



# ALLIANCE BANK

**Alliance Bank Malaysia Berhad** 198201008390 (88103-W)

Minutes of 39<sup>th</sup> Annual General Meeting ("AGM") of **ALLIANCE BANK MALAYSIA BERHAD** ("Alliance Bank" or "the Bank") held as a fully virtual meeting through remote participation and e-voting via the Vote2U online meeting platform at <https://alliancebank.vote2u.app/> (Domain Registration Number with MYNIC : D6A471702) on Wednesday, 25 August 2021 at 3.00 p.m.

- Directors present remotely via video conferencing** :
- Tan Sri Dato' Ahmad Bin Mohd Don – Tan Sri Chairman
  - Mr. Lee Boon Huat
  - Mr. Lee Ah Boon
  - Datuk Wan Azhar Wan Ahmad
  - Mr. Ho Hon Cheong
  - Mr. Tan Chian Khong
  - Ms. Susan Yuen Su Min
  - Mr. Lum Piew
  - Ms. Cheryl Khor Hui Peng
- In Attendance via video conferencing** :
- Mr. Joel Kornreich (Group Chief Executive Officer) ("GCEO")
  - Mr. Ronnie Royston Fernandez (Group Chief Financial Officer) ("GCFO")
  - Mr. Lee Wei Yen (Group Company Secretary)
- Representative from Messrs. PricewaterhouseCoopers PLT  
Mr. Ong Ching Chuan (Partner and Assurance Financial Services Leader)
- Independent Moderator from Aegis Communications Sdn Bhd  
Mr. Jason Fong (Director)
- Shareholders, Proxies and Corporate Representatives** ("collectively referred to as "Members" hereinafter) :
- 492 Members holding a total of 848,267,433 shares representing 54.79% 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 at 3.00 p.m..

## 1. Welcome by Chairman

Tan Sri Chairman extended a warm welcome to all for participating in the Bank's 39<sup>th</sup> AGM, a fully virtual meeting which was broadcasted live from the Bank's Head Office in Kuala Lumpur through the Vote2U online meeting platform at <https://alliancebank.vote2u.app/>.

Tan Sri Chairman proceeded to introduce to the Meeting, the members of the Board of Directors who are all participating in the fully virtual Meeting, followed by the Management staff in attendance, namely the GCEO, GCFO, the Group Company Secretary.

Tan Sri Chairman informed the Meeting that a repeated question has been received from shareholders on whether there will be gifts or e-vouchers for participating at this AGM. He explained that as advised in the Administrative Details dated 26 July 2021 circulated together with the Notice of the 39<sup>th</sup> AGM, there will be no e-voucher, gift or food voucher to be given out for participating at this AGM.

He then called upon the Group Company Secretary to confirm the presence of a quorum and to provide a summary of proxies received.

## **2. Quorum and Summary of Proxies Received**

The Group Company Secretary confirmed the presence of the requisite quorum.

He reported that the Bank had received proxy forms from 246 shareholders holding a total of 845.6 million shares representing 54.62% of the total issued share capital of the Bank for the Meeting.

Out of these, 181 shareholders with a total of 660 million shares representing 42.57% 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. 65 shareholders with a total of 186.6 million shares representing 12.05% of the total issued share capital of the Bank had appointed other proxies to attend this Meeting.

## **3. Business Performance Presentation**

Tan Sri Chairman then invited Mr. Joel Kornreich, GCEO to present to the Members the Bank's business performance for the financial year ended 31 March 2021.

GCEO proceeded to present the business update and performance of the Bank for the financial year ended 31 March 2021 (including the Bank's initiatives on COVID-19 management and efforts to accelerate remote banking), the strategic priorities for the next financial year (including sustainability agenda) and awards received for excellence in digital innovations.

The presentation would subsequently be uploaded in the Bank's corporate website under the Investor Relations section.

## **4. Notice of Annual General Meeting**

Tan Sri Chairman announce that the Notice of AGM dated 26 July 2021, together with the Annual Report for the financial year ended 31 March 2021, having been circulated within the statutory period, be taken as read.

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.

The poll would be conducted after all items on the agenda are tabled and deliberated.

