BUILDING AFFINITY ECOSYSTEM

# AFFIN BANK BERHAD

## 43RD ANNUAL GENERAL MEETING

# QUESTIONS BY MINORITY SHAREHOLDERS WATCH AND REPLIES

# STRATEGY /FINANCIAL MATTERS

## QUESTION 1

In the Management Discussion & Analysis ("MD&A", page 44 & 45, Annual Report), AFFIN ISLAMIC's priorities in 2019 will be in line with the Group initiatives under the AFFINITY Programme which is to focus on profitability growth and operating efficiencies. The Bank is aiming to enhance its Group's Islamic financing portfolio to 40% by year 2020 as per the BNM's 10-year Financial Sector Blueprint.

1. What is the latest Quarter 1 figures achieved by the Group's Islamic financing portfolio?

2. With the challenging business environment in FY2019, what would be the target for FY2019, in particular the key focus on Small Medium Enterprises segment?

# Our Reply:

1. As at 31 March 2019, the Islamic financing portfolio achieved 39% of the total financing portfolio of Affin Bank and Affin Islamic Bank as compared to the target of 40% by year 2020.

2. With the challenging business environment in FY 2019, we have a target growth of about 10% for loans and deposits in the Small Medium Enterprises (SMEs) segment with planned expansion in the footprint which will enable us to have an added coverage to meet the targeted growth rate.

   We remain cautiously optimistic in the SMEs segment and our key focus would be as follows :-

- Several new products and propositions will be rolled out in year 2019, amongst others include a new start-up financing, a digital-based SME resource application as well as a few bancassurance offerings.

- Together with some external stakeholders, there will be new services (i.e. e-wallet, upskilling and knowledge sessions) to the market in ensuring SMEs receive the necessary support in line with our commitment to grow this segment.

# QUESTION 2:

As stated on page 37, MD&A, the property market remained sluggish and subdued in F2018 with an overhang of 30,000 unsold completed residential units entering 2019.

What strategy is your Group employing in 2019 to maintain its performance in the mortgage segment that continued to register strong growth, increasing by RM2.1 billion from RM8.5 billion in 2017 to RM10.6 billion in 2018?

Can you elaborate on the statement “Capitalising on the robust demand for more affordable property, the Bank shifted to focus on selective acquisitions in this segment”?

# Our Reply:

The Group's strategy to maintain its performance in the mortgage segment in 2019 includes the following:-

a) Effective leadership at sales hub with the right sales team who understand the mission of the Bank and are committed to achieving business targets. Achievement of targets and productivity of sales by individuals and the team are being tracked and recognised on a monthly basis;

b) Differentiation in product offerings by selling and promoting the benefits of value based Islamic financing which differentiate us from other competitors;

c) Mapping of developers end product to targeted product types, price range and customer segment. The focus is more on residential properties and financing meant for own dwelling;

# Our Reply (cont'd):

d) Promote brand awareness by having more active relationship with local developers and real estate agents; and

e) Having regional operating model of credit and fulfilment centre to improve the turnaround time which allow the Bank to score more points amongst the local developers, solicitors and customers.

Despite the accelerating loan growth in 2018, we remain cautious on the report of overhang of unsold completed residential units and the slide in properties value entering 2019.

# Our Reply (cont'd): :

Given the sluggish property market outlook, the demand for affordable property will still remain high with the government initiative to waive the stamp duty on the instrument of transfer and loan agreement for property price of RM300,000 up to RM1 million.

This initiative has driven many developers to adjust their launch pipeline by building affordable homes with price range between RM300,000 to RM700,000. The Bank has shifted its focus on this segment to remain prudent and relevant in the market.

# QUESTION 3:

We note that on page 38 of the MD&A, your card business had outperformed the industry growth in 2018 with double digit growth recorded in all key business drivers such as Card base at 50% vs industry at 5%, Billings at 22% vs industry at 8%, and Receivables at 29% vs industry at 4%.

What are the measures taken to ensure that the strong growth in credit card receivables are managed to prevent the receivables from turning non-performing?

# Our Reply:

The measures taken by the Bank to ensure that the strong growth in credit card receivables are managed, to prevent the receivables from turning non-performing, are summarised below :-

a) Acquire the right good quality customers in high net wealth and mass affluent segment;

b) Provide education and awareness training for sales channels to acquire the right target segment; and

c) Supported by strong collection strategies, such as:-

Proactive credit management

- Close monitoring of accounts from early stage to identify early warning triggers and take appropriate counter measures;
- Intensify efforts for recovery of impaired loans and written off accounts;
- Active engagement with panel debts collection agencies to step up recovery efforts.

# Our Reply (cont'd):

Pre-emptive measures to curb credit cost

- Exit the relationship with high dormant customers with no further business opportunities.

# QUESTION 4:

What are the measures you have taken to strengthen the sales culture at the branches in your Automotive segment (page 37, MD&A), and maintain your market share?

How do you manage the growth of the automotive portfolio with asset preservation strategy as a key focus?

# Our Reply:

To strengthen the sales culture at the branches, the key word is "engagement". We have been constantly engaged with our hubs and dealers, sharing information with them and looking into ways to help them to improve sales.

# Our Reply (Cont'd):

For example, we are the first financial institution to offer Guaranteed Auto Protection or GAP to its hirers in Malaysia. GAP is an insurance that covers the difference between the insurance claim amount and new price of vehicle in event of a total loss or unrecoverable theft. This insurance plan is underwritten by AXA AFFIN General Insurance Berhad.

When GAP was launched in April 2015, the Bank had educated its sales personnel as well as its dealers nationwide on its valued propositions and the sales approach. To date, the Bank managed to achieve a total premium of approximately RM26 million from GAP policies.

We always measure the loan growth target and this has allowed us to focus on automotive market segments that have lower default rates especially in the light of the requirement of MFRS 9. For example, hirers of new Japanese cars in general are better paymasters. Another important aspect of asset reservation strategy apart from selecting the right car segment is to get the right customer from the beginning.

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# THANK YOU