



AFFIN BANK BERHAD ANNUAL GENERAL MEETING

Kuala Lumpur 15 May 2018





- ❖ **KEY OUTLOOK & GROUP PROSPECTS**
- ❖ KEY PERFORMANCE HIGHLIGHTS & RATIOS
- ❖ PROFIT BEFORE TAX BY SEGMENTS
- ❖ CORPORATE INITIATIVES UPDATE



Commercial Banking

- ❑ Affin Bank Berhad is focusing on the second phase of its three-year Affinity programme initiatives to improve earnings and operating efficiencies. The focus is on building digital banking capabilities with enhanced analytics for better customer engagement, expanding targeted growth segments, enhancing productivity through automation and emphasizing customer experience.

Investment Banking

- ❑ The Investment Banking Group is looking forward to further transforming, especially its investment banking business where it would be better placed and expected to harness the full synergies from the group's re-organisation.



Insurance

- ❑ The life insurance industry grew at 2% for 2017 (by weighted annualised new business premise) and expected to continue to grow at a moderate rate.
- ❑ The life insurance business will aim to reposition its business more towards health and protection with a focus of building a multi channel proposition targeting different customer segments, including customer segments with low penetration rates.
- ❑ The general insurance market is expected to be challenging in 2018 due to the impact of the motor and fire de-tariffication.
- ❑ The general insurance business will focus on selective growth and harness benefits from transformation projects, while continuing its journey to be a customer centric insurer.



AFFIN BANK BERHAD

- Asian Banker's Liquidity Risk Technology Implementation of the Year
- JomPAY National Biller Acquisition (Mid-sized Acquirers) Award
- Runner-up for Best Cash Management Poll (Small) 2017

AFFIN HWANG CAPITAL- Market Ranking & Accolades

- No. 1 Bursa Malaysia's ranking for Value Traded (11.9%; 2016: 11.4%) & Volume Traded (18.0%; 2016: 14.9%)
- No. 2 Unit Trust industry ranking with RM32.7bn (2016: ranked 3rd with RM23.7bn) in AUM . Total AUM grew to RM47.3bn (2016: RM36.3bn)
- No. 3 ranked for Investment Banking capabilities in Euromoney's Private Banking and Wealth Management Survey 2018
- Asiamoney's Best Securities House in Malaysia, and Most Improved Brokerage in Malaysia
- Bursa Malaysia's Best Overall Equities
- Alpha Southeast Asia's Best Mid-Cap Equity Deal in Southeast Asia, and Most Innovative Wakalah Deal in Southeast Asia
- IFR Asia's Islamic Issue of the Year, and Malaysia Capital Markets Deal of the Year
- The EDGE's Best IPO, and 4 (four) Best Call Awards
- Euromoney's Best Asset Management in Malaysia
- The Asset Triple A's Asset Management House of the Year in Malaysia (multi-Asset), and Asset Management Company of the Year in Malaysia



AXA AFFIN GENERAL INSURANCE BERHAD

- Asia Recruitment Awards 2017:
 - Gold – Best Recruitment Evaluation Technique
 - Silver – Best Diversity and Inclusion Strategy
 - Bronze – Best Use of Digital Media
- Asia's Best Employer Brands Awards (8th Edition) - Asia's Best Employer Brand for 2017
- HR Asia – HR Asia's Best Companies to Work for in Asia 2017
- Insurance Asia awards 2017 – International General Insurer of the Year & New Insurance Product of the Year
- Claims Award Asia-Pacific – Claims Fraud Management Team of the Year 2017



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- ❖ **KEY PERFORMANCE HIGHLIGHTS & RATIOS**
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PROFITABILITY

- Achieved a PBT after zakat of RM550.7 million for the year ended 31 December 2017
- Net interest income increased by 7.7% to RM1.2 billion mainly due to higher Islamic banking income.
- Overhead expenses increased by RM240.2 million on VSS cost, staff recruitment and marketing expenses. (of which RM120.2 million is attributed to the overheads of AHIB for the 3 months ended 31 December 2017 i.e. after the Group's re-organisation)
- Allowance for loan impairment increased by RM47.9 million

ASSET QUALITY

- Gross Impaired Loans ratio was at 2.53%. Excluding R&R accounts, the Gross Impaired Loan ratio stood at 1.46% (Dec 2017) vs. 1.60% (Dec 2016)
- Loan Loss Reserve was at 98.5% (Dec 2017) vs. 96.6% (Dec 2016)

CAPITAL ADEQUACY

- Total Capital ratio, Common Equity Tier-1 Capital ratio and Tier 1 Capital ratio of all banking entities within AFFIN remained at healthy levels, well above the minimum regulatory requirements.
- Total Capital ratio for AFFIN Bank Berhad Group stood at 17.03%. (CET1:12.01%, Tier1: 12.03%)
- Total Capital ratio for AFFIN Hwang Investment Bank Berhad Group stood at 32.98% (CET1: 32.34%, Tier1: 32.60%)
- Total Capital Ratio for AFFIN Holdings Group stood at 17.47% (CET1: 12.47%, Tier1: 12.49%)



LOANS & DEPOSITS GROWTH

- Net loans, advances and financing grew by 7.0% yoy to RM45.7 billion driven largely by Consumer Banking and customer deposits was at RM50.9 billion.

BUSINESS PERFORMANCE

- AFFIN Bank Group reported PBT of RM550.7 million in FY 2017 as compared to RM599.9 million achieved in FY 2016 due to higher overhead expenses and higher allowance for loan impairment.
- AFFIN Islamic Bank registered a lower PBT of RM118.0 million in FY 2017 as compared to RM143.4 million in FY 2016 due to higher allowance for financing impairment.
- Affin Hwang Capital recorded a strong PBT of RM182.3 million, a 40% jump from previous year, riding on improved market sentiments that saw significant Asset Under Management (AUM) growth, higher investment and trading as well as capital markets advisory activities. AUM now stands at RM47 billion.
- AXA AFFIN Life Insurance reported a pre-tax loss of RM26.1 million mainly attributable to higher reserves for future policyholders' liabilities as a result of movement in MGS rate, higher expenses offset by higher investment income.
- AXA AFFIN General Insurance registered a lower PBT of RM143.6 million due to impact of premium market liberalisation.

LIQUIDITY & MFRS9

- LCR well above BNM requirements.
- Preparing for NSFR via strategic funding plans.
- MFRS9 ready, impact to capital is expected to be 10-20bps.



**TOTAL CAPITAL
RATIO**

17.23%

DEC 2016: 15.69%

**PROFIT BEFORE TAX
after ZAKAT**

RM550.7MILLION

FY2016: RM599.9
MILLION

**NET INTEREST
MARGIN INCREASED**

2.02%

DEC 2016: 1.84%

**TOTAL EQUITY
INCREASED TO
RM8.3 BILLION**

DEC 2016: RM5.8
BILLION

SUMMARY RESULTS HIGHLIGHTS OF AFFIN BANK GROUP

**GROSS IMPAIRED
LOAN RATIO
INCREASED TO**

2.53%

DEC 2016: 1.60%

**TOTAL ASSETS
RM70.0 MILLION**

16.3% increase

**NET LOAN,
ADVANCES,
FINANCING
INCREASED**

RM45.7 BILLION

7.0% increase

**TOTAL DEPOSITS
INCREASED
RM50.9 BILLION**

6.9% decrease

**NET ASSETS PER
SHARE OF RM4.26**

DEC 2016: RM3.44

EPS OF 24.00sen

FY2016: 27.50 sen



RM Million	ABB Group 2017*	AHB Group 2017**	AHB Group 2016
Net interest income	855,253	964,841	970,542
Islamic banking income	334,267	334,267	272,806
Other operating income	64,349	72,783	86,719
Operating Income	1,253,869	1,371,891	1,330,067
Operating expense	934,289	1,223,469	1,012,599
Operating profit before allowance for impairment losses	626,166	787,333	792,953
Operating profit	541,000	702,318	749,603
Profit before taxation after zakat	550,699#	693,177#	737,713
Net Profit	424,438	534,938	579,810
Earnings Per Share (Sen)	24.00	26.54	29.03

