



ANALYSTS/FUND MANAGERS PRESENTATION 9MFY17 FINANCIAL RESULTS

30 NOVEMBER 2017





- 1 Key Performance Highlights
- 2 Results Overview
- 3 Affinity Transformation Program
- 4 Proposed Reorganization
- 5 References



- ❑ ABB Group foresees strengthened loan growth momentum for the consumer, corporate and small and medium enterprise segments. ABB Group will continue to focus on prospects for profitable growth undertaken through the Affinity Transformation Programme.
- ❑ 2018 will be the Digital Transformation for ABB Group with the introduction of our new Retail Internet Banking, Mobile Internet Banking and Affin Pay (The First Bank to partner with Paynet) .
- ❑ Capital position is expected to be further strengthened by the corporate exercise in line with the Group’s strategy to unlock more value for shareholders and provide better returns.
- ❑ Investment banking arm is expected to further transform and benefit greatly from the re-organisation of the Group, particularly with its Investment Banking business, from its present market leading positioning in the Securities and Asset Management businesses.
- ❑ The life insurance segment is expected to continue on its growth targeting a relatively low insurance penetration with the priority segment to be mass affluent.
- ❑ General insurance segment will continue consolidating its operations by prioritising selective diversification as well as through investment in efficiency and transformation projects in order to better prepare the segment for future challenges in the industry.



PROFITABILITY

- Achieved a PBT after zakat of RM465.1 million
- Net income increased by 16.8% to RM1,644.6 million
- Overhead expenses increased by RM102.5 million on VSS cost, staff recruitment and marketing expenses. Expected to normalize FY2018.
- Allowance for loan impairment increased by RM66million

ASSET QUALITY

- Gross Impaired Loans ratio was at 2.16%, if excluding R&R, the Gross Impaired Loan ratio stood at 1.46% (Sept 2017) vs. 1.67% (Dec 2016)
- Loan Loss Reserve was at 100.17% (Sept 2017) vs. 94.34% (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 stood at 20.1%. Total Capital ratio for AFFIN Hwang Investment Bank Berhad (AHIB) stood at 38.4%.



LOANS & DEPOSITS GROWTH

- Gross loans, advances and financing grew by 2.2% yoy to RM45.1 billion and customer deposits increased to RM51.6bln.

BUSINESS PERFORMANCE

- ABB Group reported a PBT of RM327.2 million. The Group had to made provision for VSS during the period under review.
- AHIB Group recorded a higher PBT RM139.2 million as a result of improved market sentiments.
- AALI registered a pre-tax loss of RM15.6 million, mainly to lower reserves required for policyholders liabilities.
- AAGI registered a PBT of RM92.6 million. Submitted to BNM to acquire additional shares in AAGI.
- AMB delivered a higher PBT of RM1.3 million
- The proposed reorganization of the Group is on track for completion (transfer of listing)

LIQUIDITY & MFRS9

- Group LCR >100%, well above BNM Requirements.
- For MFRS9, the Group is ready for the implementation on January 1, 2018.



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**TOTAL ASSETS
RM71.6 BILLION**

