



42ND ANNUAL GENERAL MEETING

Questions & Answers by MSWG

15 MAY 2018

STRATEGY /FINANCIAL MATTERS

QUESTION 1

As stated in the Management Discussion & Analysis (MD&A) on page 31 of the Annual Report, the Group has completed 16 out of the 32 projects of the Group Strategic Transformation Program known as "AFFINITY" as at FYE2017.

Please elaborate on the progress and status of the remaining projects/initiatives taking into consideration the latest challenges in the banking landscape?

AFFIN'S Reply:

The Affinity Program is a comprehensive Transformation Program that covers the Bank's eight pillars namely Target Customer Segment, Delivery Channels, Products & Solutions, Operations, Performance Management, People, Technology and Risk & Compliance.

As at December 2017, 29 projects have been initiated of which 16 projects had been completed, and 13 projects are still on-going. The 13 projects are currently on track and are expected to be completed in 2019. Upon completion of the Affinity Program, the Group will possess the following:

- A unique customer experience that drives customer loyalty and deepens commercial relationships.
- Ability to identify and understand unique customer insights that shape relevant financial services solutions

AFFIN'S Reply:

- Increasing digitalization of the business to create greater straight – through processing
- Tight coupling of the front and back office for seamless customer experience
- A leadership driven organization with clear accountability enabled by a robust performance management framework.

QUESTION 2:

We note that AFFIN Islamic under the Bank's Priority Islamic Policy (PIP) has achieved a growth rate of 35.2% surpassing its deposit portfolio target of 34.0% despite the intense competition during the year. (page 40, Annual Report)

- a) Can the Bank maintain this performance for the current year?
- b) What are the new products and initiatives that are planned for this year?
- c) Is this Group on track to achieve and align to BNM 10 year Financial Sector Strategic Blueprint on Islamic financing? (page 31, Annual Report)

AFFIN'S Reply:

- a) Yes, AFFIN Islamic Bank would be able to sustain the performance for the current year by introducing more deposit campaigns such as "OMG" Term Deposit-i Smart Value to attract retail deposits and SME business.

This will further strengthen the Bank's liquidity and funding profile. The Bank's Net Stable Funding Ratio ("NSFR") plans for year 2018 and 2019 have been designed to ensure an effective and efficient funding structure to meet our funding requirements

AFFIN'S Reply:

b) The main thrust of AFFIN Islamic is to enhance our products and services offerings to our customers. As such, the following Deposit and Financing products have been designed to meet the need of our customers :-

Deposit

New products based on Tawarruq concept with fixed return for CASA-i

Financing

Launching of SME Business products i.e. Flexi Trade Financing-i and Financial Supply Chain-i which are expected to be in the 2nd quarter of 2018.

In addition, AFFIN Islamic Bank continues to increase its brand awareness visibility via events, social media platform and print media to continue promoting the following products:

- 1) Affin Tawarruq Term Financing-i Secured by Securities
- 2) Education Financing-i
- 3) Credit Card-i

AFFIN'S Reply:

- c) Yes, the Bank's Strategic Thrust is aligned with BNM's 10 year Blueprint. Through these strategies, the Bank will continue to drive operating efficiency and productivity with the emphasis on retail and business banking particularly on SMEs.

The focus will be on expanding our retail deposits franchise to ensure stability of funding. The Bank will also be focusing on increasing its fee income component through new wealth management product offerings, Bancatakaful business as well as increased utilisation of trade facilities.

The Bank continuously builds digital capabilities and initiatives to explore more robust opportunities in the digital space and creating a better overall banking experience for our customers. By doing so, we strongly believe that we would be able to achieve our 40% financing portfolio target by 2019, ahead of the target set by BNM in year 2020.

QUESTION 3:

On page 43 of the Annual report, it was stated that the penetration rate as indicated by BNM for the life insurance coverage was still low at 55.0% including takaful and only at 35% excluding double counting as compared to the country target of 75% by 2020. A study by Universiti Kebangsaan Malaysia also highlighted a sizeable protection gap where 56.0% are covered for life insurance but only 22.0% included Medical and Critical illness cover.