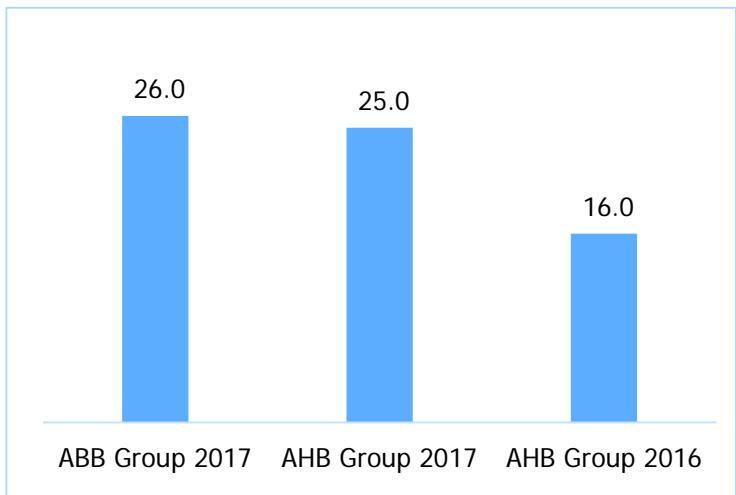
* ABB Group results represent the consolidated results post the Group re-organisation which took effect on 16 October 2017.

** AHB Group consolidated results for the full year, for comparison purposes.

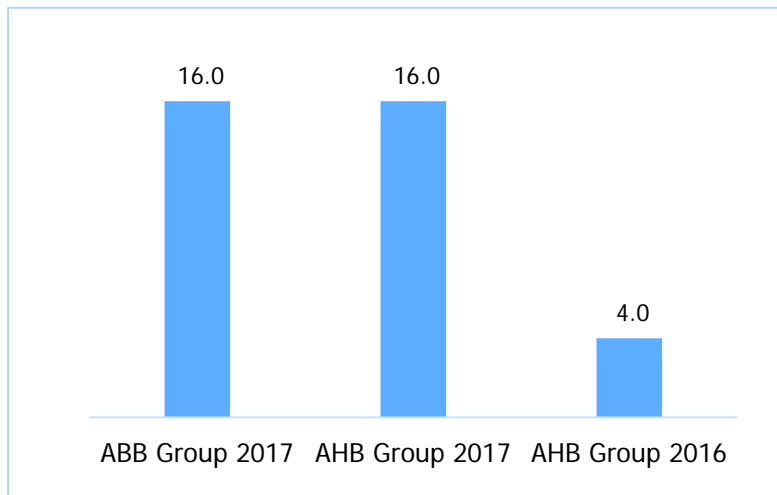
Mainly due to 9 months results of AHIB, AMB, AAGI, AALI plus AHB and ACF's results for FY17



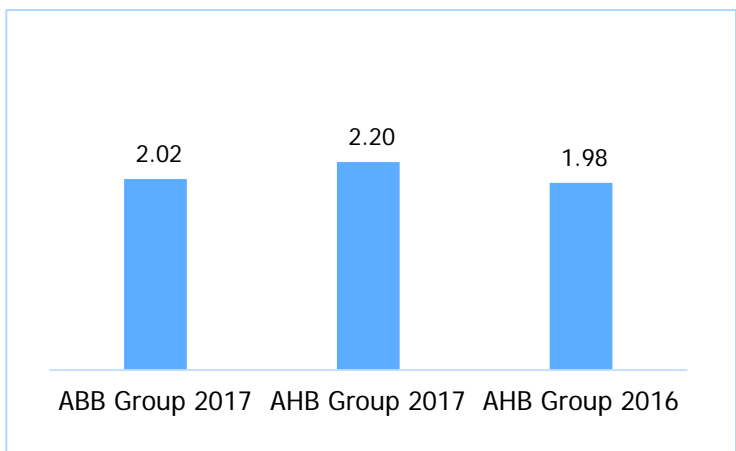
Gross Credit Cost (bps)



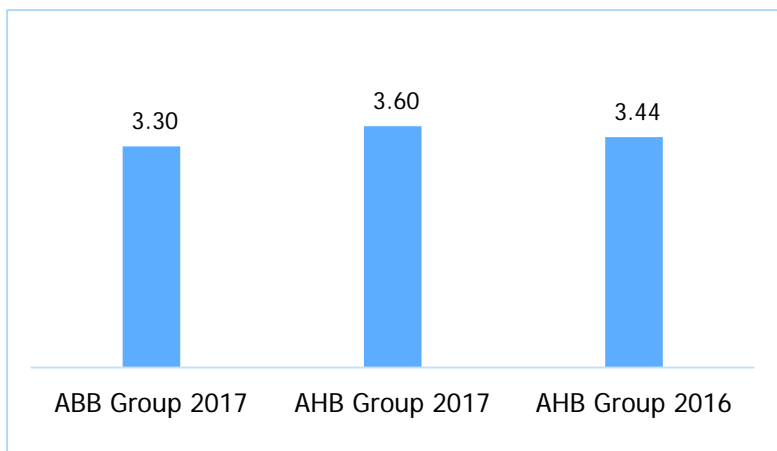
Net Credit Cost (bps)



Net Interest Margin (%)



Cost of Funds (%)





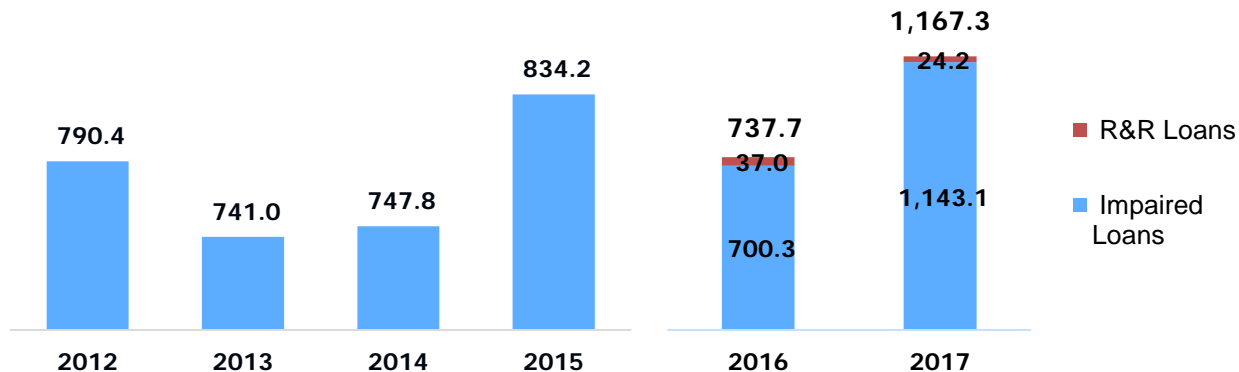
GROUP OVERHEADS COMPOSITION

RM Million ('000)	ABB Group 2017	AHB Group 2017	AHB Group 2016
Personnel cost	606.3	808.0	602.9
Promotion & marketing related expenses	37.3	52.7	41.2
Establishment-related expenses	217.1	254.9	270.2
General & administrative expenses	73.5	107.8	98.3
TOTAL	934.2	1,223.4	1,012.6