The subsequent flow of the Meeting would be as follows :

- (i) Firstly, all items on the agenda as set out in the Notice of the AGM would read out. Thereafter, the questions from shareholders and proxies received prior to this AGM and also during the AGM via real time submission will be addressed.
- (ii) The Bank has appointed Aegis Communication Sdn Bhd as the independent moderator to enhance the transparency of the question and answer session. The questions received would be moderated to avoid repetition.
- (iii) After dealing with the questions, all the 6 Ordinary Resolutions as set out in the Notice of AGM would be opened for voting via the Vote2U online voting platform

However, if Members wish to vote before the voting session begins, they may do so as the online remote voting is accessible from the commencement of the Meeting until the end of the voting session which will be announced later.

- (iv) Members were reminded that as this fully virtual AGM is restricted to the Bank's shareholders and their proxies who had registered to participate at this Meeting, any visual or audio recording of the AGM is strictly prohibited unless the Bank's written consent is obtained prior to the Meeting.

While the Bank tried its best to ensure a smooth live streaming of the proceedings, the quality of the broadcast is very much dependent on Members' internet bandwidth connection.

Tan Sri Chairman then proceeded to call upon the Group Company Secretary to read out all the agenda items, followed by the questions that the Bank received from the Minority Shareholders Watch Group and the Bank's responses before moving on to address the questions received from the shareholders and proxies.

## **5. Agenda Items for the AGM**

### **AS ORDINARY BUSINESS**

#### **5.1 Audited Financial Statements for the Financial Year Ended 31 March 2021 and Reports from the Directors and Auditors thereon**

To receive Audited Financial Statements for the financial year ended 31 March 2021 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.

#### **5.2 Re-election of Mr. Tan Chian Khong who retires by rotation pursuant to Article 87 of the Bank's Constitution – Ordinary Resolution 1**

"THAT Mr. Tan Chian Khong, who retires in pursuant to Article 87 of the Bank's Constitution, be and is hereby re-elected as a Director of the Bank."

**5.3 Re-election of Ms. Susan Yuen Su Min who retires by rotation pursuant to Article 87 of the Bank's Constitution – Ordinary Resolution 2**

"THAT Ms. Susan Yuen Su Min, who retires pursuant to Article 87 of the Bank's Constitution, be and is hereby re-elected as a Director of the Bank."

**5.4 Re-election of Ms. Cheryl Khor Hui Peng who retires pursuant to Article 93 of the Bank's Constitution – Ordinary Resolution 3**

"THAT Ms. Cheryl Khor Hui Peng, who retires pursuant to Article 93 of the Bank's Constitution, be and is hereby re-elected as a Director of the Bank."

**5.5 Payment of Directors' fees and Board Committees' fees for financial year ended 31 March 2021 – Ordinary Resolution 4**

"THAT payment of the following Directors fees and Board Committees' fees with effect from the 39<sup>th</sup> Annual General Meeting until the next Annual General Meeting, be and is hereby approved:

- i) Directors' fees of RM250,000 per annum to the Non-Executive Chairman and RM120,000 per annum to each of the Non-Executive Directors; and
- ii) Board Committee fees of RM50,000 per annum to each of the Board Committees' Chairmen and RM35,000 per annum to each of the Board Committees' members."

**5.6 Payment of Directors' benefits (other than Directors' fees and Board Committees' fees) from the 39<sup>th</sup> AGM to the next AGM – Ordinary Resolution 5**

"THAT the payment of Directors' benefits (other than Directors' fees and Board Committees' fees) to eligible Non-Executive Directors up to an amount of RM1,200,000 from the 39<sup>th</sup> Annual General Meeting until the next Annual General Meeting of the Bank, be and is hereby approved."

**5.7 Re-appointment of PricewaterhouseCoopers PLT as Auditors – Ordinary Resolution 6**

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

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

**Operational and Financial Matters**

**Q1: By FY2025, Alliance Bank aspires to be one of the Top 4 SME Bank in Malaysia and to achieve a return on equity of between 10% and 11% (page 22 of Annual Report 2021).**

- (a) Where does Alliance Bank currently stand in the SME business segment? How does the Group plan to achieve these targets?**

The Bank has a market share of 4.8% for the SME segment as at 31 March 2021. For the financial year ended 31 March 2021 (FY2021), our SME loans growth was 6.4% year-on-year. We plan to achieve these targets by enhancing SME product propositions, expanding sales capacity and digitizing interactions through our Relationship Manager-assisted model. We will also be using the new digital SME channel to reach smaller SMEs.