What measures are being taken to tap on this potential life insurance segment and to bridge the gap in the Medical and Critical illness product offerings?

AFFIN'S Reply:

AXA AFFIN Life Insurance Berhad (AALI) aims to reposition the business towards health and protection with a focus on building multi-channel proposition targeting different customer segments, including partnership proposition for emerging customers as a leading digital insurer. In line with this strategy, to tap into this potential life insurance segments, AALI had:

- 1) Launched an affordable online term life insurance called eLife Protector with premiums as low as RM9.58 per month for RM100,000 sum insured.
- 2) Launched AXA AFFIN eMedic, an online fast, easy and affordable first-in-the-market proposition targeted at millennials as follows :-
 - a) Millennials aged between 16 and 39 can purchase the product online within 5 minutes.
 - b) Customers are asked simple questions of gender, age, nature of work, history of previous illness(es), hospitalisation and insurance.
 - c) Premiums are as low as RM37 per month for RM100,000 sum insured

AFFIN'S Reply:

AALI, in its efforts to expand reach and provide customers with a health ecosystem, partners leaders in their fields as follows :-

- a) Digi : 11 million Digi customers can purchase AXA AFFIN eMedic through MyDigi app (besides directly on axa.com.my portal)
- b) BookDoc : Customers are offered access to the health rewards platform to incentivise healthy living, search and make appointments with healthcare providers
- c) Naluri : A platform for professional coaching and rehabilitative psychological support

AFFIN'S Reply:

These are the first steps by AALI in fulfilling ambition to be a leading digital insurer and contribute to the nation's aim to narrow the protection gap.

Besides the two (2) online products mentioned above, AALI has a full range of propositions for consumers, where higher coverage or more specialised products that require advice are served through agents, the Financial Executives and the staff at AFFIN Bank.

QUESTION 4:

On the de-tariffication of the motor and fire insurance businesses in the industry, please elaborate on the approach taken to price these product offerings to gain traction and market share in the motor and fire sector.

AFFIN'S Reply:

AXA AFFIN General Insurance (AAGI)'s overarching strategy remains to be selective and sustainable growth via enhancing customer centricity, technical, data excellence and operational efficiency in a de-tariffed environment. AAGI's pricing approach takes into consideration regulations, segments which it believes can deliver sustainable growth whilst remaining competitive.

A good example specific to the motor class of business is AXA FlexiDrive, Malaysia's 1st telematics-based motor insurance which through a device installed in a vehicle, tracks and scores a driver's driving behaviour based on criteria such as speed, mileage and harsh acceleration or braking. Scores are translated to premium discounts up to 20% upon renewal. Personalised driving tips are provided to help those to improve driving skills instead, with no additional premiums. Besides premium discounts, other benefits include automatic alerts with location to be forwarded for assistance in the event of accident and for vehicle security and theft recovery.

AFFIN'S Reply:

In line with focus on customer centricity, there are various value added services that accompanies AXA SmartDrive Enhanced Private Car product which include enrolment for AXA FlexiDrive with no additional premiums, fast claims approval at AAGI's preferred and panel workshops, 24/7 emergency road assistance, repair warranties. AAGI also has a motor insurance product catering for concerns more specific to woman drivers, AXA Motor For Her.

As for the fire class of business, AAGI has been taking a more holistic approach, providing business and home protection. An example of this is having SME solutions which consider risks and needs common to specific industries, including fire and consequential loss. AAGI has also enhanced its home insurance plan, AXA SmartHome Optimum, to allow tailored protection approach such as worldwide cover of personal belongings such as jewellery and watches.

QUESTION 5:

We refer to Note 38 to the financial statements on the allowances for “impairment losses on loans, advances and financing and trade receivables”, amounting to RM71.6 million in 2017 as compared to RM23.7 million in 2016 (page 176, Annual Report). Please explain the reasons for the increase.

AFFIN'S Reply:

Higher impairment losses in 2017 was mainly due to lower recovery & impaired allowance written back of RM90.0 million in 2017 as compared to RM110.3 million in 2016. At the same time, there was a higher allowance for impairment on existing impaired loans due to decline in the collateral value of RM111.0 million in 2017 as compared to RM81.3 million in 2016.

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THANK YOU