

**MALAYSIA BUILDING SOCIETY BERHAD (9417-K)**  
(Incorporated in Malaysia)

MINUTES of the Extraordinary General Meeting of Malaysia Building Society Berhad (9417-K) held at Grand Nexus, Level 3A, Connexion Conference & Event Centre @ Nexus, Bangsar South City, No. 7 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Tuesday, 23 January 2018 at 10.00 a.m.

<b>Present:</b>	YBhg Tan Sri Abdul Halim Ali YBhg Datuk Shahril Ridza Ridzuan YBhg Datuk Syed Zaid bin Syed Jaffar Albar YBhg Dato' Jasmy bin Ismail Encik Aw Hong Boo Encik Lim Tian Huat Ir. Moslim bin Othman Encik Sazaliza Zainuddin Datuk Johar bin Che Mat Puan Lynette Yeow Su-Yin Tunku Alina Raja Muhd Alias	<b>Chairman</b> Non-Independent Non-Executive Director Non-Independent Non-Executive Director Senior Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Non-Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director
<b>In Attendance:</b>	YBhg Datuk Seri Ahmad Zaini Othman	President and Chief Executive Officer
<b>Secretary:</b>	Cik Tina Koh Ai Hoon	Company Secretary
<b>Others</b>	(Guests, shareholders and proxies as per attendance list)	

## OPENING

Y. Bhg. Tan Sri Abdul Halim bin Ali ("Tan Sri Chairman") chaired the meeting. Tan Sri Chairman welcomed all present to the Extraordinary General Meeting ("EGM") of the Company and called the Meeting to order at 10.00 a.m.

## QUORUM

Upon the request by Tan Sri Chairman, the Secretary confirmed that the quorum was met.

## PROXIES

The Secretary informed that the following Forms of Proxy have been received:-

- Form of Proxy appointing Shah Rani binti Zakaria to vote for and on behalf of Lembaga Kumpulan Wang Simpanan Pekerja who holds 3,884,078,968 shares representing 65.56% of the total shareholdings in the Company, voting in favour of the resolution set out in the notice.
- A total of 691 proxy forms were received from the shareholders.

## NOTICE

The Notice convening the Meeting having been circulated within the prescribed period, was with the permission of the Meeting, taken as read.

## **POLL VOTE**

1. Tan Sri Chairman briefed the shareholders, corporate representatives and proxies of their right to speak and vote on resolutions as set out in the notice of ECM dated 31 December 2017.
2. In line with the Para 8.29A of the Main Market Listing Requirements and pursuant to Clause 65 of the Company's Constitution, Tan Sri Chairman demanded for the voting of all the resolutions to be carried out by poll.
3. Tan Sri Chairman informed that the Company had appointed the share registrar Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") to act as poll administrator to conduct the polling process.
4. Tan Sri Chairman further informed that the Company had appointed Coopers Professional Scrutineers Sdn Bhd to act as Scrutineers to verify the poll results. The poll would be conducted when the deliberation on all items to be transacted at this meeting was completed.

## **PRESENTATION OF COMPANY PERFORMANCE AND REPLY TO MSWG QUERIES**

1. Tan Sri Chairman invited the President and Chief Executive Officer ("PCEO") of the company, Datuk Seri Ahmad Zaini bin Othman ("Datuk Seri Zaini") to present the snapshot of the proposed merger between MBSB and Asian Finance Bank Berhad ("AFB").
2. The PCEO also presented the answers to queries raised by Minority Shareholder Watchdog Group ("MSWG") in their letter dated 15 January 2018.

## **ORDINARY BUSINESS**

### **1.0 PROPOSED MERGER OF MBSB AND ASIAN FINANCE BANK BERHAD ("AFB") WHICH ENTAILS THE FOLLOWING:-**

- (I) PROPOSED ACQUISITION BY MBSB OF 532,530,020 ORDINARY SHARES IN AFB ("AFB SHARES") FROM QATAR ISLAMIC BANK, FINANCIAL ASSETS BAHRAIN W.L.L, RUSD INVESTMENT BANK INC AND TADHAMON INTERNATIONAL ISLAMIC BANK (COLLECTIVELY REFERRED TO AS THE "VENDORS") FOR AN AGGREGATE PURCHASE CONSIDERATION OF RM644,952,807.66 ("PURCHASE CONSIDERATION") WHICH WILL BE SATISFIED BY WAY OF CASH AMOUNTING TO RM396,894,036.26 AND THE ISSUANCE OF 225,507,974 ORDINARY SHARES IN MBSB ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM1.10 PER CONSIDERATION SHARE ("PROPOSED ACQUISITION"); AND**
- (II) PROPOSED TRANSFER OF IDENTIFIED SHARIAH-COMPLIANT ASSETS AND LIABILITIES OF MBSB ("IDENTIFIED A&L") TO AFB VIA A MEMBERS' SCHEME OF ARRANGEMENT FOR A CONSIDERATION TO BE DETERMINED LATER BASED ON THE BOOK VALUE OF THE IDENTIFIED A&L AT THE LATEST PRACTICABLE DATE PRIOR TO THE TRANSFER ("PROPOSED TRANSFER OF IDENTIFIED A&L")**