3.9% increase

**PROFIT BEFORE TAX
& AFTER ZAKAT
RM465.1 MILLION**

**TOTAL DEPOSITS
INCREASED TO
RM51.6 BILLION**

0.2% increase

**GROSS LOANS
INCREASED TO
RM45.1 BILLION**

2.2% increase

SUMMARY OF RESULTS HIGHLIGHTS AFFIN HOLDINGS BERHAD

**NET INTEREST
MARGIN INCREASED
2.00%**

DEC 2016: 1.98%

**GROSS IMPAIRED
LOAN RATIO
INCREASED TO
2.16%**

DEC 2016: 1.67%

**TOTAL EQUITY
INCREASED TO
RM9.1 BILLION**

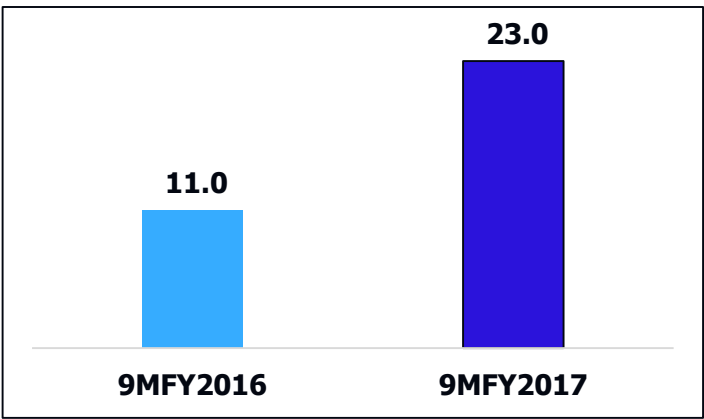
4.3% increase

**TOTAL CAPITAL
RATIO
15.09%**

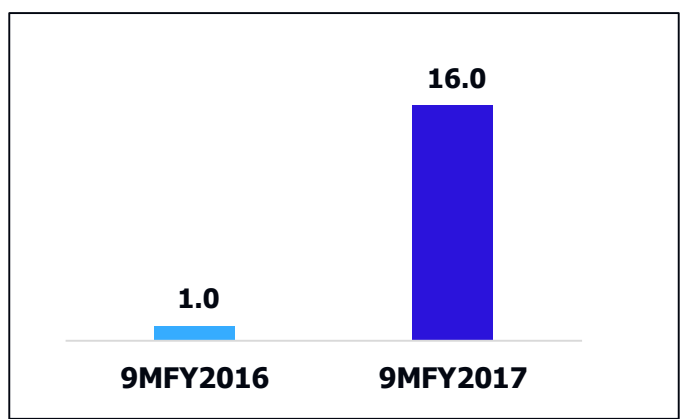
DEC 2016: 15.98%



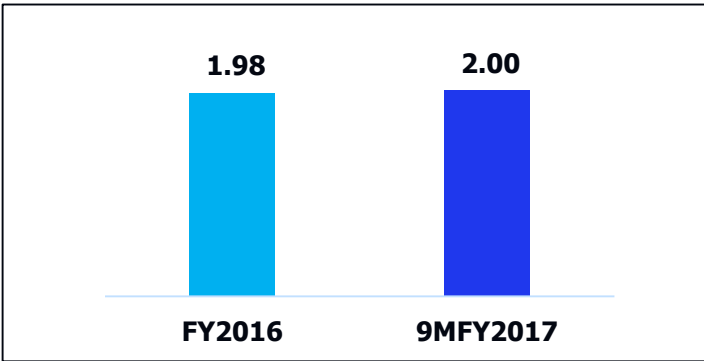
Gross Credit Cost (bps)



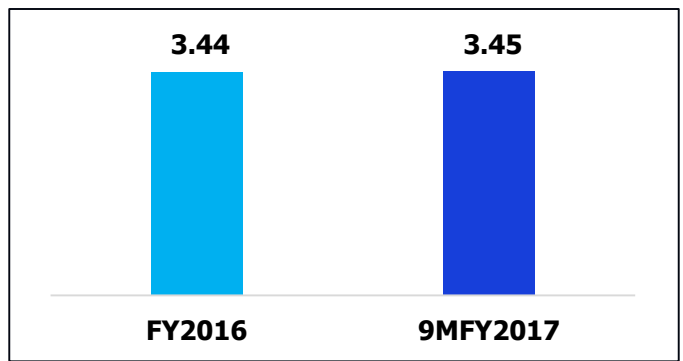
Net Credit Cost (bps)



Net Interest Margin (%)



Cost of funds (%)





RM Million	9MFY2016	9MFY2017	YoY Change %
Net interest income	723,633	735,602	1.65
Islamic banking income	193,313	235,782	22.0
Other operating income	491,085	673,168	37.1
Operating Income	1,408,031	1,644,552	16.8
Operating expense	(848,303)	(1,080,588)	27.4
Operating profit before allowance for impairment losses	559,728	563,964	0.8
Operating profit	536,940	492,847	(8.2)
Profit before taxation & zakat	524,500	469,264	(10.5)
Net Profit	402,810	354,526	(12.0)
Earnings Per Share (EPS)	20.21	17.59	(13.0)



RM Million ('000)	9MFY2016	9MFY2017	Change (%)
Personnel cost*	446.1	590.0	32.3
Promotion & marketing related expenses**	110.4	200.5	81.8
Establishment-related expenses	210.1	199.1	(5.2)
General & administrative expenses	81.8	91.0	11.3
TOTAL	848.3	1080.6	27.4