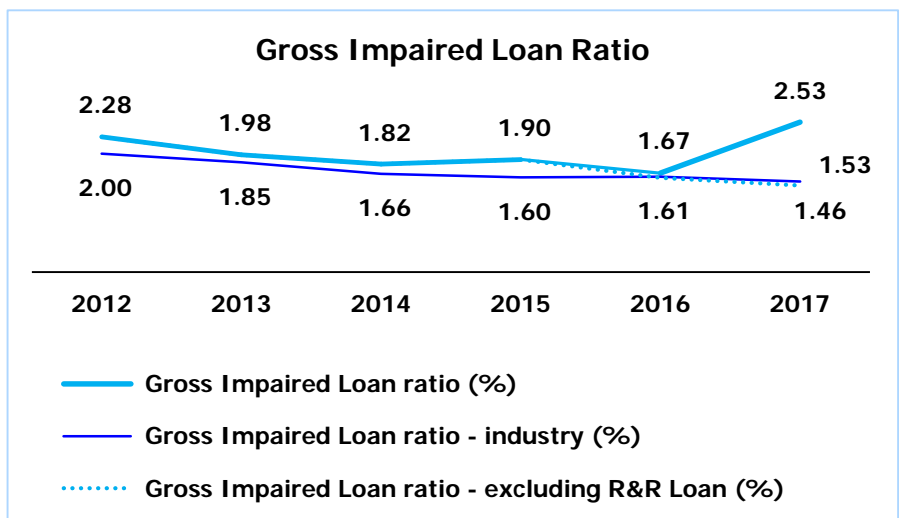
	ABB Group 2017	AHB Group 2017	AHB Group 2016
Cost to Income Ratio	59.9	60.8	56.1
Excluding cost of VSS	56.9	58.5	56.1



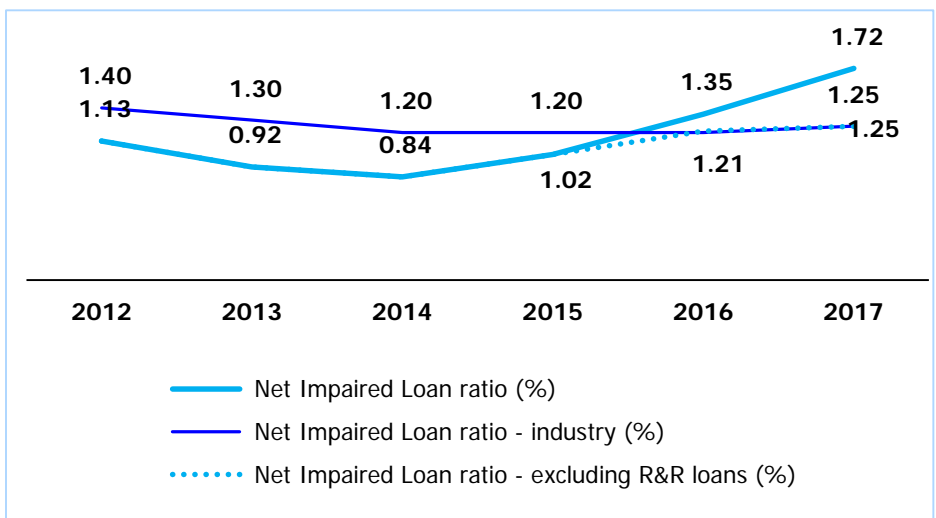
Gross Impaired Loans (RM Mil)



Gross Impaired Loan Ratio (%)

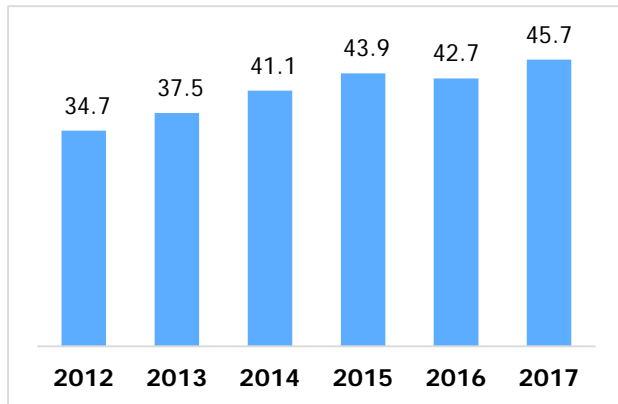


Net Impaired Loan Ratio (%)

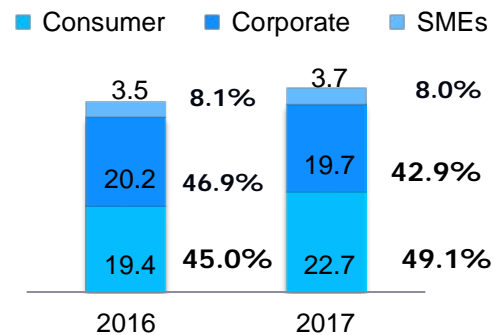




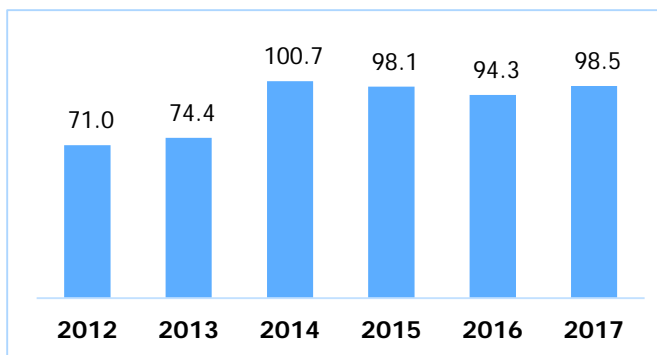
Net Loans, Advances & Financing (RM billion)



Gross loans composition (RM billion)



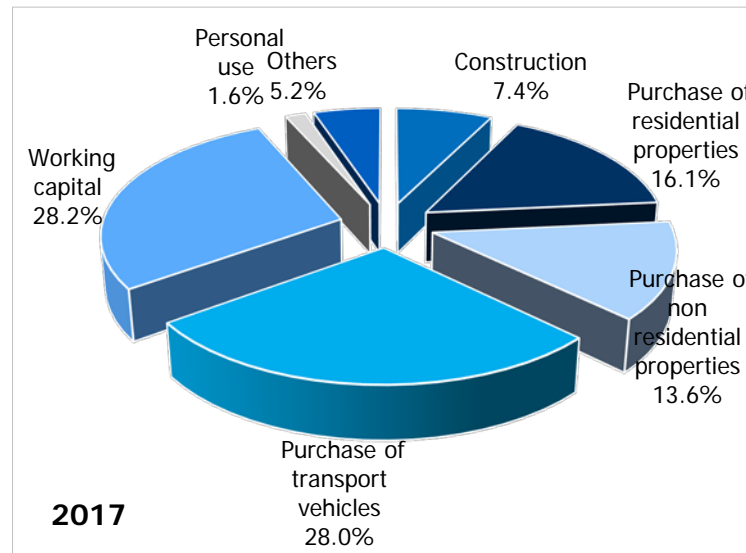
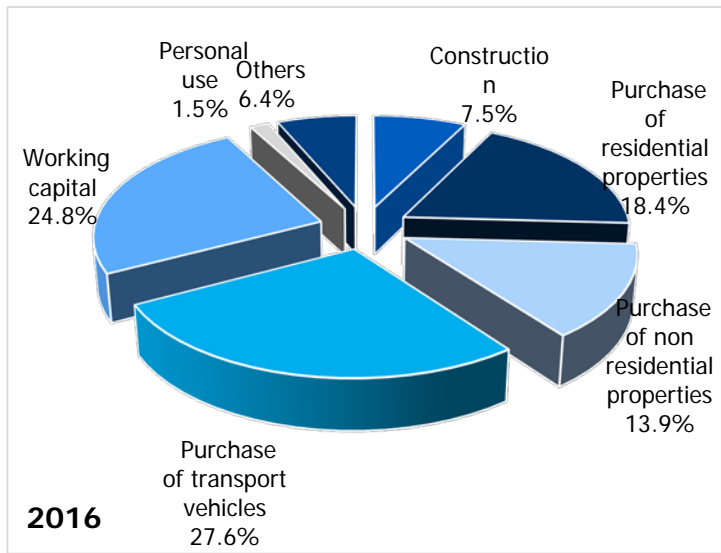
Loan Loss Reserve (%)



