



ALLIANCE FINANCIAL GROUP

Alliance Financial Group Berhad (6627-X)

Private & Confidential

Minutes of the **51st Annual General Meeting** (“AGM” or “the Meeting”) of **ALLIANCE FINANCIAL GROUP BERHAD** (“AFG” or “the Company”) held at the Grand Ballroom, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on **Wednesday, 12 July 2017 at 10.30 a.m.**

- Directors Present** : Datuk Oh Chong Peng (Chairman)
Mr. Ou Shian Waei
Mr. Kung Beng Hong
Mr. Lee Ah Boon
Mr. Tan Chian Khong
- Members and Proxies Present** : A total of 1,520 Members (including 706 proxies) holding/representing a total of 924,217,457 shares or 59.70% of the issued share capital of the Company, registered for the Meeting.
- In Attendance** : Mr. Joel Kornreich (Chief Executive Officer)
Mr. Raymond Wong Lai Loong (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 10.30 a.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 AFG presented to the Meeting the financial highlights and the key accomplishments of the Group for the financial year ended 31 March 2017, and the key transformation strategic initiatives for the financial year ending 31 March 2018.
- 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.

Before proceeding with the business of the Meeting, Datuk Chairman announced that in compliance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice of the AGM would be voted by poll and Messrs. BDO Governance Advisory Sdn Bhd (“BDO”) had been appointed as the Independent Scrutineer for the poll voting. For a more efficient meeting at the AGM, the poll would be carried out by way of electronic polling or E-Polling.

Datuk Chairman invited Mr Liew Yaw Shyang, the representative from Messrs. ShareWorks Sdn Bhd, Share Registrar of the Company, who would act as the Poll Administrator, to brief the Members on the conduct of E-Polling and how to use the Polling Device.

Upon completion of the briefing on E-Polling process, Mr Law Kian Huat from BDO confirmed to the Members that the E-Polling procedures and system had been tested and proven reliable by BDO.

1. Audited Financial Statements for the Financial Year Ended 31 March 2017

The Audited Financial Statements for the financial year ended 31 March 2017 were laid before the Meeting in accordance with Section 340(1) of the Companies Act, 2016 for discussion. As formal approval of the Members was not required, the matter was not put forward for voting.

Before the question and answer session, Datuk Chairman invited the Group Company Secretary to read out the questions raised by the Minority Shareholder Watchdog Group via its letter dated 7 July 2017 and the Company's responses thereto (please refer to **Appendix I** attached).

After dealing with questions from the floor (please refer to **Appendix II** attached), the Meeting proceeded to the next item on the agenda.

2. Payment of Directors' Fees – Ordinary Resolution 1

On the proposal of Mr. Wan Heng Wah and seconded by Mr. Adrian Ooi Lye Beng, and there being no question from the floor, Datuk Chairman put the following motion to the vote by way of E-Polling and declared, that with 99.92% shares voted for and 0.08% shares voted against, the resolution carried :

“THAT the payment of Directors' fees and Board Committees' fees amounting to RM663,563 in respect of the financial year ended 31 March 2016 be and is hereby approved.”

3. Directors' Benefits (other than Directors' Fees and Board Committees' Fees) – Ordinary Resolution 2

On the proposal of Ms. Chong Pei Jin and seconded by Ms. Yee Hui Min, and there being no question from the floor, Datuk Chairman put the following motion to the vote by way of E-Polling and declared, that with 99.91% shares voted for and 0.09% voted against, the resolution carried :

“THAT the Directors' benefits (other than Directors' fees and Board Committees' fees) up to an amount of RM320,000 from 31 January 2017 to the next Annual General meeting be and is hereby approved.”

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

On the proposal of Mr. William Woon Peng Wah and seconded by Ms. Chong Pei Jin, and there being no question from the floor, Datuk Chairman put the following motion to the vote by way of E-Polling and declared, that with 98.83% shares voted for and 1.17% shares voted against, 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.”

5. Re-election of Mr. Tan Chian Khong who retires pursuant to Article 89 of the Company’s Articles of Association – Ordinary Resolution 4

On the proposal of Mr. William Woon Peng Wah and seconded by Ms. Lo Wai Sam, and there being no question from the floor, Datuk Chairman put the following motion to the vote by way of E-Polling and declared, that with 99.72% shares voted for and 0.28% shares voted against, the resolution carried :

“THAT Mr. Tan Chian Khong, who retires in accordance with Article 89 of the Company’s Articles of Association, be and is hereby re-elected as a Director of the Company.”