* VSS Cost

**Increase in commission paid by Affin Hwang Asset Management

	FY2016	9MFY2017
Cost to Income Ratio	59.0	65.7
Excluding cost of VSS	-	62.8



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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: • Revenue Growth • Cost Savings	QW1.1 Repeat Purchase @ HP ✓	QW2.1 Deposit Sales @ Brs ✓ P2.2 New RM Model for Business Banking ✓ P2.5 Call Center for Sales P2.6 Sales & Services Foundation P2.7 Branch Network Optimization	P3.2 Credit Card Business Model	QW4.1 Mortgage Early Settlement ✓	P5.1 Tech Refresh Review P5.4 Business Info Infrastructure P5.2 Re-invigorate IT-Biz ✓			Ethics, Risk & Compliance Awareness Culture 9 Cards Projects ✓ 4 Credit/SIBS Projects ✓ 1 Payments Project ✓
	Strategic Foundation Building P1.1 CE Organization ✓ P1.2 Customer Segments Detailing ✓ P1.3 CE Model & Methodology ✓	P2.8 SME Business Plan/Model ✓ P2.9 Launch e-Wallet P2.1 RIB/MIB Implementation P2.4 Digital Banking Strategy ✓	P3.3 Product Economics FRW P3.4 Product Dev Organization P3.5 R&D Solutions P3.6 Iconic Segment "Brand"	P4.3 SME Credit Scorecard ✓ P4.4 SME Credit Process ✓	QW5.1 System Owner Matrix ✓ QW5.2 Data Quality Improvement ✓ P5.3 Solution Architecture ✓	P6.1 Workforce Transformation P6.2 Leadership Agenda		3 Disaster Recovery Projects ✓ 2 BNM ITIS Projects ✓ 5 NSRS Projects ✓ 2 Risk Projects ✓
Operational Foundation Building BAU Projects	QW2.2 Strengthen Hub-Branch Linkages ✓ P2.3 Branch-Hub Management ✓	P3.1 Complete Core Products	QW4.2 Mortgage TAT ✓ P4.1 Credit Management Model ✓ P4.2 Group Operations Model	IT Sourcing ✓ InsiteMy OCS ✓ CIB Trade Finance Module ✓	QW6.1 Branch Managers as Sales Leaders ✓ QW6.2 Leadership Engagement Plan ✓	P7.1 Performance Mgmt Methodology P7.2 Biz Performance Methodology P7.3 Data Management & Governance ✓		

✓ Indicates completed projects



1. Drive major completed project outcomes:

i. New Relationship Management Model for Business Banking

- ◆ platform to deepen relationships & improve cross- selling capabilities
- ◆ mentor, coach and role-model effective commercial behaviours
- ◆ build confidence in strength/flexibility as a small bank
- ◆ build camaraderie current small teams

ii. Branch-Hub Integration

- ◆ increase sales through farming and mining
- ◆ improve service delivery

iii. Data Governance & Management

- ◆ improve data quality & compliance- minimize distractions from business

iv. Customer Experience Model

- ◆ commence transformation of all key customer interactions
- ◆ grow customer base and increase customer loyalty

v. Product Profitability Methodology

- ◆ improve costing of products
- ◆ improve yield through product bundling and cross-selling
- ◆ pilot auto-cross-sell with Mortgage

vi. New Credit Management Model

- ◆ begin implementation of new credit management model in phases



2. Optimize Branch Network with Greater Focus on Sales & Services Foundation

- ◆ ensure optimum exposure to market locale and accessibility for customers
- ◆ establish a strong and robust model to drive sales and deliver on its service promise to improve customer experience.

3. Accelerate Digital Banking Implementation

- ◆ increase channel competitiveness
- ◆ complete multichannel integration

4. Mobilize AFFINITY Change Agents to Drive Awareness & Changes Beyond HQ

- ◆ Business Centres - New RM Model & SME Banking
- ◆ Capture regional markets business opportunities
- ◆ Branch Transformation - Branch & Network Optimization and New Sales & Services Foundation
- ◆ Consumer Hubs – improve cross-selling capabilities