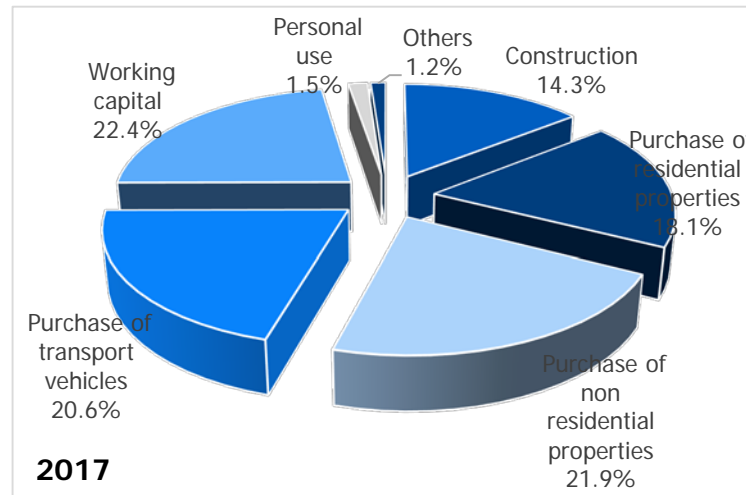
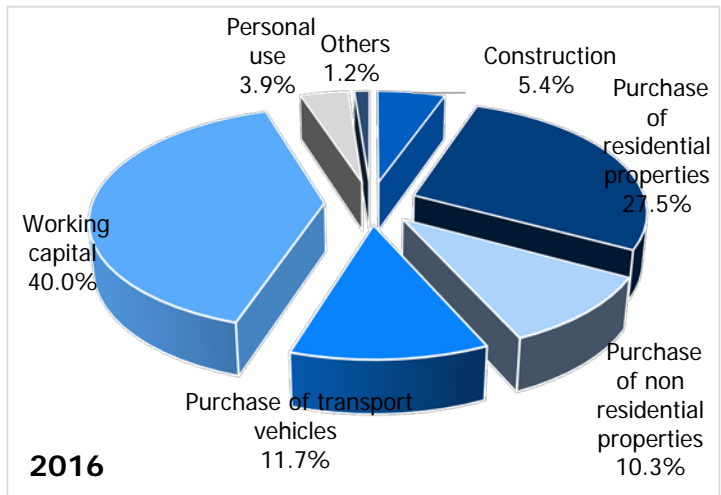
*Inclusive of regulatory reserves



GROSS LOAN BY ECONOMIC PURPOSE



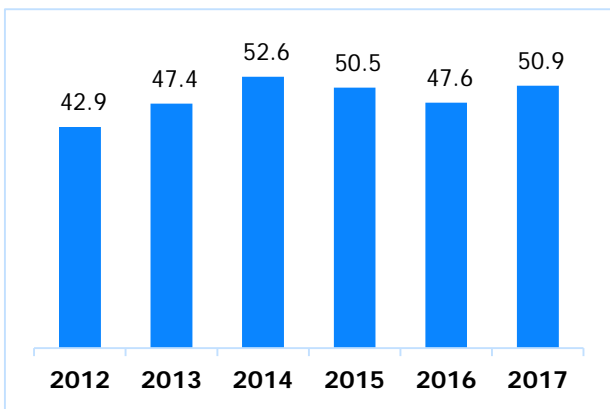
GROSS IMPAIRED LOAN BY ECONOMIC PURPOSE



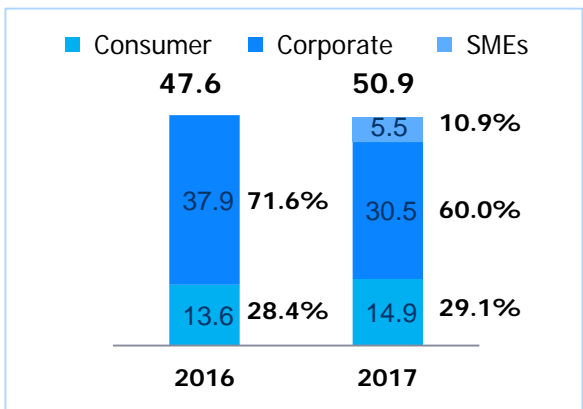


HOLISTIC DEPOSITS APPROACH

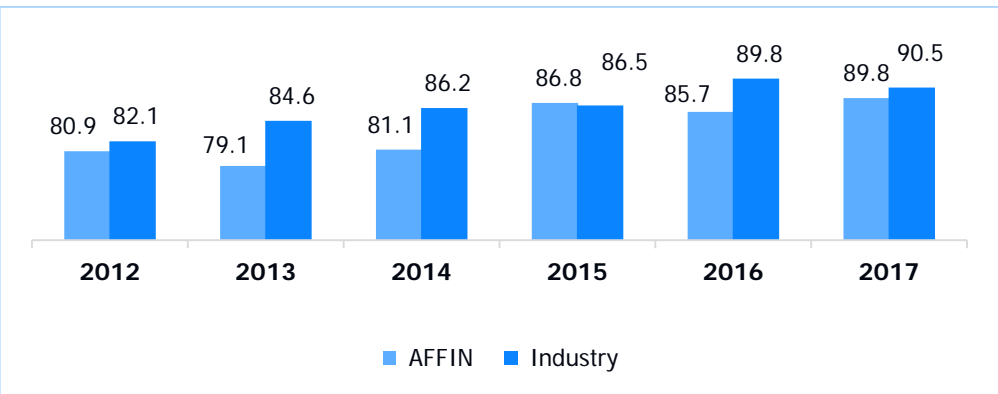
Deposits from Customers (RM Bil)



Deposits (RM Bil)