6. Re-appointment of Mr. Kung Beng Hong as a Director of the Company – Ordinary Resolution 5

On the proposal of Mr. Wan Heng Wah and seconded by Mr. Soo Thien Ming, and there being no question from the floor, Datuk Chairman put the following motion to the vote by way of E-Polling and declared, that with 97.68% shares voted for and 2.32% shares voted against, the resolution carried :

“THAT Mr. Kung Beng Hong, be and is hereby re-appointed as a Director of the Company.”

As Datuk Chairman was an interested party to the next agenda item, he invited Mr. Ou Shian Waei to take the Chair while the motion was being considered.

7. Re-appointment of Datuk Oh Chong Peng as a Director of the Company – Ordinary Resolution 6

On the proposal of Mr. William Woon Peng Wah and seconded by Mr. Soo Thien Ming, and there being no question from the floor, Mr. Ou Shian Waei put the following motion to the vote by way of E-Polling and declared, that with 99.10% shares voted for and 0.90% shares voted against, the resolution carried :

“THAT Datuk Oh Chong Peng, be and is hereby re-appointed as a Director of the Company.”

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

8. Re-appointment of Messrs. PricewaterhouseCoopers as Auditors

On the proposal of Mr. Ooi Wei Lang and seconded by Ms. Yee Hui Min, and there being no question from the floor, Datuk Chairman put the following motion to the vote by way of E-Polling and declared, that with 99.66% shares voted for and 0.34% shares voted against, 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.”

As Datuk Chairman was again an interested party to the next agenda item, he invited Mr. Ou Shian Waei to take the Chair while the motion was being considered.

Special Business

9. Retention of Independent Director – Ordinary Resolution 8

On the proposal of Mr. William Woon Peng Wah and seconded by Mr. Soo Thien Ming, and there being no question from the floor, Mr. Ou Shian Waei put the following motion to the vote by way of E-Polling and declared, that with 99.45% shares voted for and 0.55% shares voted against, 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 members for their support.

The last item on the agenda was to transact any other business for which due notice shall have been given. Datuk Chairman informed the Meeting that the Company did not receive any notice to transact any other business.

Conclusion

There being no other business to consider, Datuk Chairman declared the Meeting closed at 11.47 a.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)

51st ANNUAL GENERAL MEETING (“AGM”)
WEDNESDAY, 12 JULY 2017 AT 10.30 A.M.

QUESTIONS FROM THE MINORITY SHAREHOLDER WATCHDOG AND THE COMPANY’S RESPONSES

Part 1: Strategy/Financials

1. *The AFG had reinforced its position as the bank of choice for business owners with its strong niche among business owner segment as reported by the Chairman and Chief Executive Officer who placed the AFG as one of the top 3 financial group in terms of its return on equity (“ROE”) performance at 10.5% and its SME loans growth at 9.3%.*
 - a) *What are the Board’s strategic imperatives and key performance metrics for transforming Alliance Bank Malaysia Berhad (“the Bank”) as the listed entity in place of the AFG, and what does it entail going forward and beyond for the Group to enhance and further improve on its current position in the midst of all the market changes in the financial services sector?*
 - b) *Amid the prospects and foresight of accelerated growth in the next 3-5 years for the Group, what are the Board’s main concerns when compared to its banking peers with economies of scale, competitive pricing on loans to deposits and competitive advantage given its strong niche and linkages across the Group’s businesses offering similar solutions and capabilities?*

Answer

The Group’s strategy is to be the most important relationship for the financial success of business owners, through our vision of “Building Alliances to Improve Lives”. We are focused on:

- Scaling up economically:** Leveraging business owner relationships to serve their personal banking needs, as well as the needs of their employees and retail clients. This also includes strategic tie-ups and partnerships that will amplify our distribution reach.
- Reducing complexity:** Streamlining operations and transforming our branch network to be more effective in providing advisory

services to our clients, while improving transactional efficiency through straight-through processing

- **Future-proofing:** Launching innovative propositions and new digital bank capabilities to digitally acquire, onboard and serve customers end-to-end.

In line with our Brand promise, we will be launching and scaling up a number of differentiated value propositions for our customers. We are also investing in new sales teams, technology, as well as marketing and branding to support the Bank's strategic initiatives.