5. Leadership-led

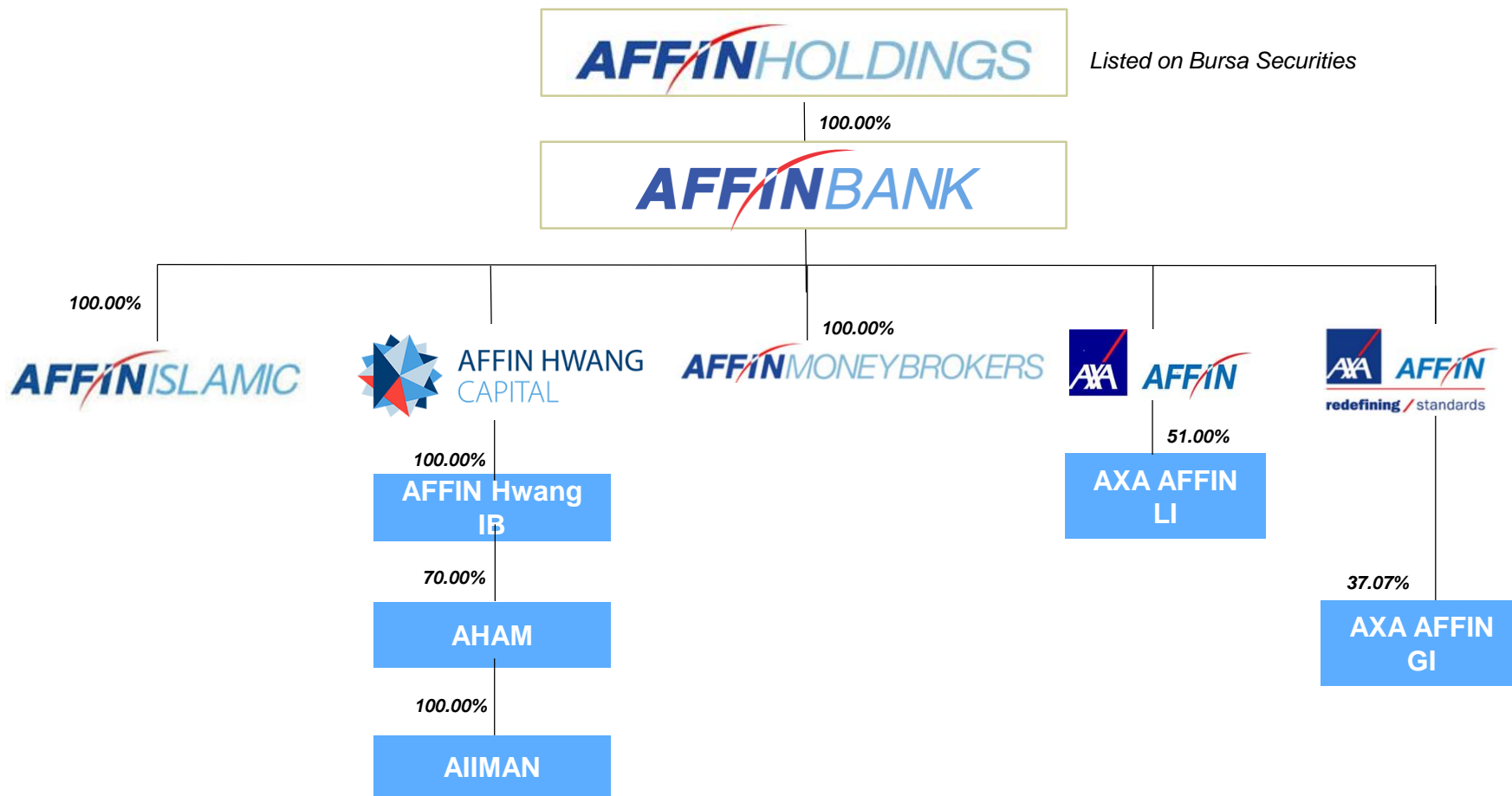
- ◆ top leadership at fore-front of change, walk the talk
- ◆ ownership of new Affin Bank Culture and DNA
- ◆ identify and grow new leaders



