



ALLIANCE BANK

Alliance Bank Malaysia Berhad 198201008390 (88103-W)

Minutes of 40th Annual General Meeting (“AGM”) of **ALLIANCE BANK MALAYSIA BERHAD** (“Alliance Bank” or “the Bank”) held as a virtual meeting through live streaming and online remote voting using the Remote Participation and Voting facilities via the Vote2U online meeting platform at <https://alliancebank.vote2u.app/> (Domain Reg No. **D6A471702**) from the broadcast venue at the Agate and Sapphire Room, 20th Floor, Menara Multi-Purpose Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur on Wednesday, 4 August 2022 at 10.00 a.m.

Directors present at the broadcast venue

Tan Sri Dato’ Ahmad bin Mohd Don – Chairman
Mr. Lee Boon Huat
Ms. Susan Yuen Su Min

Directors present remotely via video conferencing

: Mr. Wong Yuen Weng Ernest
Mr. Lee Ah Boon
Datuk Wan Azhar bin Wan Ahmad
Mr. Tan Chian Khong
Mr. Lum Piew
Ms. Cheryl Khor Hui Peng

In Attendance at the broadcast venue

: Mr. Joel Kornreich (Group Chief Executive Officer) (“GCEO”)
Mr. Ronnie Royston Fernandiz (Group Chief Financial Officer) (“GCFO”)
Mr. Lee Wei Yen (Group Company Secretary)

Representatives from Messrs. PricewaterhouseCoopers PLT
Mr. Ong Ching Chuan (Partner)
En. Mohamed Zharif Agil (Partner)

Independent Moderator

Mr. Jason Fong, Executive Director, Aegis Communications Sdn Bhd

Shareholders, Proxies and Corporate Representatives
 (“collectively referred to as “Members” hereinafter)

: 454 Members holding a total of 838,074,512 shares representing 54.14% of the total 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 10.00 a.m.

1. Welcome by Chairman

Tan Sri Chairman extended a warm welcome to all for participating in the Bank’s 40th AGM, a virtual meeting which was broadcasted live from the broadcast venue through the Vote2U online meeting platform at <https://alliancebank.vote2u.app/>.

Tan Sri Chairman proceeded to introduce to the members, the Directors who were present at the Meeting, followed by the GCEO, GCFO and the Group Company Secretary who were in attendance.

Tan Sri Chairman informed that a repeated question has been received from shareholders regarding door gifts. He explained that as this was a virtual AGM with no physical attendance required, there will be no door gifts to the shareholders and proxies for participating in this AGM.

He then called upon the Group Company Secretary to confirm the presence of a quorum and to provide the Meeting with a summary of the 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 registration of 341 appointed proxies holding a total of 836,882,696 shares representing 54.1% of the total share capital of the Bank for the Meeting.

Out of these, 282 registrations with a total of 693,505,314 shares representing 44.8% of the total share capital of the Bank had appointed Chairman of the Meeting as their proxy to vote for them at the Meeting. 59 registrations with a total of 143,377,382 shares representing 9.3% of the total share capital of the Bank had appointed other proxies to attend this Meeting.

As the requisite quorum was present, Tan Sri Chairman declared the Meeting duly convened and proceeded to call the Meeting to order.

3. Business Performance Presentation

Tan Sri Chairman then invited Mr. Joel Kornreich, GCEO to present to the Members the business update and performance of the Group for the financial year ended 31 March 2022 ("FY2022").

GCEO proceeded to present the business update and performance of the Bank Group for FY2022:

i. FY2022 Financial Highlights

- ☐ **Revenue & Profitability**
- ☐ **Effective Risk Management**
- ☐ **Shareholder Value**

ii. FY2022 Strategic Priorities: Achievements

- ☐ **Acquire more customers**
- ☐ **Deepen customer engagement**
- ☐ **Gain efficiencies**

iii. Going Forward & Sustainability

- ☐ **FY2023 Strategic Priorities**
- ☐ **Sustainability**
- ☐ **Awards**

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

4. Notice of Annual General Meeting

Upon completion of the presentation by the GCEO, Tan Sri Chairman proceeded with the business of the Meeting.

He declared that the Notice of the AGM, having been duly served on Members, be taken as read.