While these actions and investments will have a **short-term impact on our profit trajectory**, we believe it will position the Group for **accelerated growth in the next 3-5 years**. Our consumer banking customer base is expected to grow by 50%; our credit card and merchant base is projected to increase 3 – 4x; and our net profit after tax will accelerate beyond RM650mil by the financial year ending 31 March 2022 ("FY2022").

2. Could the Board clarify and elaborate on the following:

- a) ***The optimal balance and strategies between the short-term initiatives of "Fix the Present" towards the Group's asset efficiency, funding mix, risk management, governance and controls, and operational processes and the longer-term initiatives of "Build the Future" for establishing the Group's new purpose and new brand architecture under various rolled out programmes?***
- b) ***The duration of these short-term and longer-term initiatives and how much capital expenditure is to be committed for the new brand architecture to enable it to determine the attributes every product, service or value proposition must have to ensure success before offering to the Group's target audiences***

Answer

- a) The **"Fix the Present"** initiatives (such as asset efficiency and diversifying funding mix) will continue to be part of the Bank's ongoing enhancements. In addition to these business-as-usual ("BAU") improvements, we are now focused on a number of key **Strategic initiatives** to help scale up the business, for example, the Alliance@Work initiative to serve the personal banking needs of business owners and their employees. To ensure sufficient focus on execution, **these new initiatives are driven separately from the "BAU" team**; e.g. new / separate sales teams

- b) The **Transformation initiatives** (including the scaling up and industrialization of those initiatives) will span across the next **3 to 5 years**.
- In the financial year ending 31 March 2018 (“FY2018”), we envisage total investments (operating expenditure) of around RM90 million in Sales force (50%), Technology (20%) and Marketing (30%) and we will continue to invest for the next 3 to 5 years.

3. The Segment Information on page 226-227 of the Annual Report showed that the Group’s operating segment of stock broking and corporate advisory (previously described as investment banking) had been loss-making for the past three years.

- a) **Could the Board elaborate the reasons for the loss-making position and how would the Board turn it around?**
- b) **What is the nature of its other operating expenses which were higher as compared to the Group’s other operating segments?**

Answer

- a) In the past, the above-mentioned segment turned loss-making mainly due to increase in indirect shared services expenses and slowdown in the advisory business. We have since rebuilt the advisory business and in the financial year ended 31 March 2017 (“FY2017”), revenue for the stock broking and corporate advisory segment grew 35% to RM33.3 million.

We have taken some measures to improve the profitability of this segment going forward:

- Consolidation of our retail broking business between Alliance Bank and Alliance Investment Bank, to leverage on the bank’s branch network to optimise sales distribution and maximise client catchment, promote a single unified brand platform, and improve service proposition.
 - Reorganisation of Corporate Finance, Debt Capital Markets and Corporate Banking into Corporate & Investment Banking unit to form better collaboration to serve clients more effectively.
- b) The operating expenses for this segment are comprised mainly of direct expenses (73%) and indirect shared services expenses (27%). In FY2017, direct expenses increased by 6.6% while indirect shared services expenses increased by 2.2%.

4. **Considering MFRS 9 and the compliance date in January 2018, please share on the Bank's preparation to comply with Basel III - Capital Requirements as well as the Board's assessment of allowance for/write-back of loans and impairment for FY2018. Would the Board see any improvement in loan loss coverage in FY2018?**

Answer

The new MFRS 9 accounting standard is intended to replace MFRS 139. It will require financial institutions to progress from an incurred loss model to a forward-looking expected loss model. According to this new model, institutions must determine an expected credit loss on the origination of each financial asset and recognize a corresponding loss allowance.

For Alliance Bank, there will not be any impact in FY2018 as we will be adopting the standard on 1 April 2018. At this moment, it is too early to provide an accurate indication of the impact until we have completed our implementation model. We will provide the necessary disclosures in the financial reports in the financial year ending 31 March 2019 ("FY2019").

In the financial year ended 31 March 2016 ("FY2016"), the Group has raised new Basel III compliant Tier-2 Subordinated Debts amounting to RM1.2 billion. As at 31 March 2017, the Group's Total Capital Ratio was 17.2%. Loan loss coverage ratio was 137% including regulatory reserve provision of RM157 million.