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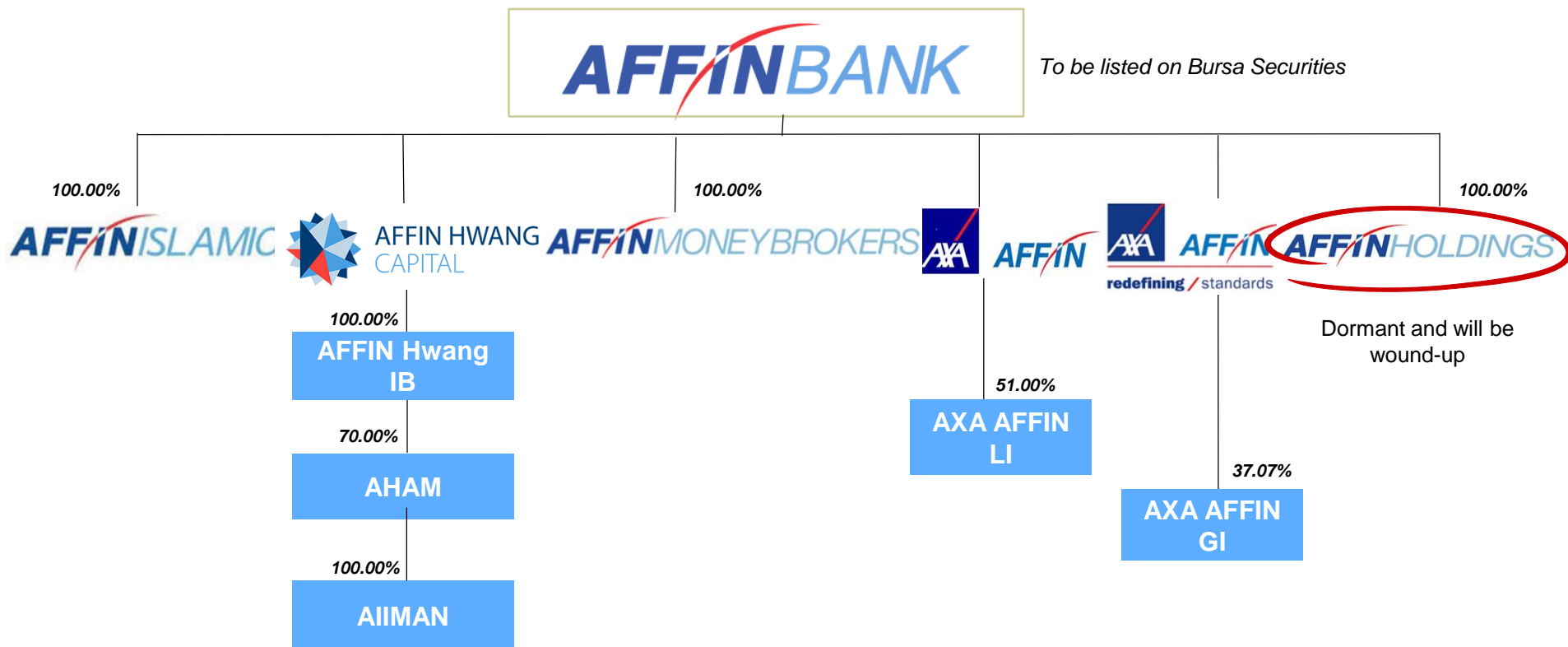


GROUP STRUCTURE ON 16 OCTOBER 2017





GROUP STRUCTURE AFTER LISTING



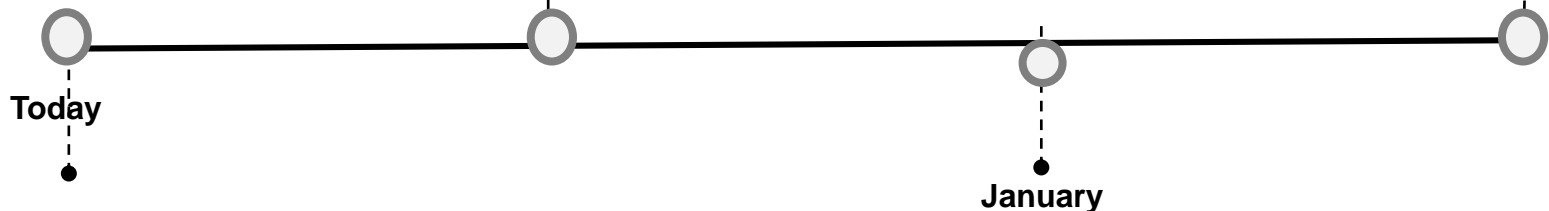


- Application to High Court for the Proposed Distribution
- Lodgment of court order

November / December

- **Listing of AFFIN Bank on the Main Market of Bursa Securities**
- Withdrawal of AFFIN Holdings' listing status

1H18



- Completion of Proposed Reorganisation
- AFFIN Bank Group Governance structure established