Tan Sri Chairman further announced that in compliance with the Main Market Listing Requirements of Bursa Malaysia, all resolutions set out in the Notice of the AGM will be voted by poll. The poll shall be conducted electronically through online remote voting on the Vote2U e-voting platform. The Bank has appointed BDO Consulting Sdn Bhd as the Independent Scrutineer to verify the poll results and that the poll shall be conducted after all items on the agenda are tabled and deliberated.

The Meeting will be conducted as follows:

- (i) Firstly, all items on the agenda as set out in the Notice of the AGM will be read. 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 Mr. Jason Fong of Aegis Communication Sdn Bhd as the Independent Moderator to facilitate the question and answer session. The questions received will be moderated to avoid repetition.
- (iii) After dealing with the questions, all the 7 Ordinary Resolutions as set out in the Notice of AGM will be opened for voting via the Vote2U online voting platform.

However, Members may cast their votes before the voting session begins 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 AGM was 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 was 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 as set out in the Notice of AGM, 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

5.1 Audited Financial Statements for the Financial Year Ended 31 March 2022 and Reports from the Directors and Auditors thereon

To receive Audited Financial Statements for the financial year ended 31 March 2022 and Reports from the Directors and Auditors.

This agenda item was laid before the Meeting in accordance with Section 340(1) of the Companies Act, 2016 which does not require a formal approval from the shareholders. As such, it was meant for discussion purpose and not put forward for voting.

5.2 Ordinary Resolution 1

- **Re-election of Tan Sri Dato' Ahmad bin Mohd Don as Director who retires by rotation pursuant to Article 87 of the Bank's Constitution**

"THAT Tan Sri Dato' Ahmad bin Mohd Don, 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."

5.3 Ordinary Resolution 2

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

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

5.4 Ordinary Resolution 3

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

"THAT Mr. Lee Ah Boon, 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."

5.5 Ordinary Resolution 4

- **Re-election of Mr. Wong Yuen Weng Ernest who retires pursuant to Article 93 of the Bank's Constitution**

"THAT Mr. Wong Yuen Weng Ernest, who retires pursuant to Article 93 of the Bank's Constitution, be and is hereby re-elected as a Director of the Bank."

5.6 Ordinary Resolution 5

- **Payment of Directors' fees and Board Committees' fees for the Non-Executive Directors for the period commencing 1 April 2022 until the next AGM of the Bank**

"THAT the payment of Directors' fees and Board Committees' fees for the Non-Executive Directors for the period commencing 1 April 2022 until the next AGM of the Bank is hereby approved."

5.7 Ordinary Resolution 6

- **Payment of Directors' benefits (other than Directors' fees and Board Committees' fees) to the Non-Executive Directors of up to RM1,600,000 for the period commencing 1 April 2022 until the next Annual General Meeting of the Bank**

“THAT the payment of Directors’ benefits (other than Directors’ fees and Board Committees’ fees) of up to RM1,600,000 for the period commencing 1 April 2021 until the next Annual General Meeting of the Bank be and is hereby approved.”

5.8 Ordinary Resolution 7

- Reappointment of PricewaterhouseCoopers PLT as Auditors of the Bank and granting authority to the Directors to fix their remuneration

“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.”

6. Minority Shareholders Watch Group Questions and Answers

Operational and Financials Matters

Q1: For FY2022, Alliance Bank registered a 4.6% loan growth, driven by the SME and commercial segments, which both portfolios grew 12.4% respectively.

a) With the challenging macroeconomic outlook, rising interest rate and inflationary pressure, does the Bank foresee a slowdown in credit demand across all its financing segments?

Based on banking system data released by Bank Negara Malaysia, the system loans growth was stable at 5.0% year-on-year for both April and May 2022. We have not seen a slowdown in credit demand although it may be too early to gauge the impact of rising interest rates.

We continue to see a strong growth momentum from the SME segment, which we grew 12.4% year-on-year, and commercial & corporate segment, which we grew 9.5% year-on-year in FY2022. The Bank is expecting to maintain loans growth momentum for business banking, while growing all key segments of consumer banking going forward.

b) What is the targeted loan growth rate in FY2023?

For now, we are maintaining our loans growth target of between 6% to 8% for FY2023.

c) Rising interest rates would cause bond prices to fall and bond yields to rise. The weaker bond valuations would affect banks’ earnings in the form of lower trading and investment income, as well as mark-to-market losses of bond portfolio.