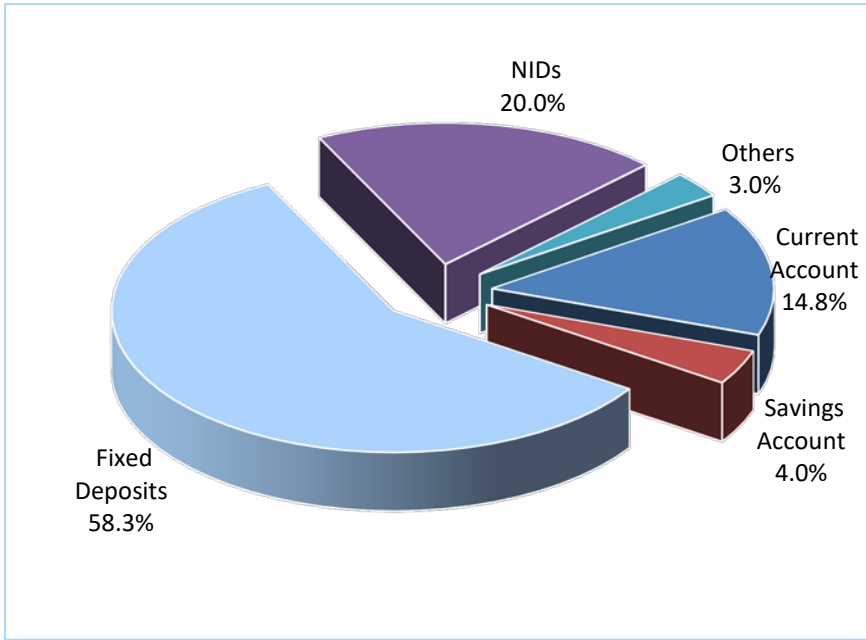


Gross Loans/Deposit Ratio (%)

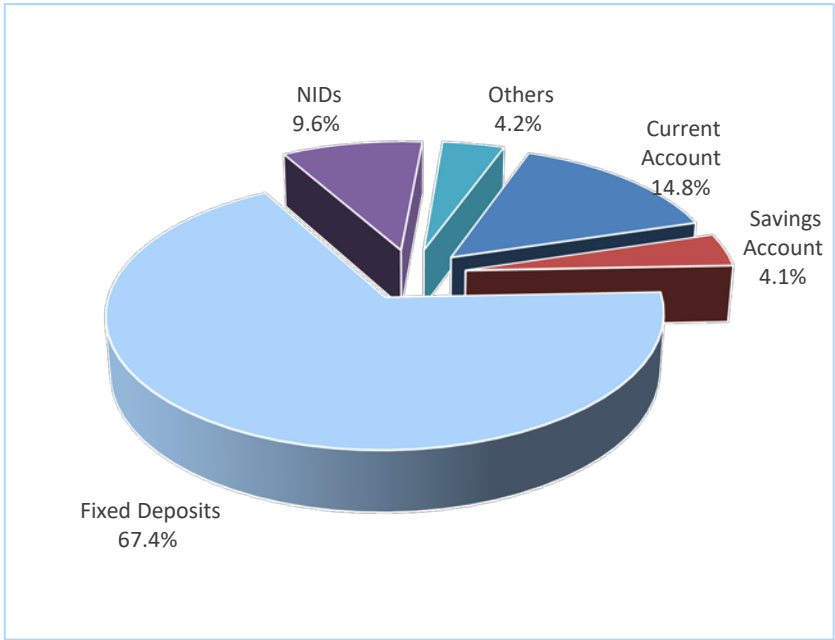




2016



2017

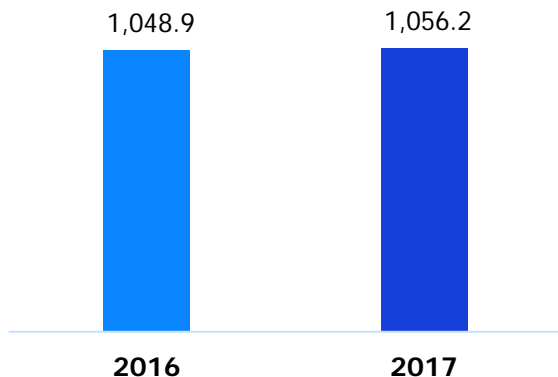




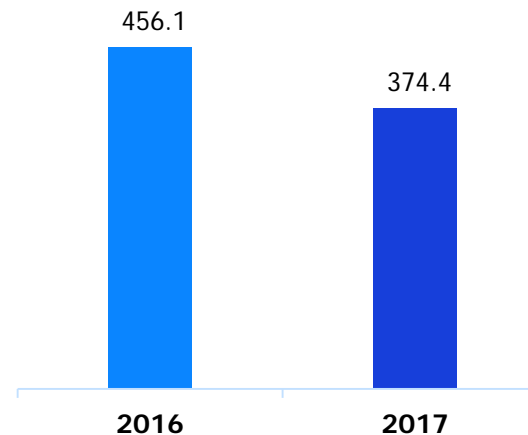
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Net Income (RM Million)



PBT after zakat (RM Million)

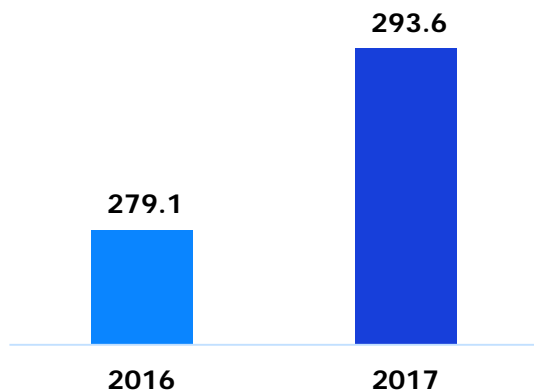


Key Highlights

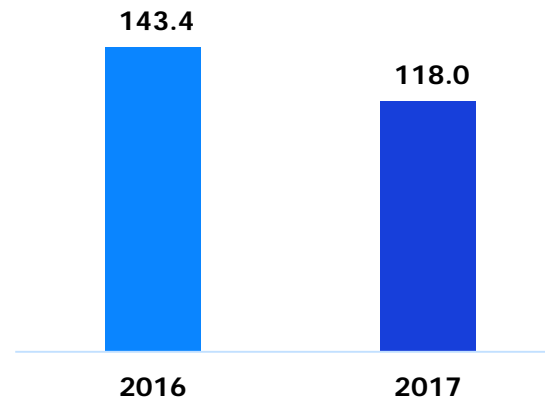
- Higher net income is due to higher net gain on financial instruments.
- The lower PBT after zakat is mainly due to higher overhead expenses mainly attributable higher personnel cost due to provision for VSS and higher headcount as well as higher allowance for loan impairment.



Net Income (RM Million)



PBT after zakat (RM Million)

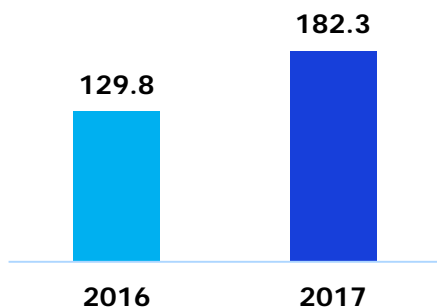


Key Highlights

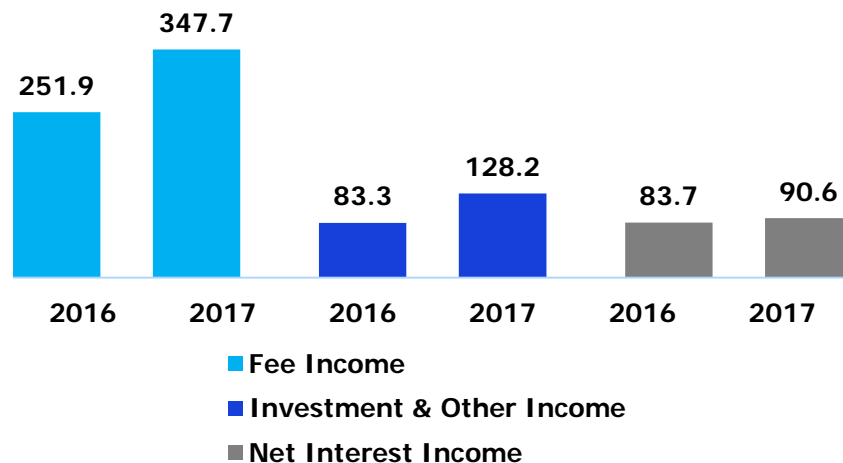
- Higher net income due to higher loan/financing growth and other operating income however lower PBT attributable to higher allowance for financing impairment.
- The Bank has launched its Priority Islamic Policy (“PIP”) which is the Bank’s strategic move to enhance its Islamic financing portfolio to 40% in 2019. It has shown progress as the Bank’s Islamic portfolio has increased to 34% (as at December 2017) of the Bank’s total banking assets.