- (b) **For FY2022, Alliance Bank will establish a new business unit that will focus on digitally acquiring and serving smaller SME clients with an annual turnover of between RM500,000 and RM5 million.**

**What is the objective of setting up this new unit? What does the Bank intend to achieve from this new business unit?**

Through the newly-established Alliance Digital SME, our objective is to provide fast and simple digital solutions to these small SMEs without the need to visit any of our branches. Small SMEs that meet the eligibility criteria may obtain financing digitally. They will also be able to enjoy the convenience of our mobile banking and other business solutions (such as e-commerce and logistics services) through the BizSmart® Solution portal, to help them grow their business.

- Q2: Meanwhile, the Bank will continue managing its loan portfolio with tighter credit underwriting.**

**Will the stricter underwriting process (be) at the expense of loan growth? How is the loan growth expected to perform in FY2022?**

- Given the current environment, we have identified high-risk sectors as those significantly impacted by the pandemic, such as tourism, restaurants, hotel and non-essential retail.
- We will accelerate our loans growth by expanding our sales force for SME and digital SME, as well as the size of our consumer relationship managers and universal bankers, focusing on underwriting of low risk segment and simplifying our loan origination processes.
- We expect our loans growth to be between 3% to 4% in FY2022, and expect the growth will continue to be driven by our core segments. Our risk assessments are evolving over time, and we are positioning for opportunities when the economy reopens after this lockdown.

- Q3: Alliance Bank's gross impaired loan (GIL) ratio increased to 2.34% in FY2021 as compared to 2% in FY2020.**

**What is the management guidance on the Bank's GIL ratio for FY2022?**

We anticipate an increase in gross impaired loans ratio in FY2022 from the 2.34% as at 31 March 2021, in line with the general industry view due to the COVID-19 impact. We will ensure that we have sufficient provisions to cover any additional stress from customers affected by the pandemic.



**Q4: As of March 2021, the total payment moratorium, repayment assistance, rescheduling and restructuring granted by Alliance Bank amounted to RM25.91 billion, of which RM24.33 billion (94%) was 'resume payment' and the remaining RM1.58 billion was 'missed payment' (page 231 of AR2021).**

**(a) Which are the segments that these loans originated from? Has the Bank seen improvement in the collection of these payments? Is there an increase in default risk for these loans? Is there a need for provision for these loans?**

From the total financial assistance granted as at 31 March 2021, 52.7% were from mortgage, 6.8% were from personal financing and 40.0% were from business banking. We have provided management overlays for customers in the high-risk segments and those that have taken up loan modifications. Our collection level is 94% as of 31 March 2021, based on customers that have resumed full or partial repayment, compared to 46% during the automatic moratorium period which ended in September 2020.

**(b) As of 31 March 2021, what is the size of the outstanding loans that is still under Alliance Bank's repayment assistance program? What is the percentage that these outstanding loans when compared to Alliance Bank's total loan book?**

As of 31 March 2021, the size of the outstanding loans that are under financial assistance amounted to RM7.0 billion, of which RM5.7 billion were under payment relief assistance and RM1.3 billion under extended moratoria. This represents about 16% of our loan book.

**Q5: With the announcement of the Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH), individual, microenterprise borrowers and SMEs affected by the COVID-19 pandemic may apply for a six-month loan/financing moratorium or a 50% reduction of instalments for six months.**

**(a) Compared to previous six-month automatic blanket loan moratorium implemented last April, does the Group expect to provide lower level of payment assistance to borrowers under the PEMULIH loan moratorium program?**

The Group expects to grant a lower level of PEMULIH moratoria to our customers as compared to the previous six-month automatic blanket loan moratoria.

**(b) What is the expected size of repayment assistance and day-one modification loss arising from this new relief measure?**

PEMULIH moratoria enrolments started on 7 July 2021 and are on-going. As of 18 August 2021, total financial assistance stood at RM13.97 billion, of which RM9.80 billion were under PEMULIH.