How does the Bank manage the risk to its investment and trading activities under the Group Financial Markets segments?

Trading in fixed income may be limited due to the rising interest rate environment. The mark-to-market losses of the bond portfolio will affect reserve accounts and not earnings.

The Bank's capital base is sufficient to withstand these mark-to-market losses. As of March 2022, our Common Equity Tier-1 (CET1) and total capital ratios (without transitional arrangement) remained strong at 14.6% and 19.8% respectively after taking into account the mark-to-market losses.

The Bank is managing the interest rate volatility risk by hedging part of the bond portfolio, using hedging instruments such as interest rate swaps.

Q2: Alliance Bank's allowance for impairment losses on loans, advances and financing ("LAF") declined to RM217.24 million in FY2022 as compared to RM532.92 million in FY2021. Meanwhile, the net credit cost was lower at 48.1 bps, as compared to 121.4 bps in the year before.

a) How will Alliance Bank's asset quality look like in FY2023? What is the Bank's credit cost guidance for FY2023? What are the assumptions behind this guidance?

With the economic recovery, we will expect the asset quality in FY2023 to remain largely stable although we have customers that are still under pandemic-related financial assistance amounting to RM4.12 billion currently, plus another RM2.43 billion that have resumed normal repayment and are under observation.

We remain vigilant in monitoring all our exposures closely especially those customers that are graduating from the financial assistance programme, as well as, businesses in sectors that are still impacted by the pandemic. We are also maintaining an adequate level of management overlays.

In FY2023, our net credit cost guidance is between 40 bps to 45 bps based on the projection of our observed delinquency trends.

b) In FY2021 and FY2022, Alliance Bank had made collectively RM750.15 million of allowance for expected credit losses on LAF, of which RM511.52 million of it were management overlays.

What is the visibility of writing back these provisions?

We are providing management overlays for customers that are habitually delinquent, those that have taken up loan modifications and those in the high-risk segments.

The pandemic is not over and there are still a lot of uncertainties. Hence, we will continue to maintain the management overlays at a prudent level to manage asset quality.

We will only fully reverse these provisions for accounts with normal repayments for up to eighteen months.

Q3: Over the years, the Bank has intensified the efforts to digitise its services by offering more digital solutions and digital channels to acquire customers virtually.

a) What is the Bank's digitisation roadmap and the expected investments to be made in its digital transformation journey?

About 75% transactions are now digitally performed by customers (compared to 40% before the pandemic). Our digitisation roadmap will enable our bank to fully support customers' digital transactions through focusing on strengthening IT capabilities which includes modernisation of core architecture, strengthening of

areas like data analytics, artificial intelligence and machine learning which will then be leveraged to create new customer experience with digital solutions.

We are planning to spend about RM50 million per year for digital transformation in the next 5 years.

b) How much investments have been spent in digitisation and the value generated from these investments?

Since FY2017, we have spent RM34 million on digital solutions, and generated total revenue and cost benefits of RM77 million over the past six years.

c) On the other hand, the Bank plans to transform ten of its branches into leaner branches in the coming year. How are these “leaner branch” different from conventional branch?

The leaner branches will consist of digitized and more efficient branch processes through placement of more self-service functions like virtual service counters, self-service terminals and eliminating branch back offices, with the objective of improving transaction speed and ultimately delivering a better experience for our customers.

Sustainability Matters

Q4: In FY2022, Alliance Bank had intensified its effort to incorporate sustainability agenda in its operations and lending activities. Some of the efforts put are:

- The establishment of a board-level Group Sustainability Committee and a Sustainability Strategy Framework with three Topline goals to be achieved by FY2025.
- The development of ESG Risk Acceptance Criteria (“RAC”) with a General RAC and four industry-specific RACs have been developed, as well as the rollout of an ESG Screener Tool.

a) Where does the Bank see itself in its ESG journey as compared to other banking peers?

In FY2022, we established important foundations for our sustainability efforts in terms of our strategy, governance, risk management, capabilities and disclosures. We have set meaningful goals for new sustainable business, sustainable portfolio, and GHG emissions. For FY2022, we have achieved all sustainability targets.