PBT after Zakat (RM million)



Net Income Contribution (RM million)

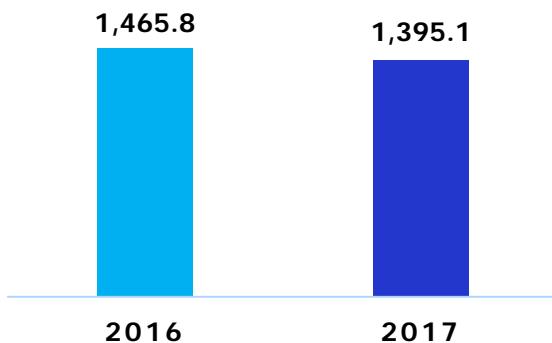


Key Highlights

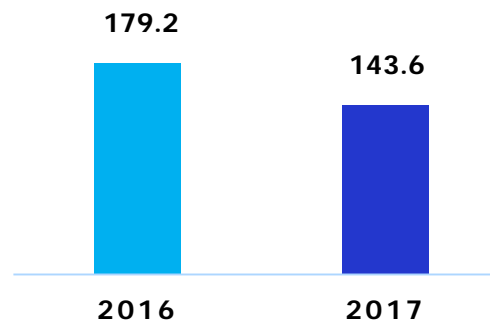
- The strategic acquisition of HwangDBS IB in 2014 and its successful merger integration with Affin IB had provided the scale and platform to transform the IB business and harness synergies. Riding on recent improvements in market sentiment which saw significant for AUM growth, higher investment and trading as well as capital markets advisory activities, had resulted in significant improvement in performance, especially in fee income.
- PBT after zakat improved more than 40% to RM182.3m
- Net Income grew 35% to RM566.5m, driven by 38% growth in Fee Income.
- Operating Expenses grew 33% mainly for incentive payments in line with business growth, and investments in human capital for future growth.



Gross Written Premium (RM million)



Profit Before Tax (RM million)



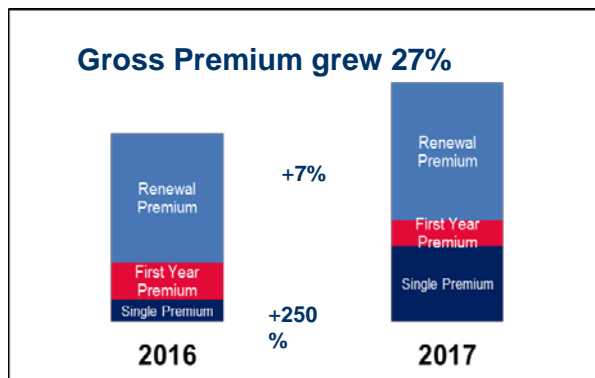
Key highlights

- AXA AFFIN General Insurance's Gross Written Premium declined year-on-year as the general insurance market experienced some contraction amidst the second phase of liberalisation.
- Despite the challenges, AXA AFFIN General Insurance reported a PBT of RM143.6 million for FY2017.

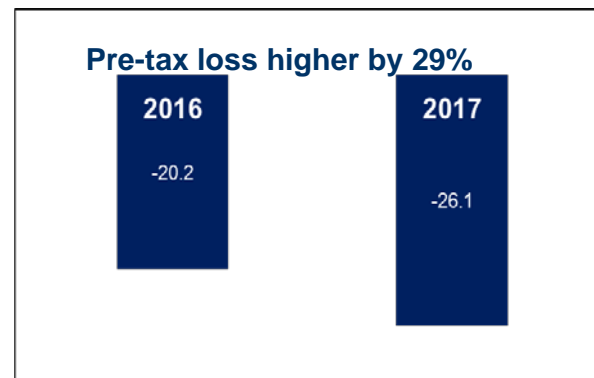
Pursuant to acquisition of additional equity interest in AXA AFFIN General Insurance, AFFINBANK now holds 49.95% equity interest in AXA AFFIN General Insurance



Gross Premium (RM Million)



Loss Before Tax (RM Million)

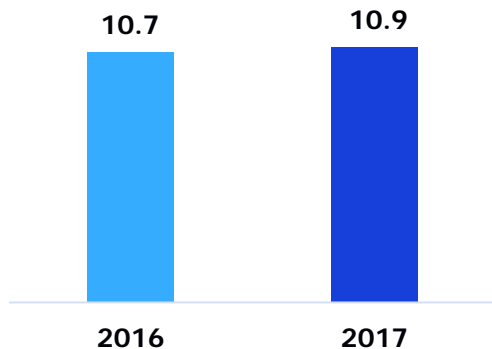


Key highlights

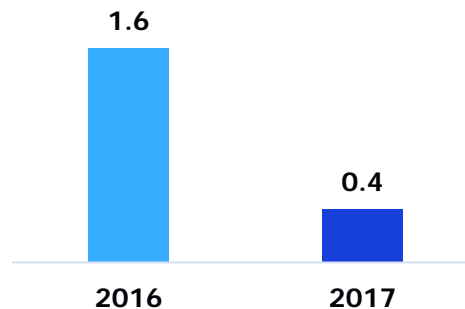
- Gross premium grew 27% to RM490 million on the back of single premium high protection products distributed through Bancassurance.
- Protection & Health Gross Premium close to double, boosted by strong protection and health new business.
- Higher loss before tax, affected by yield curve movement as well as unfavourable persistency and claims experience.



Brokerage Fees (RM million)



PBT after Zakat (RM million)



Key highlights

- PBT after Zakat was RM0.4 million as compared to RM1.6 million in 2016
- Brokerage fees was RM10.9 million as compared to RM10.7 million in 2017

AFFIN Moneybrokers will endeavour to improve its market share and at the same time will monitor the operating costs without compromising quality of service to its clients.



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As at December 2017, **29 projects** have been initiated **of which 16 projects** have been **completed** and 13 projects are still on-going. Significant progress has since been made namely:

- **Financials-**

- ✓ NIM has moved up from 2.16% (Dec 2015) to **2.24% (Bank level at Dec 2017)** through rebalancing of loans and deposits portfolios.
- ✓ Capital Strengthening- **RM6 billion of MTN Program** (RM2 billion Sub Debt issuance completed), RM3 billion Tier 1 ATICS Program established. Total capital as at Dec 2017: 17.03%
- ✓ Loan composition has moved from 54%(Corp):46% (Consumer) in 2015 to 43% (Corp): 49% (Consumer): 8%(SME) as at Dec 2017.