- Announcement of entitlement date for the share swap
- Entitlement Date

Note: The timing above is subject to changes

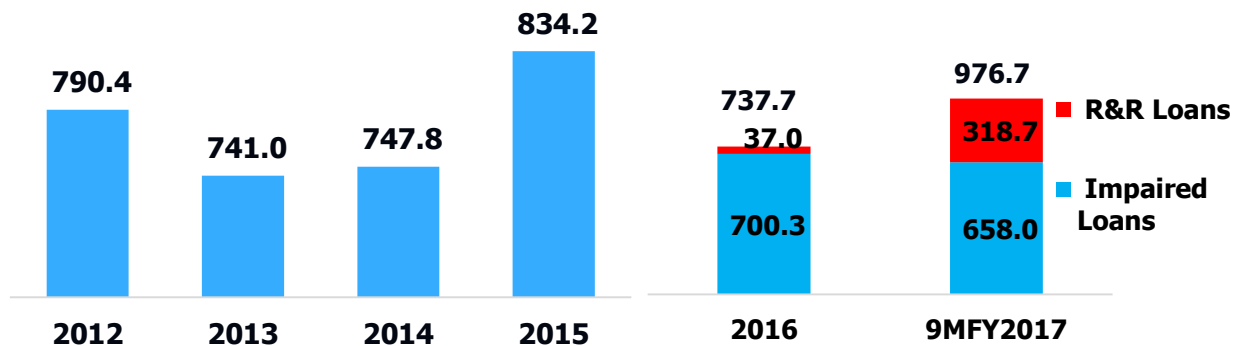


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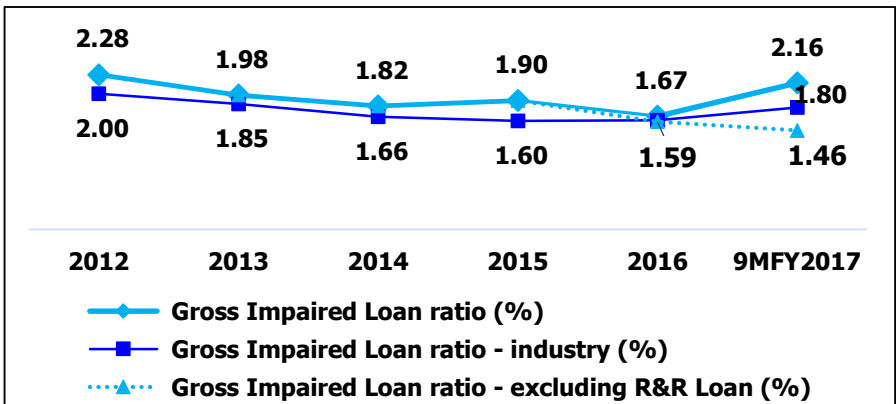


GIL RATIO EXCL R&R IS THE BAROMETER

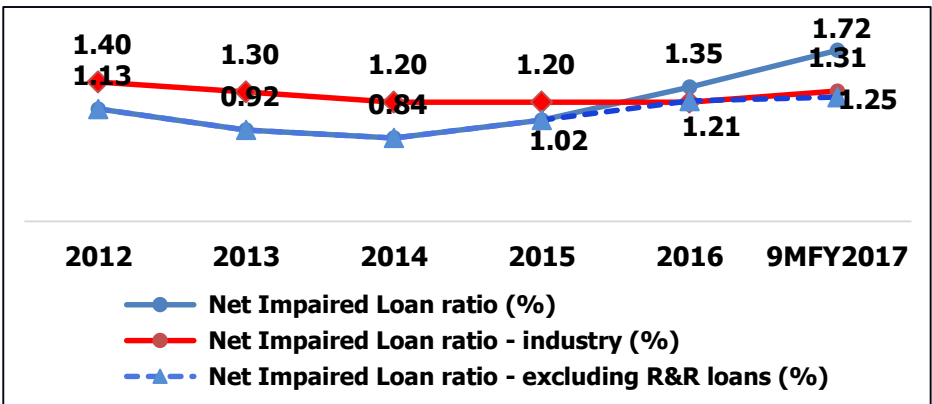
Gross Impaired Loans (RM Mil)



Gross Impaired Loan Ratio (%)