Banks are increasingly adopting strategies to manage ESG and climate risks in their business. As Alliance Bank moves to the next phase of our sustainability strategy, we are differentiating by positioning ABMB as an ESG champion for SMEs, as an extension of our existing Group corporate purpose.

b) The Bank previously had set a target of achieving RM5 billion (cumulatively) new sustainable business by FY2025. However, the target had been increased to RM10 billion by FY2025 as stated in AR2022.

What prompted Alliance Bank to make significant adjustment in the target to achieve?

The Bank has recalibrated and doubled the target to RM10 billion as we have been encouraged by the volume and momentum of new sustainable business garnered in FY2022.

- c) Alliance Bank has announced the prohibition of lending for coal-fired power plants, coal mines and businesses that extract oil and gas via unconventional methods.**

Are the Bank's existing commitments affected by this lending prohibition? What is Alliance Bank's current financing exposure to these sectors? When does the Bank expect to fully phase out its presence in these sectors?

The Bank does not have any existing financing exposure in the prohibited sectors.

- d) Which are the sectors subjected to Alliance Bank's industry specific RACs? What is the size of financing originated from these ESG sensitive sectors?**

What would be the actions taken on existing clients who are unable to comply with the Bank's ESG RAC? How does the Bank help these clients to make the necessary transition to adopt sustainable practices in their business operations?

The Risk Acceptance Criteria (RAC) are meant to encourage sustainable practices in specific sectors which are susceptible to ESG risk i.e. Palm Oil, Mining and Quarrying, Oil & Gas, and Forestry & Logging.

We have minimal financing exposure to these sectors, being less than 5% of our portfolio.

We take a nurturing approach to help customers become more ESG-aware and adopt low-carbon business practices. We aim to help customers to migrate out of non-sustainable business models by providing a suite of advisory programs for sustainability awareness and financing solutions for transition.

The sustainability assistance programs are in partnership with Malaysian Green Technology Corporation (MGTC), Bursa Malaysia, and United Nations Global Compact (UNGC) to offer solutions.

- Q5: Alliance Bank announced that it has developed a greenhouse gas ("GHG") reduction plan and will announce the GHG emission targets soon.**

- a) What are the areas covered in Alliance Bank's GHG reduction plan?**

The Bank's GHG reduction plan will lay out specific targets for scope 1 and scope 2 GHG reductions, and will cover:

- energy efficiency enhancements (for example, air-conditioning and electricity usage, solar panel installations and LED lighting replacement)
- streamlining of operations setup
- usage of alternative emissions reduction strategies

- b) By when the Bank would announce the targets and commitments set for GHG emission?**

The Bank will announce the targets and commitments for GHG emissions by end FY2023.

Corporate Governance Matters

Q6: Alliance Bank has departed from applying Practice 5.9 of the Malaysian Code on Corporate Governance which states the Board to comprise at least 30% women directors.

As at the date of its Corporate Governance Report, the Board has two female Directors making up 22% women of the Board.

As of now, the Group NRC has identified a suitable woman candidate for appointment to the Board to meet the 30% target, pending her availability which is expected by end of the year 2022 and subject to regulatory approval.

The timeline to adopt this Practice had been delayed multiple times from 31 December 2020 (Alliance Bank's reply to MSWG dated 23 July 2019) to FY2022 (CGR FY2022 and FY2021) and then to within three years from FY2022.

Given the size and resources, banks are always seen in better position to rope in suitable candidates including women director.

What are the challenges the Bank facing in identifying suitable women director and thus causing the delay in meeting the targeted timeline set earlier?

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

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

- Skill sets from the pool of candidates did not meet all the criteria;
- Candidates that met our requirements were already holding many directorships on other boards, or are unwilling to give up full time employment which have time commitment issue serving on the Bank's Board.

Q7: Referring to Resolution 5 and 6 of Notice of Meeting dated 4 July 2022, Alliance Bank is seeking shareholders' approval for payment of directors' fees, board committees' fees and benefits to non-executive directors based on revised fee structure for the period commencing 1 April 2022 until the next AGM of the Bank.

a) What was the outcome of the review done by the external consultant Willis Towers Watson Malaysia on the remuneration of Alliance Bank's non-executive directors?

The finding from the review by Willis Towers Watson Malaysia shows that the current non-executive directors Board fees are below market median both from a fee structure and actual fees perspective. Reflecting actual time commitment, the average fees per meeting is further below market median given the frequency of meetings in Alliance Bank.

The Board Committee fees are comparable with the market whilst meeting allowances at the Board and Committees level lag significantly behind the market.