- **Awards / Recognitions –**

- ✓ **The first Bank to partner with Asian Banking School for the Ethics, Risk and Compliance Awareness Program**
- ✓ Recipient of the **Asian Banker's Liquidity Risk Technology Implementation of the Year** and **JomPAY National Biller Acquisition (Mid-sized Acquirers)** at the **Malaysian E-Payment Excellence Awards**



- IT-

- ✓ Appointed new IT service provider with **superior capabilities at lower cost** such as having On-Demand-Platform , Security Operation Centre, Tier III Data Centre
- ✓ Initiated and in-development of **FinTech opportunity in the payment space -an eWallet** service offering in a tie-up with a payments solution provider –WireCard and supporting **national payment agenda** via **PayNet for MME and RPP**. In addition, we are enhancing our Retail Internet Banking and Mobile Internet Banking through Affin Digital Footprint.

- Operations-

- ✓ Implemented a new Consumer Credit Scoring system that has enhanced speed to market and automate credit decision with straight through processing.



PROJECTS CATEGORIZATION

BENEFIT IMPACT	PILLAR							
	I Target Customer Segments	II Delivery Channels	III Products & Solutions	IV Operations	V Technology	VI People & Organization	VII Performance Management	VIII Risk & Compliance
Direct Financial Impact: <ul style="list-style-type: none"> • Revenue Growth • Cost Savings 		New RM Model for Business Banking ✓ Call Center for Sales ✓ Sales & Services Foundation Branch Network Optimization	Credit Card Business Model		Tech Refresh Review ✓ Business Info Infrastructure Re-invigorate IT-Biz ✓			Ethics, Risk & Compliance Awareness Culture
	Strategic Foundation Building CE Organization ✓ Customer Segments Detailing ✓ CE Model & Methodology ✓	SME Business Plan/Model ✓ Launch e-Wallet RIB/MIB Implementation Digital Banking Strategy ✓	Product Economics FRW ✓ Product Dev Organization ✓ R&D Solutions Iconic Segment "Brand"	SME Credit Scorecard ✓ SME Credit Process ✓		Solution Architecture ✓	Workforce Transformation Leadership Agenda	
Operational Foundation Building		Branch-Hub Management ✓	Complete Core Products ✓	Credit Management Model Group Operations Model			Performance Mgmt Methodology Biz Performance Methodology Data Management & Governance ✓	

✓ Indicates completed projects



Updates on The Group's Reorganisation

- ❑ The distribution of ABB shares in exchange for AHB shares had been completed on 30 January 2018 following the crediting of the ordinary shares of ABB into the accounts of the entitled shareholders held under the Central Depository System.
- ❑ On the same date, ABB completed the subscription of two (2) new AHB shares for RM2.00. AHB is now a wholly owned subsidiary of ABB following the subscription.
- ❑ AHB was de-listed from the Main Market of Bursa Malaysia and ABB had assumed the listing status of AHB with effect from 9.00 am on 2 February 2018. Accordingly, the entire re-organization of AHB Group of Companies was completed on 2 February 2018.

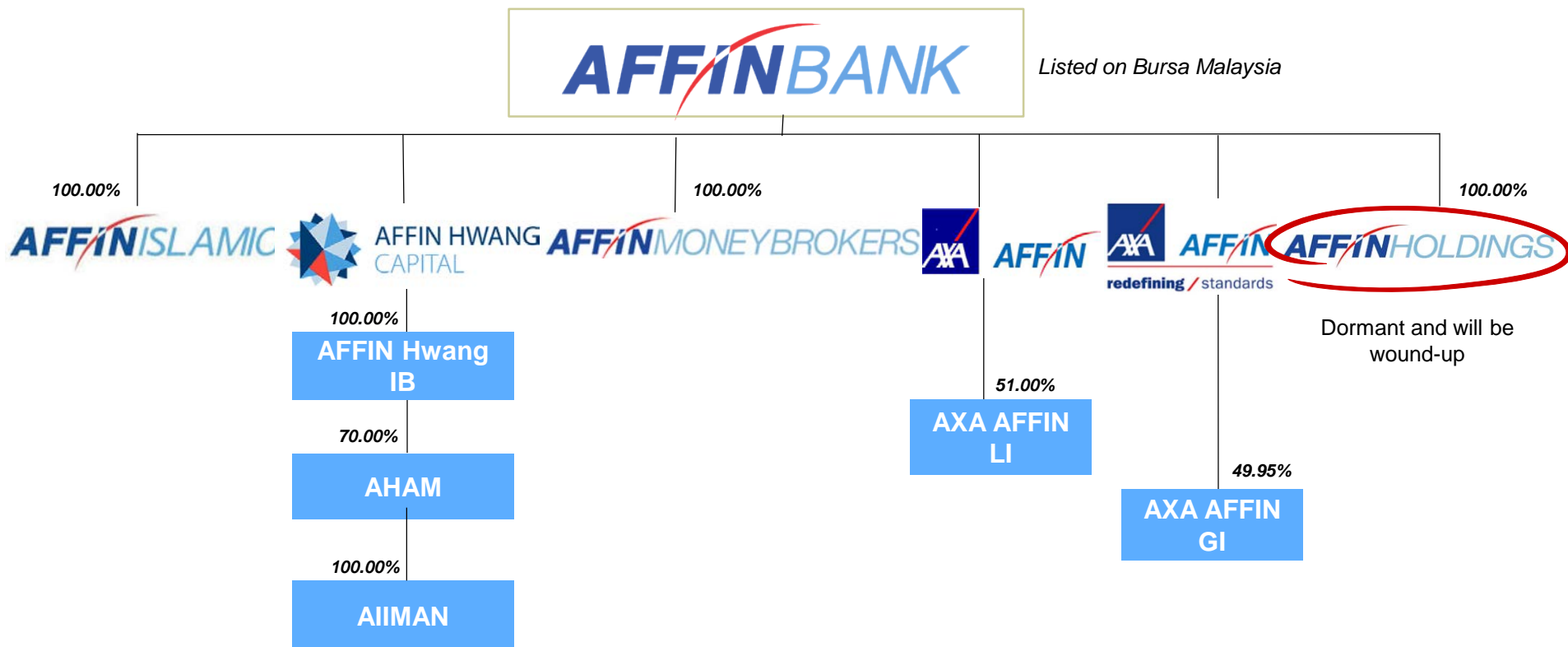


Effects and rationale of the re-organization of the Group

- ❑ The re-organization will allow the simplifying of the shareholding structure and de-layering of corporate structure of the Group.
- ❑ Fewer layers in the corporate structure will create the opportunity to enhance supervision and efficiency of the Group.
- ❑ The listing status of AFFINBANK will provide better access to capital and provide more options to raise the necessary funding for future growth.
- ❑ The shareholders will be able to participate directly in the growth of AFFINBANK.