5. **The growth of FinTech companies/non-financial participants poses challenges to the role and relevance of traditional business models while expanding the frontiers of banking.**

- a) **How would the Board react to these new challenges and what would be the impact on the Group's strategy in SME banking in the domestic front and the region?**
- b) **What and how much the Group would allocate resources and assess the outlook of its SME loans growth prospect?**

Answer

- a) We are a bank that uses **innovation** to bring simple, fast and responsive solutions that are aligned to customers' needs. One of the innovative propositions that we have rolled out this year is the **Alliance Cash2Home** mobile foreign remittance solution, becoming the first Bank in Malaysia to use **facial recognition technology** to authenticate users. We view the rise of Fintech

favorably and will continue to partner Fintech companies to help us accelerate innovations and to create a clear differentiation from our competitors.

- b) We remain positive on our SME loans growth prospect, and expect to grow the SME loan portfolio by **more than 14% y-o-y** in FY18. In addition, we are **expanding our sales teams** to support SMEs in the **retail sector**.

Part 2: Extraordinary General Meeting

The Notice of Extraordinary General Meeting (“EGM”) for the proposed corporate reorganisation, involving among others with a Circular to Shareholders was issued to seek shareholders’ approval that would enable Alliance Bank Malaysia Berhad (“ABMB” or “the Bank”) to assume the listing status of AFG upon completion of the proposals. Could the Board elaborate and clarify,

- a) *What are those differentiated capabilities, initiatives and measures going forward via the launching and scaling up of a number of new and differentiated value propositions to the Group’s customers for establishing a stronger footing to reap further growth of the Bank in years to come?*
- b) *How much is the Board expecting to invest in the required information technology enablers that will support the Bank’s strategic initiatives and focus on streamlining to improve operational efficiencies?*
- c) *In terms of local and regional competitiveness, what innovation would the Board use to align with its customers’ needs and live out its brand by driving client excellence at key touchpoints in alignment with its new brand architecture?*

Answer

- In line with our Brand promise, we will use innovation to bring simple, fast and responsive solutions that are aligned to our customers’ needs. For example, we have launched two new innovative propositions this year:
 - **Alliance One Account:** A loan consolidation service offered to consumers that provides **convenience, control, and flexibility** by consolidating all their monthly loan obligations into a single account. Customers can choose to ‘pay less every month’, ‘save on total interest cost’ or ‘have more cash available’.

- **Alliance Cash2Home:** Our mobile foreign remittance solution provided through employers of foreign workers. The solution uses facial recognition technology to authenticate users and optical character recognition technology allowing users to scan their documents; therefore enabling a paperless application process.
- Our innovations are anchored in robust and **comprehensive consumer and market research** to ensure our propositions are relevant to their needs, and differentiated from the competition. We also obtain **regular user feedback** through bottom-up NPS and user-experience (UX) testing to continually refine these propositions.

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ALLIANCE FINANCIAL GROUP

Alliance Financial Group Berhad (6627-X)

**51st ANNUAL GENERAL MEETING (“AGM”)
WEDNESDAY, 12 JULY 2017 AT 10.30 A.M.**

KEY MATTERS DISCUSSED AT THE AGM

Audited Financial Statements for the Financial Year Ended 31 March 2017

- 1. The revenue growth of 3.2% in financial year ended 31 March 2017 (“FY2017”) was driven primarily by higher net interest income growth of 4.6%. What is AFG’s forecasted revenue growth in FY2018? Will the net interest income continue to be the main earning driver for the Bank?**

Answered by Mr. Joel Kornreich, Chief Executive Officer:

For FY2018, we believe that we are able to maintain the momentum by achieving a revenue growth of around 7% (on BAU basis) and 8% (on BAU and transformation basis) which would be mainly attributed to net interest income growth. The loans growth is expected to be in the mid single digit with an anticipated improvement in the net interest margin by about 5 basis points.

- 2. The net credit cost for AFG has normalized to 24.3 basis points in FY2017 compared to 12.8 basis points in FY2016. What is AFG’s credit cost outlook in FY2018?**

Answered by Mr. Joel Kornreich, Chief Executive Officer:

The higher credit cost in FY2017 was mainly due to seasoning of personal loans portfolio, higher impairment allowances and lower recoveries. We expect the net credit costs for the coming year to be in the range of between 30 and 35 basis points.

- 3. Other than expanding the business through organic growth, will AFG consider banking consolidation or M&A if opportunity arises?**

Answered by Datuk Oh Chong Peng, Chairman:

The Board is not aware of any plan or proposal to be involved in any banking consolidation or M&A.

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