The adjustments to the fee structure are important to attract and retain the right talent in the Board in ensuring the continued effectiveness of the Board to drive the long term objectives of the Bank.

b) What were the banks or financial institutions that Alliance Bank benchmarked against in considering the appropriate revision?

The remuneration of Alliance Bank's non-executive directors was benchmarked against seven local banks and five foreign banks.

7. Questions and Answers Session with Members

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

As Ordinary Resolution 1 was on the re-election of Tan Sri Chairman himself as a Director of the Bank, Tan Sri Chairman declared his interest and abstained from deliberation on it. Any question regarding this motion will be addressed by the Bank's Senior Independent Director, Mr. Lee Boon Huat.

The Meeting then proceeded to the question and answer session.

[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, he announced the question and answer session closed.

8. Poll Voting Session

Tan Sri Chairman announced the commencement of the online remote voting session at 11.15 a.m. and invited Members to proceed with casting their votes with the session closing in 5 minutes at 11.20 a.m. A video presentation on the steps to cast the vote was played during this time.

At 11.20 a.m., Tan Sri Chairman declared the online remote voting session closed and that the votes will be counted and verified by the Independent Scrutineers. Tan Sri Chairman then adjourned the Meeting for approximately 15 minutes for the polling verification process.

9. Poll Results

Tan Sri Chairman called the Meeting to order at 11.35 a.m. for announcement of the poll results. Based on the poll results which had been verified by the Independent Scrutineers, Tan Sri Chairman declared that all Ordinary Resolutions from 1 to 7 carried.

	For		Against	
	No. of Shares	%	No. of Shares	%
Ordinary Resolution 1	822,305,639	98.54	12,198,056	1.46
Ordinary Resolution 2	833,599,051	99.51	4,128,344	0.49
Ordinary Resolution 3	836,613,903	99.85	1,237,893	0.15
Ordinary Resolution 4	829,387,877	98.99	8,464,919	1.01
Ordinary Resolution 5	836,832,230	99.87	1,050,353	0.13
Ordinary Resolution 6	836,695,579	99.87	1,056,310	0.13
Ordinary Resolution 7	832,240,469	99.33	5,608,527	0.67

Ordinary Resolution 1

- **Re-election of Tan Sri Dato' Ahmad bin Mohd Don who retires by rotation pursuant to Article 87 of the Bank's Constitution**

RESOLVED THAT Tan Sri Dato' Ahmad bin Mohd Don, 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 Datuk Wan Azhar bin Wan Ahmad who retires by rotation pursuant to Article 87 of the Bank's Constitution**

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

Ordinary Resolution 3

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

RESOLVED THAT Mr. Lee Ah Boon, 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 4

- **Re-election of Mr. Wong Yuen Weng Ernest who retires pursuant to Article 93 of the Bank's Constitution**

RESOLVED THAT Mr. Wong Yuen Weng Ernest, 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 5

- **Payment of Directors' fees and Board Committees' fees to the Non-Executive Directors for the period commencing 1 April 2022 until the next AGM of the Bank**

RESOLVED THAT the payment of Directors' fees and Board Committees' fees to the Non-Executive Directors for the period commencing 1 April 2022 until the next AGM of the Bank, be and is hereby approved.

Ordinary Resolution 6

- **Payment of Directors' benefits (other than Directors' fees and Board Committees' fees) to the Non-Executive Directors of up to RM1,600,000 for the period commencing 1 April 2022 until the next AGM of the Bank**

RESOLVED THAT the payment of Directors' benefits (other than Directors' fees and Board Committees' fees) to the Non-Executive Directors of up to RM1,600,000 for the period commencing 1 April 2022 until the next AGM of the Bank, be and is hereby approved.

Ordinary Resolution 7

- **Re-appointment of PricewaterhouseCoopers PLT as Auditors**

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

10. 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.

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

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

CONFIRMED AS A CORRECT RECORD

(Signed)

AHMAD BIN MOHD DON
CHAIRMAN

Date: 25 August 2022

ABMB AGM 2022 (Q&A)

Q1. Since dividend has normalise is the worst over for the Bank and shareholders can expect increasing dividend and profit?

A: (GCEO) We have not changed our dividend policy of distributing up to 60% of Net Profit After Tax (NPAT) to shareholders. We have to establish the right balance between retaining capital to support business growth and returning capital to shareholders. Over the years, the Bank has maintained or slightly improved on its capital position.