**Q6: Alliance Bank's credit policy prohibits lending to illegal business activities that cause environmental harm (page 32 of AR2021).**

**What are the prohibited business activities listed in Alliance Bank's lending policies? Has the Bank integrated the environmental, social and governance (ESG) aspects in its lending policies? If yes, what are the measurable goals, targets, KPIs established to support the agenda?**

- We prohibit lending to businesses that break environmental protection laws. Examples of such prohibitions are illegal dumping of toxic waste, open burning, and hill side development without approval from the Department of Environment.
- The Bank is currently formalising policies and tools to institutionalise ESG as part of the existing lending policies. This initiative will be completed by March 2022.
- The Bank will focus on growing our sustainable banking business in the next four years. We target to achieve RM5 billion of new sustainable business by financial year ending 31 March 2025. We will also be helping our customers transition towards sustainable practices.

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

**7. Director who retires and did not seeking re-election**

At this juncture, Tan Sri Chairman announced that Mr. Ho Hon Cheong who retires by rotation pursuant to Article 87 of the Bank's Constitution at this AGM and did not seek re-election, would retire as a Director of the Bank at the conclusion of this AGM.

**8. Questions and Answers Session with Members**

Tan Sri Chairman then invited Mr. Jason Fong from Aegis Communication Sdn Bhd, the independent moderator to read out the questions received from shareholders and requested the GCEO, Mr. Joel Kornreich, to address the questions one by one.

*[The list of questions from Members and the Bank's responses are set out in Annexure 1]*

Tan Sri Chairman informed that for any questions which could not be answered at this Meeting during the allocated time of the question and answer session, the Bank's responses will be emailed to the respective shareholders or proxies at the earliest practicable time after the AGM and posted on the Bank's corporate website. With that, the question and answer session closed.

**9. Poll Voting Session**

Tan Sri Chairman announced the commencement of the online remote voting session at 4.10 p.m. and invited shareholders and proxies proceed to cast their votes with the session closing in 5 minutes at 4.15 p.m. The video presentation on the steps to cast the vote was played during this time.

At 4.15 p.m., Tan Sri Chairman declared the closure of the online remote voting session for the 39<sup>th</sup> AGM and that the votes will be verified and validated by the Independent Scrutineers. Tan Sri Chairman proceeded to adjourn the Meeting for 15 minutes for the polling verification process.

## 10. **Poll Results**

Tan Sri Chairman called the Meeting to order at 4.30 p.m. for announcement of the poll results. Based on the poll results below which had been verified by the Independent Scrutineers, Tan Sri Chairman declared that all Ordinary Resolutions from 1 to 6 carried.

	<b>For</b>		<b>Against</b>	
	<b>No. of Shares</b>	<b>%</b>	<b>No. of Shares</b>	<b>%</b>
Ordinary Resolution 1	837,324,591	98.83215	9,894,283	1.16785
Ordinary Resolution 2	841,139,342	99.28241	6,079,532	0.71759
Ordinary Resolution 3	846,965,668	99.97011	253,206	0.02989
Ordinary Resolution 4	846,836,785	99.95502	381,049	0.04498
Ordinary Resolution 5	846,690,465	99.95954	342,735	0.04046
Ordinary Resolution 6	844,453,634	99.67126	2,785,250	0.32874

### **Ordinary Resolution 1**

**Re-election of Mr. Tan Chian Khong who retires by rotation pursuant to Article 87 of the Bank's Constitution**

**RESOLVED THAT** Mr. Tan Chian Khong, 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 Ms. Susan Yuen Su Min who retires by rotation pursuant to Article 87 of the Bank's Constitution**

**RESOLVED THAT** Ms. Susan Yuen Su Min, 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 Ms. Cheryl Khor Hui Peng who retires pursuant to Article 93 of the Bank's Constitution**

**RESOLVED THAT** Ms. Cheryl Khor Hui Peng, 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 2021**

**RESOLVED THAT** payment of the following Directors fees and Board Committees' fees with effect from the 39<sup>th</sup> Annual General Meeting until the next Annual General Meeting, be and is hereby approved:



- i) Directors' fees of RM250,000 per annum to the Non-Executive Chairman and RM120,000 per annum to each of the Non-Executive Directors; and
- ii) Board Committee fees of RM50,000 per annum to each of the Board Committees' Chairmen and RM35,000 per annum to each of the Board Committees' members.