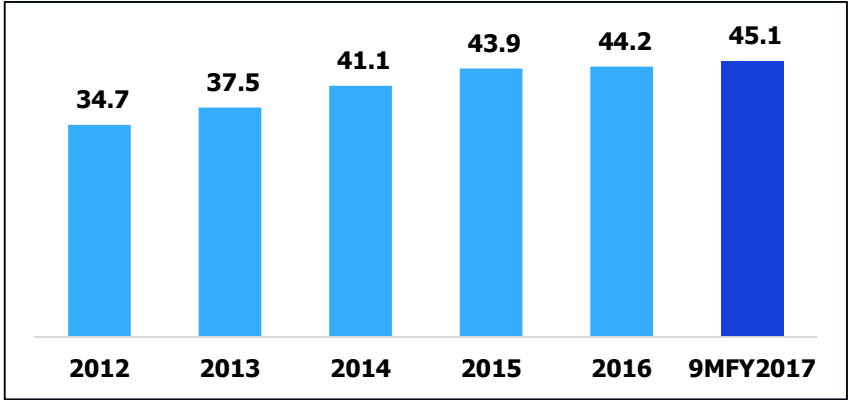


Net Impaired Loan Ratio (%)

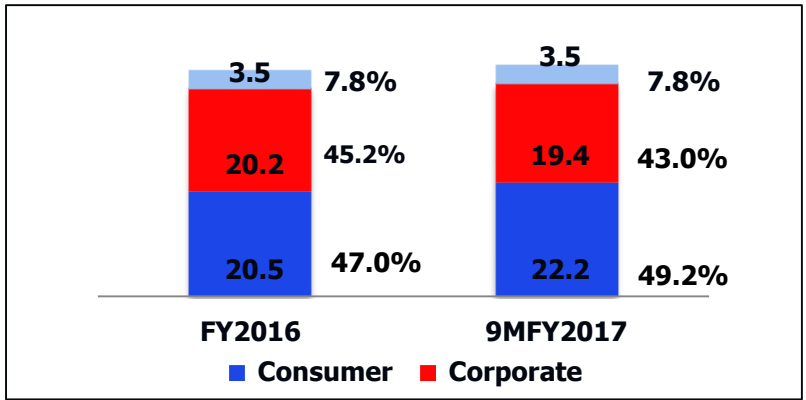




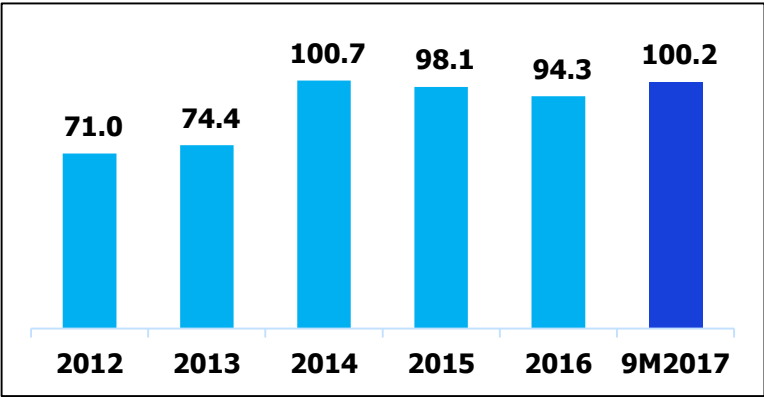
Total Gross Loans (RM bil)



Loans composition (RM billion)



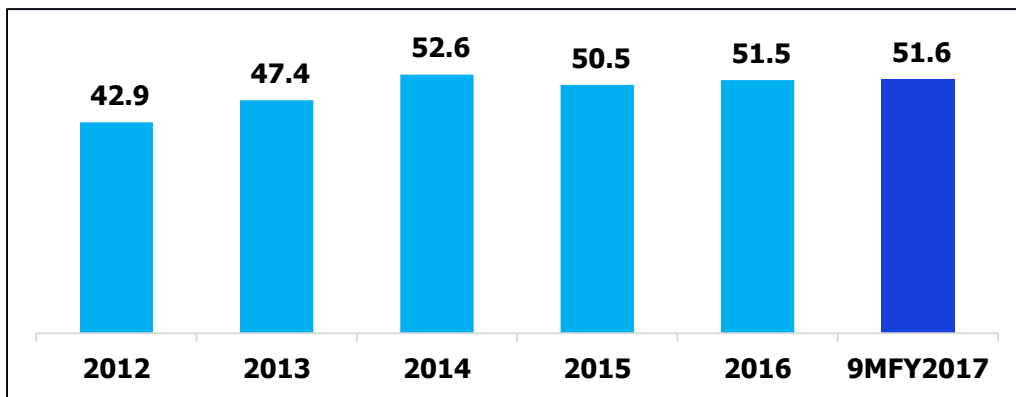
Loan Loss Reserve (%)