Q2. What is the credit cost and NIM outlook?

A: (GCEO): The Bank's credit cost guidance for FY2023 is between 40 and 45 bps and our FY2023 NIM to be around 2.50%.

Q3. Notice that Alliance Bank has been doing a lot of campaigns/partnership for Saveplus. How is the response from the consumers as I find the idea of opening an account directly using your phone as interesting?

A: (GCEO) The Bank rolled out the ability to open accounts and electronic Know Your Customer (e-KYC) capabilities via mobile phones and it has been very well received by our customers as evidenced by the Bank's Net Promoter Score (NPS) of 43 for opening accounts via mobile phones. 43.5% of our new customers have opened accounts using the mobile app.

Q4. How does the Bank see competition from the upcoming digital banks?

A: (GCEO) Digital banks are mostly focused on underserved segments in the consumer space and microfinancing in the SME space. In the consumer space, the Bank's share of B40 customers is quite moderate at 12%. Therefore, the Bank is not competing directly with the digital banks in this segment.

The Bank has launched digital SME capabilities which may compete with digital banks in certain segments. We are very competitive and can grant up to RM500,000 in unsecured loans digitally based on just 6 months of bank statements. Over the past few years, the Bank has rolled out a wide range of digital solutions for our customers and will continue to do so.

Q5. As per industry-wide commitment signed with AICB, employees from certain core credits are required to pass AICB certified program. Instead of encouraging lifelong learning, the Bank is focusing on academic excellent qualification. What is the Bank's direction to develop human talent?

A: (GCEO) The Bank is very committed in developing human talent and does not exclude any tools or programmes that may help in achieving its objectives. We offer a wide variety of internal training programmes and our staff are sent to external training programmes to gain international exposure and network with their peers. External third party certifications are very beneficial in ensuring that our customers are served by staff with competencies that meet industry standards. Therefore, we welcome the AICB certification programmes.

Q6. Any plan to introduce banking product targeted on specific customer and locality?

A: (GCEO) The Bank has always customised its products and services to various customer segments. For example, our Digital Small and Medium Enterprise (SME) product is opening up a new segment of customers from small enterprises. The Bank has made significant efforts to develop its wealth management business and will always look for opportunities to serve other business segments across the board.

Q7. When will physical AGM resume? Totally disagreed that reason given due to Covid pandemic. As now we are in endemic stage, border reopening, staffs are not allowed to work remotely all year long, team building is allow within the Bank and sales kick start campaign / function hold physical?

A: (GCEO) Ensuring the safety of the Bank's staff and shareholders is of utmost importance. The situation with regards to COVID-19 is fluid and changing all the time. In the long term, we would like to resume at least a hybrid AGM. We will continue to observe how the COVID-19 situation evolves.

Q8. The chairman aged 70 years and above. Is time for Tan Sri to retire and pass the baton to younger generation to lead the BOD. Furthermore, the chairman also fail to fulfill minor shareholder demand.

A: (Senior Independent Director) The Board believes in having a healthy mix of age and experience for effective functioning of the Board. As the capacity, energy and enthusiasm of a Director is not necessarily linked with age, it is deemed not appropriate to prescribe that a Director who is above 70 years old should retire from the Board.

Q9: With the sale of stockbroking business to Phillip future, how will the overall group sustain income only from the banking business ?

A: (GCEO) The Bank's share of revenue from the stockbroking business was 1.1% of the Bank's total revenue. It has always been a marginal business from a profitability perspective. One of the main factors for the sale is for the Bank to focus on its core businesses.

Having said that, the Investment Bank's capital markets business has been transferred to Alliance Islamic Bank which will present great opportunities in the future. In terms of Consumer Banking, the Bank's customers will still have full access to stockbroking and trading services from the Bank's strategic partnership with Phillip Capital Group, the parent company of Phillip Futures Sdn Bhd.

Q10: The Cost to Income ratio had been improving from 50.5% in FY2018 to 44.1% in FY2022.(1) What are the main factors that resulted in the Cost to Income ratio improvements in the past 5 years?(2) What is the targeted Cost to Income ratio in the next 3 financial years?