**Ordinary Resolution 5**

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

**RESOLVED THAT** the payment of Directors' benefits (other than Directors' fees and Board Committees' fees) to eligible Non-Executive Directors up to an amount of RM1,200,000 from the 39th Annual General Meeting until the next Annual General Meeting of the Bank, be and is hereby approved.

**Ordinary Resolution 6**

**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.

**11. Close of Meeting**

Tan Sri Chairman noted from the Group Company Secretary that the Bank has not received any notice to transact other business at this AGM.

Before closing the Meeting, Tan Sri Chairman on behalf of the Bank, thanked Mr. Ho Hon Cheong who retires 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 endeavors.

There being no other business to consider, Tan Sri Chairman declared the Meeting closed at 4.45 p.m. and thanked Members for their presence. He wished everyone the best of health and to stay safe.

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

**CONFIRMED AS A CORRECT RECORD**

**- Signed -**

**TAN SRI DATO' AHMAD BIN MOHD DON**  
**CHAIRMAN**

Date:

Annexure A - Questions from Shareholders Received Prior and During the AGM and Alliance Bank's ("the Bank's") Responses

**Q1: Please explain the rationale for the Bank's FY2021 dividend of 5.79 sen. Why was it not rounded off to 6 sen to match the Bank's FY2020 dividend?**

A: (GCEO) The Bank's decision on interim dividend was based on distributing 25% of the Bank's earnings per share (EPS) which was 23.176 sen per share in FY2021.

**Q2: In view of the Targeted Repayment Assistance (TRA) and PEMULIH moratorium, what is the Bank's expected modification loss. Will it be lower or higher than during the previous moratorium?**

A: (GCEO) The impact of these moratoriums will depend on the take-up rate of the new loan modification and PEMULIH moratorium which is still ongoing. As of 18.08.2021, the Bank had provided nearly RM14.0 billion of financial assistance to customers, of which RM9.8 billion was under PEMULIH. The increase since the end of FY2021 was about RM7.0 billion but most of that have not led to an increase in modification loss. We will continue to monitor the impact of the modification loss and believe it will be manageable in the low double-digits.

**Q3: What is the Bank's view on Citibank's recent exit from retail banking in Malaysia? Would the Bank be interested in acquiring Citibank's retail banking to strengthen its credit card business?**

A: (GCEO) The Bank will continue to explore options and opportunities which may benefit us in the long term. We are not able to comment at this juncture. If there are any corporate exercises, we will make the necessary announcements in due course.

**Q4: What is the Bank's guidance for FY2022 credit cost and net interest margin?**

A: (GCEO) The Bank's guidance for FY2022 credit cost is less than 90bps compared to 121bps in FY2021. We expect FY2022 net interest margin to be around 2.35% compared to 2.3% in FY2021.

**Q5: Does the Bank have any coal financing that could raise issues related to Environmental, Social and Governance (ESG)?**

A: (GCEO) Currently, the Bank does not have any exposure to coal financing. We have established a governance structure for sustainability within the Bank. This includes the Group Sustainability Committee at the Board level supported by the Sustainability Steering Committee at the management level.

Moving forward, we are establishing a Sustainability Team to execute our sustainability initiatives. We have identified coal financing as one of the sensitive sectors, in terms of sustainability, that we will be focusing on, in addition to other sectors such as oil and gas, palm oil and forestry. We will provide the relevant updates in due course.

**Q6: How many of the Bank's staff have tested positive for Covid-19? Is the Bank part of the PIKAS vaccination initiative or buying vaccines for the Bank's staff, especially the front-liners?**

A: (GCEO) As of 18.08.2021, the Bank had a total of 288 positive Covid-19 cases. 247 staff (86%) have fully recovered. The remaining 41 employees are receiving treatment at the hospital or quarantining at home. The Bank is helping staff to obtain vaccinations. We also have an accelerator programme to purchase vaccines from a third party and about 600 staff (primarily front-liners) have registered for this.

