributes to 23.0% of the Group’s pre-tax profit. In terms of ranking, our SME banking is one of the leaders in the industry. We bank 1 in 8 SME in Malaysia. We have been doing well in this segment and there is still opportunity for growth in the market.

2.2 What was the staff turnover rate of the Group?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The turnover rate of the Bank's staff was about 16% which is in line with the industry. We believe the turnover rate could be lowered. However, since this is a transition year for the Bank, the attrition rate for staff could be higher in the first few months due to adaptation issue as we transform the Bank to be more focused on efficiency of the balance sheet.

2.3 How much was the exposure of the Group in automotive industry?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The Group's business in Hire Purchase was small at about RM1.3 billion from a total loan portfolio of RM36.6 billion. As the risk adjusted margin in this segment is low and competition is intense, we are scaling back on hire purchase lending.

2.4 What was the revenue of Current Account and Savings Account ("CASA") deposits in the year under review?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

During the financial year ended 31 March 2015, customer deposits have registered a healthy growth of 13.7% to RM44.6 billion. In particular, CASA deposits grew by RM1.7 billion or 12.5%. The Group's CASA ratio is 33.6% and is one of the highest in the industry.

3. Mr. Lee Kim Chai, a shareholder of AFG sought clarifications on the following:

3.1 What is the policy for the Group's risk evaluation for investment portfolio in relation to the credit cost of RM32.9 million?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The RM32.9 million allowances for loans and impairment were due to the normalisation of credit cost. In the previous financial year, there was a net write-back of RM28.5 million, due to recoveries from legacy loans.

3.2 What is the Group's outlook on the loans in mortgage market?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

Our residential mortgage has grown by 13.5% in the financial ended 31 March 2015. We expect a slower loans growth of about 6% as we focus on asset efficiency and risk adjusted return by rebalancing our loans portfolio.

We also expect a slower demand for mortgages in the current financial year due to the high household debt, as well as the slowdown in the property market in tandem with the slower Gross Domestic Product growth.

- 3.3 How could the risk adjusted return approach protect the Group?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The risk adjusted return is a measure of how much return an investment will provide given the level of risk associated with it. In other words, we will ensure that the revenue from a loan given out is positive after deducting the direct operating costs and the credit costs. This approach will enable us to focus on higher return products, to protect our net interest / financing margins.

4. Mr. Tham Chee Yeen, a shareholder of AFG enquired on the following:

- 4.1 What is the update for the collaboration with Manulife? How long is the contract with Manulife?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The joint venture collaboration with Manulife Insurance on consumer banking is performing better than the common goals that both parties had originally set. The Group will further expand this partnership into the SME banking segment. The contract term with Manulife is for 10 years.

5. Mr. Ng Aik Pheng, a shareholder of AFG enquired on the following:

- 5.1 What is the outlook of the Group on cost of fund in near future?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The cost of funds is rising steadily in the industry. We will focus more on CASA deposits, in an effort to manage the interest expense.

We expect our net interest margin compression to be between 10 and 15 bps in the financial year ending 31 March 2016, which is driven by the more intense competition for deposits in the industry. The rising cost of funds remains a challenge to the Group but we believe that we will be more competitive by focusing on risk adjusted return.

- 5.2 How does the Group perceive its foreign exchange exposure due to weakening of Ringgit?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The Group has very little exposure in foreign currency. Hence, the weakening of the Ringgit will not have much impact because we are operating locally. However, the opportunity for foreign exchange gains from trading activities will be more challenging, when compared to the significant growth achieved last year.

5.3 Is employee layoff part of the Group's policy?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The Group has no plans to implement any employee separation scheme at the moment. We will continue to improve efficiency and streamline business processes by deploying resources and dealing with natural attrition.

6. Questions from Mr. How See Sun, a proxy holder for Tay Woon Sim enquired on the following:

6.1 What is the rate of Zakat stated in the financial statements, what is it based on and is it likely to increase in the future?

Answered by Puan Foziakhatoon, Chief Executive Officer of Alliance Islamic Bank Berhad ("AIS"):

Zakat is a donation given to those in need and the poor. Zakat is legislated according to states. As AIS is located in Wilayah Persekutuan, the payment of Zakat is calculated based on a formula, as determined by Pusat Zakat Wilayah.

7. Mr. Yap Ah Kow, a shareholder of AFG enquired:

7.1 What was the proportion of mortgage loans against the Bank's total loans book over the last 3 years? This will determine the extent of the impact to the Bank if there is a downturn in the property market.

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The Group's mortgage loans portfolio accounts for nearly 41% of the total loans book, and we are striving to reduce this concentration further. Some of the mortgage loans that we have booked recently have lower loan-to-value ratios. The loan-to-value ratio is one of the key factors we consider before approving a mortgage loan.

8. Mr. Ng Kok Kiong, a proxy holder for Lim Sing Yee enquired on the following:

8.1 What is the outlook of AIS? Is there any plan to enhance the Takaful products?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

Similar to that of other Islamic banks in the market, AIS has high proportions of deposits which come from government-linked companies. We are forging retail partnerships to further diversify the deposits base and also to create a strong identity for AIS.

The team under Alliance Islamic Bank CEO, Puan Foziakhatoon has done a good job of improving its range of products.

- 8.2 What is the outlook of the Investment Banking business since it was operating in losses? What is the strategy to overcome this situation?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The Investment Banking business is mainly dependent on revenues from institutional and retail brokerage and it has recently expanded its Capital Markets team with a number of new key hires. We will continue to leverage on the Group's strength in the SME market with focus on providing a wide range of investment banking advisory services and access to Capital Markets.

- 8.3 Is there any plan to transfer the listing status of Alliance Financial Group Berhad to Alliance Bank Malaysia Berhad?

Answered by Datuk Chairman:

We have no such plans currently.

- 8.4 Is there any plan to have strategic partnership with other financial group?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

We have no such plans currently. In the event of any new strategic partnership, we will disclose it publicly

- 8.5 What is the percentage of top 10 customers compared to the Group's total assets?

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The top 10 loan customers, account for less than 10% of the Group's total assets.

9. Madam Lim Hua, a shareholder enquired on the following:

- 9.1 The proposed increase in Directors' fees is 10%. What is the annual salary increment for the staff?

Answered by Datuk Chairman:

The average annual salary increment for staff is 5%. As for the Directors' fees, the last increase of Directors' fees was 3 years ago. If we annualize the 10% increase over the 3 years, the increment would have been about 3% per annum.

- End -