A: (GCEO) When the Bank's revenue grows faster than its expenses, naturally Cost to Income ratio (CIR) will improve. We are focused on improving both revenue and expenses. Our 3 main priorities are acquiring more customers, deepening business relationships and gaining efficiencies.

We have been able to achieve these 3 elements and grow the Bank's franchises. In particular, we are focused on key segments such as SME that offer the greatest returns on investments. The Bank's success in gaining market share in these key segments, combined with tight control of expenses, have allowed the Bank to improve its CIR.

Q11: As Malaysia interest rate start to be higher, is management expect CASA ratio will drop back to pre-pandemic level which is below 40%? If drop back to that level, how much will it affect the company's NIM ?

A: (GCEO) For now, we expect the Bank's CASA ratio to be significantly higher than 40% of total deposits. The Bank is very competitive with its Alliance SavePlus products. Currently, the Bank's CASA ratio is very stable. We strongly believe that the Bank will continue to have a high CASA ratio, although it will not necessarily have a significant impact on the Bank's margins.

We will optimise both liabilities and assets in the Bank's balance sheet. This has helped the Bank maintains a 30 bps advantage on margins against its competition and also contributes to a lower CIR.

Q12: What is the Company's ROE guidance for FY2024? Will it be sustained at 10%?

A: (GCEO) The Bank's guidance on ROE in FY2024 is over 10%.

Q13: My questions on Alliance Annual Report. Pg 111 of Directors Report – Asset Quality - The Group's allowance for expected credit losses on loans, advances, financing and other financial assets stood at RM217.4 million; How could this be possible as all Business Loan, Vehicle Loan, Housing Loan all are secured against assets, so why high write off provision?

A: (GCFO) The RM217.4 million referred to on page 111 was not a write-off, but the Bank's total provisions for the financial year ended 31 March 2022 (FY2022). The bulk of it is for management overlays.

(GCEO) Overlays provided in FY2022 was RM137 million and the balance RM80 million was from Business-as-Usual credit cost which was comparatively lower than it was previously by 17.7 bps.

Q14: In the Directors Report I looked for CSR (Corporate Social Responsibility) i.e. the Bank's commitment but could not find any.

A: We will revert on the Bank's FY2022 CSR programmes.

(Note: Our CSR programmes are reported in the Sustainability Statement from pages 26 to 51 of the 2022 Annual Report. Our sustainability purpose is to help business owners adopt practical environment, social and governance practices to create value for the business, community and environment. At the same time, we are also changing the way we operate to be more sustainable in the long term.

By FY2025 we aim to :

- Achieve RM10 billion in new sustainable banking business;
- Help customers adopt sustainable lifestyles and business practices;
- Reduce the Bank's greenhouse gas emission footprint.)

Q15: Note 41 Page 218 – Credit Transactions and Exposures with connected parties total credit exposure; The exposure amount of RM49,560,984,000 to connected parties – Does it mean that the exposure amount is not secured against assets? How much of this amount has been impaired?

A: (GCFO) The RM49.56 billion on page 218 is actually the Bank's total credit exposures, the exposures to connected parties was RM323.77 million which was 0.65% to the total credit exposures and there was no impairment from the exposures to connected parties as disclosed.

Q16: What is the percentage of income generated from Shariah compliance compared to standard banking business activities?

A: (GCEO) Currently, Alliance Islamic Bank contributes to about 22%-23% of the Group's total assets, revenue and profitability respectively.

Q17: Loans that are still under some kinds of assistance are at around RM6.28 billion, or 13.6% of the loan book (2022 May Analysts Briefing Slides)(a) This amount is high if compared with peers. Does management have any worry about the quality of these outstanding under-assistance loan?(b) How does management intend to deal with these outstanding under-assistance loans?

A: (GCEO) Of the RM6.6 billion loans under Payment Relief Assistance (PRA), RM2.4 billion have graduated and are under observation. Half of the Bank's loans under PRA comprises SME loans. We are proud to have reached out to 100% of the Bank's SME customers to offer solutions during the pandemic. SME loans tend to be medium term and remain on the loan book slightly longer.

The Bank's loan book is performing extremely well. Our SME Banking team has performed a stellar job in managing the Bank's customers in this key segment. About a quarter of the Bank's loan book is in the Consumer Banking which tends to be very short term. The balance is in Commercial Banking and Corporate Banking.

Q18: What is the remaining pro-active provision that can provide buffer for future bad loans?