### **(COLLECTIVELY REFERRED TO AS THE "PROPOSED MERGER")**

Tan Sri Chairman informed that the Ordinary Resolution No.1 was to approve the proposed merger of MBSB and AFB which entails the following: -

- i. Proposed acquisition by MBSB of 532,530,020 ordinary shares in AFB (“AFB shares”) from Qatar Islamic Bank, financial assets Bahrain W.L.L, RUSD Investment Bank Inc and Tadamon International Islamic Bank (collectively referred to as the “vendors”) for an aggregate purchase consideration of RM644,952,807.66 (“purchase consideration”) which will be satisfied by way of cash amounting to RM396,894,036.26 and the issuance of 225,507,974 ordinary shares in MBSB (“consideration shares”) at an issue price of RM1.10 per consideration share (“proposed acquisition”); and
- ii. Proposed transfer of Identified Shariah-Compliant Assets and Liabilities of MBSB (“Identified A&L”) to AFB via a members’ scheme of arrangement for a consideration to be determined later based on the book value of the identified A&L at the latest practicable date prior to the transfer (“proposed transfer of identified A&L”)

Resolution 1 was proposed by Encik Manor Singh a/l Jora Singh (Proxy) and seconded by Puan Chan Choi Kuan (Shareholder). Tan Sri Chairman informed that the poll vote would be conducted.

**Question from Shareholder (Encik Wong Chal Khoon): -**

- The Company would dispose-off the residual Non Islamic Assets and Liabilities (“A&L”) of the Company within a period of three (3) years. The Book Value of these A&L were RM7.4 billion and RM3.6 billion, respectively. Encik Wong enquired if the Company would be able to realize the carrying value of these residual A&L upon disposal.

**Company Responses: -**

*By Datuk Seri Ahmad Zaini Othman (President and Chief Executive Officer)*

- The first round of the transfer would be the existing Islamic Asset and Liabilities (“A&L”). The regulator has given the Company a period of three (3) years to convert its identified conventional Asset and Liabilities into Shariah-compliant Asset and Liabilities for the same to be transferred to AFB in subsequent tranches. Within the three (3) year period, the Company would continue to carry out the necessary recovery and would also approach the customers to refinance the conventional loan under Islamic financing. The residue A&L which were not converted by end of the three (3) years period would be disposed.

As a listed issuer and a subsidiary of Employees Provident Fund Board, MBSB would ensure that the disposal of A&L would be transparent and would strictly adhere to the necessary regulatory requirements. The disposal would be made through normal way of disposal i.e. through proper valuation and proper tender exercises.

**Question from Encik Leo Ann Puat (Shareholder): -**

- What is Court Convened Meeting (CCM)? What is the purpose of having the CCM after the completion of EGM? Is this CCM a statutory requirement?
- When is the estimated payback period upon completion of acquisition of AFB?
- Did the Company conduct a thorough assessment on the corporate culture of AFB prior to the acquisition of AFB? What are the Company’s initiatives / actions to integrate both companies’ corporate culture? Would the Company recruit all the staffs from AFB?

**Company Responses: -**

*By Datuk Seri Ahmad Zaini Othman (President and Chief Executive Officer)*

- The Company is required to conduct CCM in accordance to Section 366 of the Companies Act, 2016 for the proposed Scheme of Arrangements.
- In regards to the integration of the staff, the management team would liaise and work closely with the Human Resource Consultant to assess and evaluate the potential of the existing staff of both MBSB and AFB and to integrate the resources into one single workforce.

*By Tan Keng Ling (AmInvestment Bank)*

- The consideration for the purchase of the banking assets was based on the price-to-book multiples which was illustrated in the Circular to Shareholders.
- The payback period would be calculated based on profit forecast projection. At this juncture, MBSB was not in the position to disclose any financial projections without being audited.
- However, the shareholders should also take into consideration the potential benefits arising from the merged entity i.e. the license held by AFB to carry out the Islamic banking business in Malaysia.

**Question by Encik Shawn Lee Eng Shan (Shareholder): -**

- What are the distinctive differences between acquisition of AFB and the past failure of two (2) acquisition / Corporate Exercises? What had contributed to the failure of the past two (2) corporate exercises?
- The difference between MBSB and AFB's corporate culture/practices in extending financing to customers?
- How would the new accounting policies affect the capital requirements of the Company, the Return on Equity ("ROE") and Non-Performing Loan/Financing.