**Q7: Net credit cost for FY2021 is RM533.0 million, of which RM312.7 million is management overlay. Please provide a breakdown of the remaining RM221.0 million. Is it related to any specific accounts or the Malaysian Financial Reporting Standards 9 (MFRS 9)?**

A: (GCEO) To clarify, the Bank's accounting treatment falls under MFRS 9. The remaining RM220.2 million comprises the following – RM136.4 million from Consumer Banking (vs RM223 million in FY2020) and RM83.8 million from Business Banking which is slightly lower than FY2020. The reason why it is slightly lower is because of the non-staging of accounts under the moratorium which creates a certain lack of visibility in the conduct of these accounts. This is why we provided management overlays to cater for the risks of people going into loan modifications and the uncertainty of how they will emerge from these loan modifications.

**Q8: Please consider interim dividends in the future to reward shareholders.**

A: (GCEO) Due to the Covid-19 pandemic, the Bank has decided to prioritise capital conservation to cater for future business expansion and the current unusual circumstances. We will revisit dividend distribution when we have more visibility. We cannot comment on the proposal for FY2022 dividend distribution which has to receive the requisite approvals.

**Q9: The Bank has been proactive in managing asset quality since the onset of Covid-19. With the challenging market outlook, what is the Bank's strategy for growth? Are there any specific industries that present loan growth opportunities?**

A: (GCEO) The Bank's FY2022 guidance for loan growth is between 3%-4%. The start of this financial year has been very challenging due to Covid-19 related restrictions and operational difficulties. However, we have a strong pipeline of loans and are focused on growing the SME and Consumer Banking franchises.

Demand is still healthy and once things are stabilised from a health perspective, we expect a re-acceleration of growth. Moving forward, we have also been investing in the expansion of our sales force and SME Banking. We recently launched Digital SME, expanding the sales force in Wealth Management and some of our branch services to better serve customers. Consequently, we believe that we can achieve our target of 3%-4% loan growth this year.

For mortgages, we are refocusing the business away from the majority of Alliance One Account (AOA) towards end-financing and helping people buy homes. We continue to improve our capabilities in e-KYC so that SME and Consumer Banking customers can apply for loans completely remotely.

**Q10: Buy Now, Pay Later (BNPL) platforms have been gaining popularity in Malaysia but the nascent industry is still unregulated. Will Bank Negara Malaysia (BNM) impose the requisite regulations?**

A: (GCEO) Currently, BNPL is operated by non-financial institutions and does not fall under the purview of BNM. We can't really comment on how this industry will be regulated, but if it grows significantly, it will likely be regulated.

**Q11: Are there any plans to launch a Dividend Reinvestment Plan (DRP). Is it possible for the Bank to adjust dividend payout on a quarterly basis instead of half yearly?**

A: (GCEO) The Bank has no plans to initiate DRP. Our Common Equity Tier-1 capital level of 15% is ample. Making changes to dividend distribution or its structure is not something the Bank will be doing during these uncertain times. We will maintain our long term policy of distributing up to 60% as dividend but we do not plan to make the distribution more frequent.

**Q12: Please provide an update on the Bank's FY2022 Return On Equity (ROE), loan growth, dividend policy, digital transformation progress and Non-Performing Loans (NPL).**

A: (GCEO) The Bank has provided guidance for most of these for FY2022, such as ROE of 7.5% (vs 5.9% in FY2021) and loan growth of 3%-4%. Our dividend policy will remain unchanged. We are targeting 3/4 of transactions to be done digitally and will continue to roll out innovations.

For example on our e-trade platform we will be rolling out FX capabilities and other products such as e-promissory notes and LCs. We have just launched our Digital SME platform which lends unsecured loans to smaller SMEs at up to RM100,000. Our credit cost is expected to be within 90bps in FY2022. Of course, with the ongoing Covid-19 situation, we will continue to see some increases on gross impaired loans.

**Q13: If the Bank needs to completely waive interest during the loan moratorium period, how will its bottom line be impacted?**

A: (GCEO) The Bank is not planning to do this. Most of the programmes that have been implemented pertain to variable rate loans and are quite bearable from a customer perspective, as well as completely in line with industry practice. We have provided some relief for customers on fixed rate loans, particularly personal financing by virtue of how the packages are structured which leads to some modification loss.