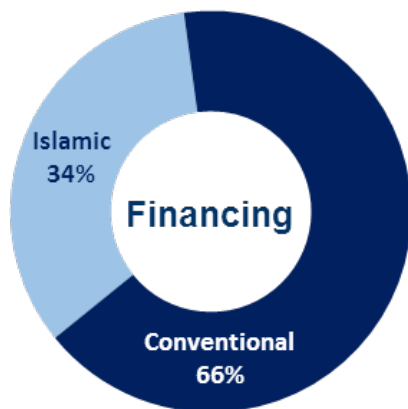


GROUP STRUCTURE AFTER LISTING

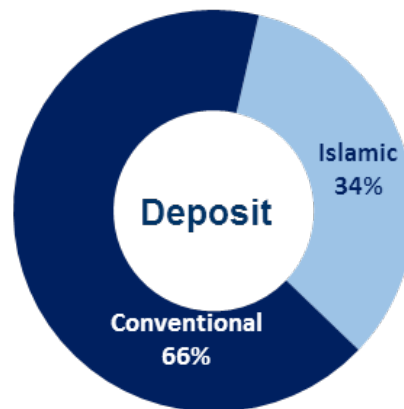


**Priority Islamic Policy mandate:
On best effort basis, AFFIN Bank Group to grow 40% Islamic Financing portfolio.**

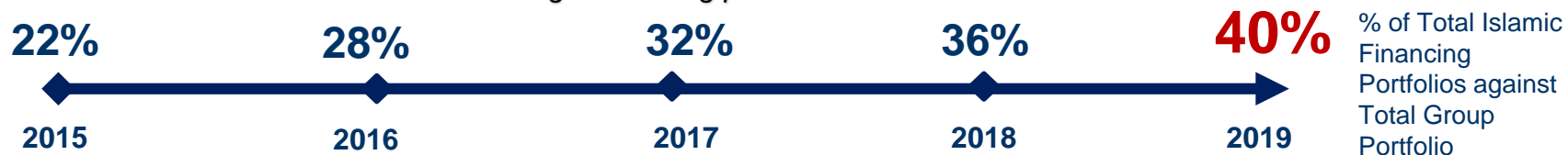
December 2017



December 2017

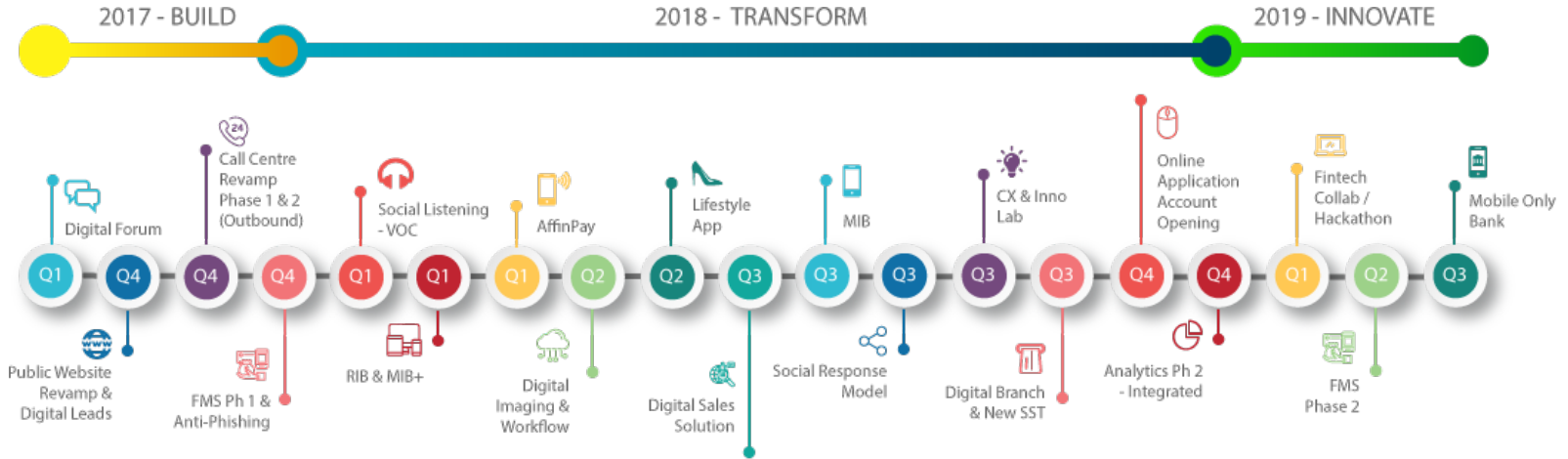


Target financing portfolio 2016 - 2019

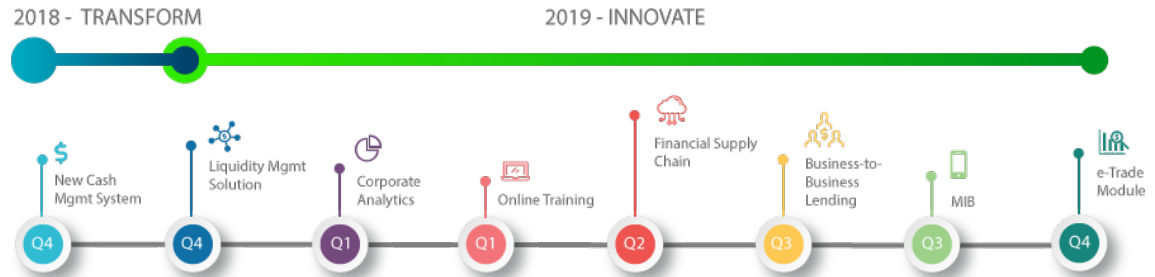


Digital & Technology Roadmap

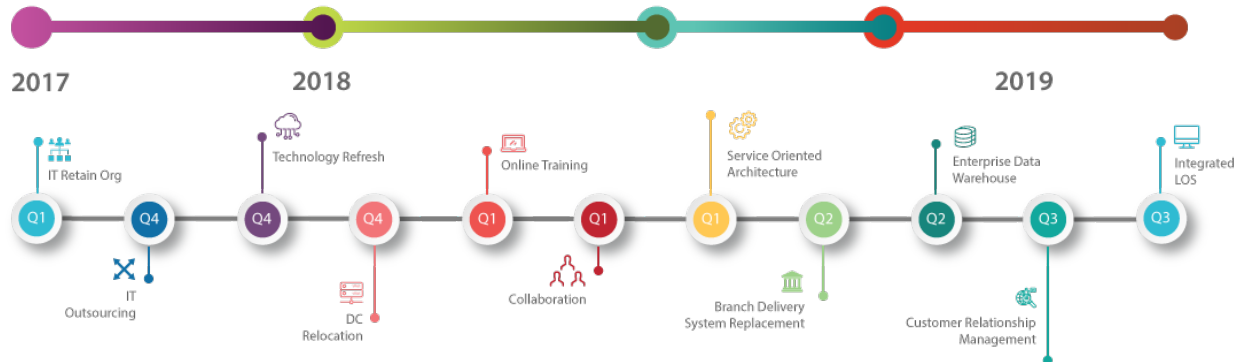
Consumer Banking & Foundational



SME & Commercial Corporate & Public Sector



Information Technology

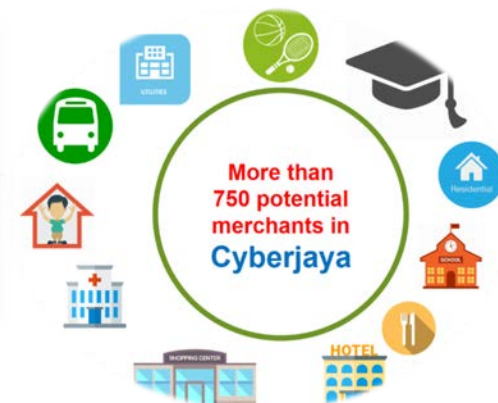


Introducing QR Code for Payment



DEALER NETWORK
Go-to-Market Ground Troopers

Smart City Cyberjaya is primarily developed by Cyberview Sdn Bhd, a government-owned company responsible to spearhead the development of Cyberjaya by undertaking commercial and socio-economic activities. Cyberjaya aims to provide the perfect ecosystem conducive for technological creativity that creates and enhances smart living.



95,000 Brilliant Minds	RM35B Strong Investments	6 Colleges/ Universities
2,300 Thriving Businesses	37,615 Knowledge Workers	26,000 Students

Future Exploratory Initiatives with Bank of East Asia in the digital space



Image above is Bank Of East Asia Digital Branch



For any enquiries, please email ir@affinbank.com.my or call us
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