**Company Responses: -**

*By Datuk Seri Ahmad Zaini Othman (President and Chief Executive Officer)*

- The first two Corporate Exercises were the proposed merger with Bank Muamalat Malaysia and the three way merger with CIMB Group Holdings Berhad and RHB Capital Berhad. The objectives of the previous two merger exercises were completely different from the current proposed acquisition. The objective of this proposed acquisition was to acquire the banking license.
- The failure of the past two (2) corporate exercises was due to the disagreement between the parties on the valuation of the Companies.
- Over the past two (2) years, MBSB had been undergoing an aggressive impairment programme. The rationale of the impairment programme was to prepare MBSB to be on the Banking Platform. The impairment programme had been completed in 2017. MBSB had conformed to all the standards as required under the banking environments.
- In this instance, the exercise was successful as the parties had reached the consensus in terms of the valuation based on the advice from the financial advisors.

- There were no issues in terms of the non-performing loans/financing in both MBSB and AFB. The figures in the financial statements of both companies were quite clean. The financial results of the Company would be reflected in the first quarter financial results which would be released in May 2018.
- There was not much difference in terms of corporate culture for both MBSB and AFB as the staff of both companies were involved in banking activities. MBSB had hired the HR Consultants to assist the Companies in achieving the seamless integration of both entities.

**Question by By Encik Leo Ann Puat (Shareholder): -**

- Does MBSB have human competencies to compete with the other established banks? Does the management have any plans to recruit additional employees?
- Suggest that MBSB upgrade the branches.

**Company Responses: -**

*By Datuk Seri Ahmad Zaini Othman (President and Chief Executive Officer)*

- It was an on-going process for MBSB to upgrade and train the existing employees of MBSB and over the last few years. MBSB had been employing new talents from the industry including the experts in data management and digital banking. MBSB was ready to compete with other banks within the industry.
- The upgrading of branches would be done progressively.

**Question by Encik William Ng (Proxy): -**

- It was noted that MBSB was supportive of the affordable housing scheme whereas AFB did not have the track record for home financing.

**Company Responses: -**

*By Datuk Seri Ahmad Zaini Othman (President and Chief Executive Officer)*

- MBSB's existing core activity was in housing and property development financing. With the acquisition of AFB, MBSB would leverage on the expertise in AFB for other financing facilities such as trade financing.

**Question by Encik Ho Shui Fah (Proxy): -**

- The purpose of the corporate exercise was to acquire the entire shares in AFB whereas the circular to shareholders states that the transaction was in relation to Proposed Merger of MBSB and AFB.
- All MBSB Islamic assets and liabilities would be vested down to AFB by March 2018. Was there a plan to change the name of the Company and would the name of MBSB branches be changed to AFB branches upon completion of the acquisition?

**Company Responses: -**

*By Datuk Seri Ahmad Zaini Othman (President and Chief Executive Officer)*

- The Merger Exercise would comprise the following:-
  - a. Acquisition of shares in AFB
  - b. The vesting of the Islamic Assets and Liabilities to AFB.
- The plan would be to change of name of the Bank subject to BNM's approval.

**Question 7 by Encik Zainol Rashid Norddin (Shareholder): -**

- Pursuant to the SPA, what is the condition precedents required to be fulfilled within the stipulated timeframe?

**Company Responses: -**

*By Datuk Seri Ahmad Zaini Othman (President and Chief Executive Officer)*

- Pursuant to the terms of SPA, 10% deposit of total purchase consideration was paid to the stakeholders on 6 November 2017. The balance 90% of purchase considerations would be paid on Legal Day 1. The last Conditions Precedent to be met would be the approval from the shareholders of MBSB and thereafter upon completion, the balance of the purchase considerations would be paid.

**Question 8 by Encik Wong Chal Khoon (Shareholder): -**

- The Cost to Income Ratio ("CIR") of MBSB in the past was about 20%. The average CIR of the banks in the banking industry was about 50%. CIR of MBSB was expected to increase once MBSB start to operate on the banking platform due to the compliance cost.
- How much would the Company spend on CAPEX for the purpose of upgrading the branches?
- MBSB readiness to become a full-fledged Islamic bank? How much would it cost to maintain AFB?

**Company Responses: -**

*By Datuk Seri Ahmad Zaini Othman (President and Chief Executive Officer)*

- The average CIR in banking industry was about 50%. MBSB would monitor the costs closely to ensure that the CIR was maintained.
- In terms of the investment to be made on expansion of branches, MBSB would take into consideration the business requirements and would expand strategically within next 1 to 2 years.
- The core businesses of MBSB would be technology driven. MBSB was in the midst of upgrading its system and the Management would ensure that the new system would be able to meet customers' and regulator's requirements.