**Q14: The Bank has not performed as well as other banks in the industry and its share price has fallen. What are the Bank's plans to improve profitability and protect shareholders' interest? Are there any plans to replace the CEO or restructure the management team?**

A: (GCEO) On plans for a new CEO, this is not something I can answer myself. However, we believe that the Bank will rebound strongly from FY2022 onwards. The Bank has maintained momentum from FY2021 with revenue growth of 7.6% and pre-provisional operating profit growth 15.3% to over RM1.0 billion for the first time.

We will continue to invest in the Bank's expansion capabilities. However, the RM313.0 million management overlay has dampened profitability but this was done to cater for the risks that have arisen from the Covid-19 pandemic. We have guided for ROE of 7.5% for FY2022 and returning to double-digits ROE by FY2025. We have robust expansion plans

including in SME, Digital SME, Consumer and Wealth Management. To address the issue of asset quality, we have also considerably tightened our origination and focused a lot more on lower risk segments to protect the interest of shareholders.

**Q15: How much has the Bank spent on organising this year's virtual Annual General Meeting (AGM)? Compared to a conventional AGM, are there any savings in having a virtual AGM?**

A: (GCEO): The Bank has spent approximately RM100,000 to organise this year's virtual AGM, down from last year which cost RM120,000. For a conventional AGM, the cost is RM450,000. The Bank has saved more than RM300,000 by moving to a virtual AGM.

**Q16: Will the Bank continue to organise virtual AGMs after the pandemic?**

A: (GCEO) It is a good format for sustainability and cost savings but we have not made any decisions yet. We also have to take into account our shareholders' needs.

(Group Company Secretary) It depends on how long the pandemic will last. Companies are moving towards hybrid meetings, a combination of physical and virtual meetings that allow participation from both outstation and overseas shareholders. This is something the Bank is looking into.

**Q17: In FY2021, the Bank reported a realised gain of RM186.423 million from derivative instruments and marked-to-market loss of RM74.657 million, a significant reversal compared to FY2020. Please provide the details on the nature of the derivative instruments and the reasons for the substantial gains and losses compared to FY2020.**

A: (GCEO) These were primarily linked to changes in interest rates. The Bank benefited by taking profit when interest rates fell. The drop in interest rates also had an impact on the Bank's balance sheet and net interest margin.

(GCFO): With regards to derivatives, the Bank has currency swaps, currency forwards and interest rates swaps. When looking at the numbers, shareholders should also include foreign exchange losses or gains. Taking that into consideration, the increase is only RM7.0 million.

**Q18: A state assemblyman in Pahang recently proposed the closure of gambling centres and nightclubs. How will the Bank mitigate and formulate risk management frameworks in view of this proposal?**

A: (GCEO) The Bank does not finance nightclubs or any businesses of this nature. I do not think this proposal will have significant impact on the Bank.

**Q19: How much of the Bank's loans are currently under opt-in moratoriums or any type of payment relief programmes?**

A: (GCEO) RM13.97 billion of the Bank's loans are under some type of assistance programme, out of which RM9.8 billion is under the PEMULIH programme. PEMULIH is an automatic opt-in programme and has had very broad take-up, primarily in the mortgage space. Mortgage and AOA had a total take-up of RM6.4 billion with SME Banking comprising RM4.3 billion of the financial assistance programme. 90% of participants in the PEMULIH programme had no arrears at the time they took up the programme. We believe that the



programme is very helpful to consumers and will not be of significant concern for the Bank from a credit perspective.

**Q20: What are the Bank's total provisions so far for these loans? Are more provisions expected in the coming quarters when the moratorium ends?**

A: (GCEO) We cannot comment on the exact level of provisions right now because we have not disclosed our Q1 results yet. As of the end FY2021, we had provided in excess of RM300.0 million in overlays based on a risk-based approach because not all customers who received payment assistance are equal in terms of risk. Customers who operate in riskier sectors or exhibited some signs of stress in repeat delinquency attract higher levels of provisioning.

We have provided very amply for customers who are under the repayment assistance, as was evident when they emerged from the automatic moratorium which ended in October 2020. How they emerge from payment assistance packages at the beginning of the next calendar year remains to be seen but we believe that the Bank is well provisioned.