A: (GCEO) The Bank's management overlays as at 30 June 2022 was about RM470 million.

Q19: News reported that most SMEs are still facing cash flow issue and will have difficulty graduating from the relief program. Alliance Bank has a very high proportion of SME loans in the loan book (about 33%), do our Bank experience a similar situation, and are the provision for these loans sufficient?

A: (GCEO) As mentioned early, Our SME Banking team did a terrific job during the pandemic, not just managing customers but also being rigorous in underwriting and structuring SME loans. The Bank's SME customers under moratorium are now completely de minimis. Repayments have been spread reasonably in relation to the customers' respective businesses, many of which have gradually normalised. Therefore, currently we do not have any major concerns on SME loans.

Q20: What is the total proceeds received from the Disposal of Stockbroking Business and what is the gain from the disposal?

A: (GCEO) The total proceeds from the sale of the Bank's stockbroking business to Phillip Futures Sdn Bhd will be based on the net book value of the stockbroking business as at the completion date and an amount equal to 60% of the aggregate brokerage fee for the 12 month period on the 12-month anniversary of the completion date. The total proceeds is expected to be about RM117 million.

Q21: How will the Bank ensure system security are protected and no data leaking incidence especially remote working allowed due to MCO on the past and currently?

A: (GCEO) Like other banks, we continuously reinforce our cyber security in line with Bank Negara Malaysia's policy document on Risk Management in Technology requirements. For example, we engage vendors to help monitor and defend the Bank against any potential cyber attacks. We advise all our customers not to reveal any passwords or security information to anyone who might pose as representatives of the Bank. The Bank representatives will never request for any private information such as PIN or password from its customers.

Q22: The effective tax rate for FY2022 are significantly higher at around 30% (vs 25% in previous year)(a) As our FY2022 ended in March 2022, does this means FY2022 will be subject to Cukai Makmur the 33% Tax Rate?

A: (GCEO) The government's one-off Cukai Makmur or Prosperity Tax is only applicable for companies that generate chargeable income of more than RM100 million in the year of assessment 2022. As our financial year end ended in March 2022, we are subject to the payment of Prosperity Tax in FY2022.

Q23: Have we made full provision for the additional tax that needs to be paid for Cukai Makmur?

A: (GCEO) Yes, the Prosperity Tax has been fully provisioned in the Bank's FY2022 financial statements.

Q24: The GCEO presented that Alliance Bank aims to grow new sustainable banking business by RM10 billion by FY2025. The Group achieved RM2 billion in FY2022 and targets for RM2.6 billion in FY2023. Please elaborate on the type of sustainable banking business that will enable the Group to achieve the RM10 billion target. Is this target achievable in view of the continuous competitive financial and economic market landscape with the 5 new digital banks operating soon?

A: (GCEO) There are 6 categories in the Bank's sustainability taxonomy. The first 4 categories comprise businesses that are completely sustainable. These also comprise categories of businesses that are transitioning from less sustainable to more sustainable business and improving their sustainability. The Bank is constantly engaging with its customers to guide them in making these transitions.

Q25: The Stockbroking and Corporate Advisory Business Segment reported a Loss Before Tax of RM2.839 million compared to Profit Before Tax of RM12.685 million (pages 286 to 287 of the Annual Report) What are the reason(s) for the loss reported for FY2022 vs FY2021?

A: (GCFO): The losses for the stockbroking and corporate advisory business segments in FY2022 were mainly due to the drop in brokerage fees in tandem with the reduction in Bursa Malaysia's trading volume.

Q26: What is the contribution of the Corporate Advisory Business in FY2022?

A: (GCFO) The corporate advisory's business contribution was very marginal at about 1% of the Group's revenue.

Q27: In the presentation and answer to MSWG question, out of the RM6.6 billion currently under assistance loans, there are RM2.43 billion that have resumed normal repayment but still under observation. Can management please elaborate why these loans are considered still under assistance even though it resumes normal repayment? What is the criteria for loans to be considered graduate from assistance?

A: (GCEO) The Bank's approach is very conservative. We want to make sure that these loans graduate successfully. As a result, the Bank does not write back the provisions and overlays that are ascribed to these loans until it is certain that these loans are performing well. We wait up to 18 months to fully write back the provisions against these loans. This is the main reason why these loans are still classified as in transition.