**Question 9 by Encik Leo Ann Puat (Shareholder):-**

- One of the competitive advantages of MBSB was the capability to implement salary deduction for the financing obtained by civil servants. Would MBSB be able to continue with such capability once it was on the banking platform?

**Company Responses: -**

*By Datuk Seri Ahmad Zaini Othman (President and Chief Executive Officer)*

- MBSB would continue with the salary deduction scheme for civil servants. All the necessary approvals had been obtained to enable MBSB to continue with salary deductions for civil servants.

**Question 10 by Encik Zainol Rashid Norddin (Shareholder):-**

- The proposed merger would require the approval from the financiers of MBSB. Has MBSB obtained the approval from its financiers?

**Company Responses: -**

*By Datuk Seri Ahmad Zaini Othman (President and Chief Executive Officer)*

- MBSB had obtained 100% approval from the Sukukholders in connection with the transfer of Identified Asset and Liabilities.

**POLL PROCESS**

- There being no further questions, Tan Sri Chairman invited the representative from Tricor to explain the procedure of the poll vote to Members of the meeting.
- Puan Suzana Abd Rahim (“Puan Suzana”) of Tricor explained the procedure for the conduct of poll vote at the meeting.
- Tan Sri Chairman declared that the meeting adjourned at 11.30 a.m. for the poll vote count and shall resume at 11.45a.m. for declaration of poll results.

**ANNOUNCEMENT OF POLL RESULTS**

Tan Sri Chairman called the meeting to order for declaration of results.

**RESOLVED:**

The above Ordinary Resolution was duly approved by the shareholders via poll vote, the results of which as follows:-

Resolution	Votes For		Vote Against		Total Votes Present & Voted	
	Share/Unit	%	Share/Unit	%	Share/Unit	%
<b>Ordinary Resolution</b>	4,088,509,071	99.99967%	13,679	0.00033%	4,088,522,750	100.00%

Tan Sri Chairman declared that above Ordinary Resolution was duly passed, the details of which as follows:-

“**THAT**, subject to all approvals and consents being obtained from all relevant authorities and/ or parties (where applicable), approval be and is hereby given to MBSB to acquire AFB from the Vendors for the Purchase Consideration upon the terms and conditions as set out in the conditional sale and purchase agreement dated 6 November 2017 entered into between MBSB and the Vendors (“**SPA**”);

**THAT**, approval be and is hereby given for the directors of the Company to issue and allot 225,507,974 Consideration Shares subject to and in accordance with the terms of the SPA as set out in Section 2.1.9 of the main letter of the circular and explanatory statement to shareholders of MBSB dated 31 December 2017;

**THAT**, the Consideration Shares shall be issued free from all encumbrances, and with all rights and benefits attaching thereto, ranking equally in all respects with the existing issued and fully paid-up shares in MBSB, including without limitation all rights, dividends and/or other distributions which may be declared, made or paid in respect thereof, where the date on which the shareholders of the Company must be registered in order to participate in the relevant distribution is on or subsequent to the date of completion of the SPA in accordance with its terms;

**THAT**, subject to the sanction of the High Court of Malaya and approval of the shareholders for the Proposed Transfer of Identified A&L as set out in the Notice of Court Convened Meeting for shareholders dated 31 December 2017, the approval of Bursa Malaysia Securities Berhad and approval of all other relevant authorities (if any) being obtained, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to transfer the Identified A&L to AFB in tranches for a consideration to be determined later based on the book value of the Identified A&L at the latest practicable date prior to the transfer, and satisfied by AFB via the issuance of new AFB Shares to MBSB at an issue price to be determined at a later date;

**THAT**, the Board be and is hereby authorised to do or to procure to be done all acts, deed and things and to execute, sign and deliver on behalf of the Company, all such documents as it may deem necessary, expedient and/ or appropriate to implement, give full effect and to complete the Proposed Merger, with full power to assent to any condition, modification, variation and/ or amendment thereto as the Board may deem fit in connection with the Proposed Merger;

**AND THAT**, any and all previous actions taken by the Board for the purpose of or in connection with the Proposed Merger be and are hereby adopted, approved, ratified and confirmed."

### **CLOSE OF MEETING**

There being no notice received for any other business, the Chairman concluded the Meeting at 12.00 noon and thanked all present for their attendance.

### **SIGNED AS A CORRECT RECORD**

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**TAN SRI ABDUL HALIM BIN ALI  
CHAIRMAN**