**Q21: During the 2019 AGM, the Bank talked about improving its Risk-Adjusted-Return (RAR) loans portfolio, such as AOA and personal financing. Can you please share how these loans have been performing so far? Are these loans more susceptible to the impact of Covid-19 and do they require higher provisions?**

A: (GCEO) There are different segments to this portfolio, including the AOA portfolio. In the beginning, the Bank had a learning curve with the AOA portfolio, especially in segments that carried overdraft with higher loss rates. Evidently, they are also more vulnerable to circumstances such as Covid-19.

We have significantly tightened both our targeting and origination practices for AOA. For AOA origination, over the past year, the Bank has had very low delinquency. We have made the requisite provisions based on MFRS 9 and on the loan modifications for these customers as well as on whether they are operating in the more risky sectors. We are no longer placing much emphasis on AOA and have decided to diversify our origination of mortgages with approximately 1/3 in AOA, 1/3 in End Financing and 1/3 in sub-sale.

**Q22: There has been a big increase in financial investments at amortised cost amounting to RM2.15 billion, comprising Malaysian Government Securities and investment issues. These items were absent in FY2020. Please explain the reasons for these investments and their impact on the Bank's financial performance.**

A: (GCEO) In the past year, the Bank has taken profit from bond investments, taking into account the interest rates environment. In addition to that, we have reduced our vulnerability to interest rates fluctuations in anticipation of potentially continued drop in interest rates. Consequently, this has required a number of adjustments in the portfolio.

**Q23: The Bank prides itself on its digital solutions. However, new digital banks will likely offer similar or more advanced digital solutions. What is the Bank's strategy to compete against these new players?**

A: (GCEO) There are different ways to approach the digital transformation of the Bank including applying for a digital licence. We have decided not to do this but will work internally by focusing on our customers' needs, particularly in SME and Consumer Banking.

We launched the Digital SME platform. We are also one of the first banks to launch e-KYC by offering the consumers the ability to apply for a personal loan, credit card or open an account remotely. We have advanced our digital agenda by shifting many of our products and services to digital platforms. For example, 30% of trading is now done via our e-trade application. 20% of personal loans are now granted digitally. We are doing this from the inside out, rather than using a different strategy such as applying for a digital licence.

**Q24: Malaysia's household debt-to-Gross Domestic Product (GDP) ratio has surged past 90% recently. Does the Bank foresee weak demand for residential mortgages and hire purchase businesses in the coming year due to overstretched customers?**

A: (GCEO) We do not think so. The situation has not fundamentally changed. There have been very volatile fluctuations in GDP growth numbers due to the Covid-19 situation. Although Malaysian consumers have high debt levels, they also have strong financial assets in the Employees Provident Fund (EPF). Therefore, the numbers are not quite comparable to other countries. The consumer debt-to-GDP has been upward of 80% for a very long time but this has not significantly changed the trajectory of demand for housing loans.

**Q25: What is the Bank's target for net ROE for FY2022 and FY2023? What is the targeted timeline to return to double-digits ROE?**

A: (GCEO) The Bank's target ROE for FY2022 is upward of 7.5% and is aiming to return to double-digits by FY2025 or sooner.

**Q26: What is the Bank's forecast for SME market share growth in FY2022?**

A: (GCEO) Our SME Banking market share is currently 4.8% and we are targeting upward of 5% market share this year. We are investing in 130 new sales personnel to double our SME Banking market share by FY2026.

**Q27: The Bank has been highly focused on past audited accounts at the expense of customers who are expanding. Will the Bank's strategies on loan application and approval process be changed to capture a bigger slice of the business?**

A: (GCEO) We use multiple criteria and are very cognisant of the fact that throughout the Covid-19 crisis, many customers have seen a temporary dip in profitability or reported losses. However, we believe in the long term viability of these customers and would like to support them. The Bank has a programme focusing simply on account statements that allows the Bank to assess criteria such as turnover and cash flow. We are also applying more flexibility for sectors that we believe are viable throughout this pandemic era.

**Q28: Does the Bank have any special schemes to retain its talent?**

A: (GCEO) The Bank has a longstanding and award-winning management training programme to on-board new management trainees every year. It has been very successful and we are into the 9<sup>th</sup> year of this programme.

We also have a programme for senior managers called the Alliance Leadership Programme to nurture our best staff. Based on the latest industry figures, the Bank has been able to retain its talent. For example, last year staff attrition in the industry was 11.1%, compared to the Bank's staff attrition of around 9%.