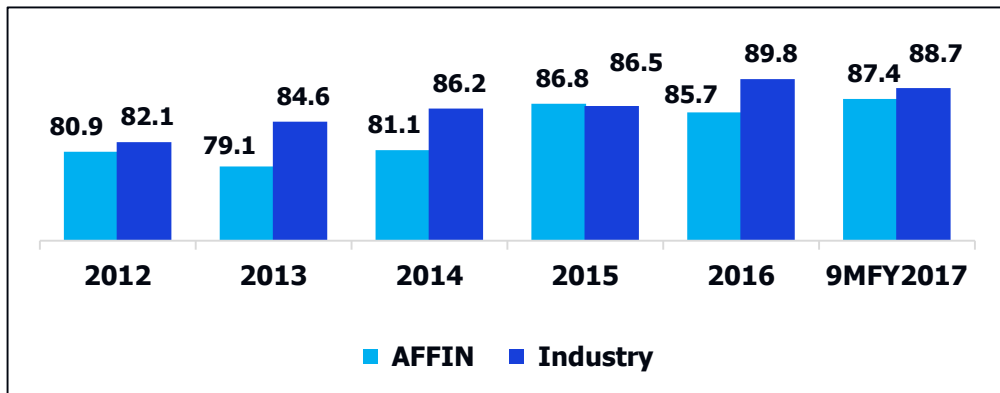


HOLISTIC DEPOSITS APPROACH

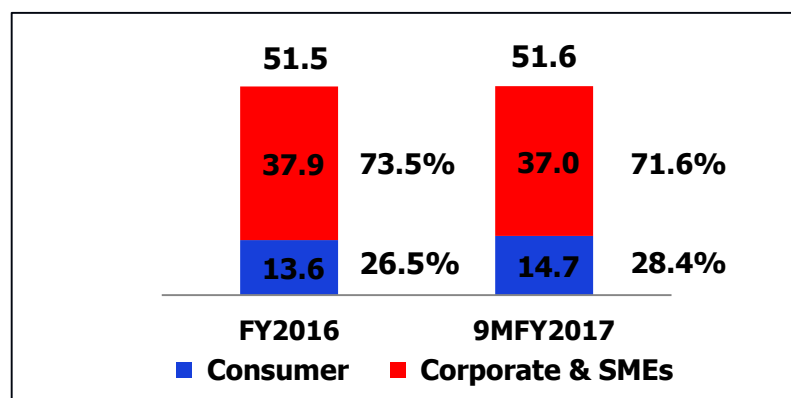
Deposits from Customers (RM Bil)



Gross Loans/Deposit Ratio (%)

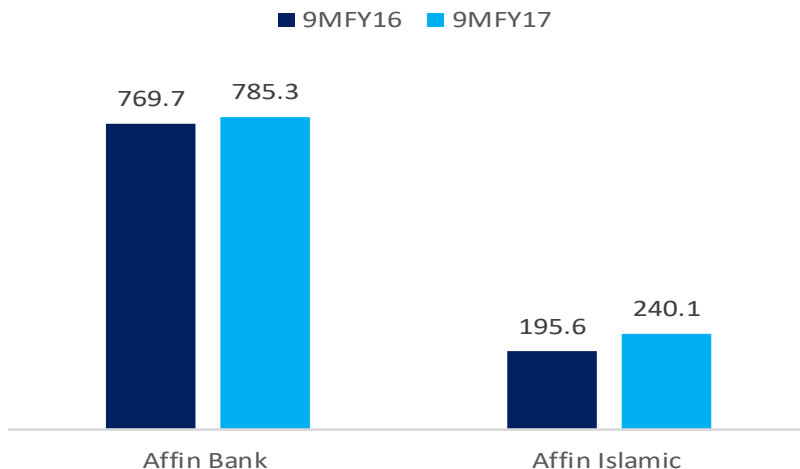


Deposits (RM Bil)

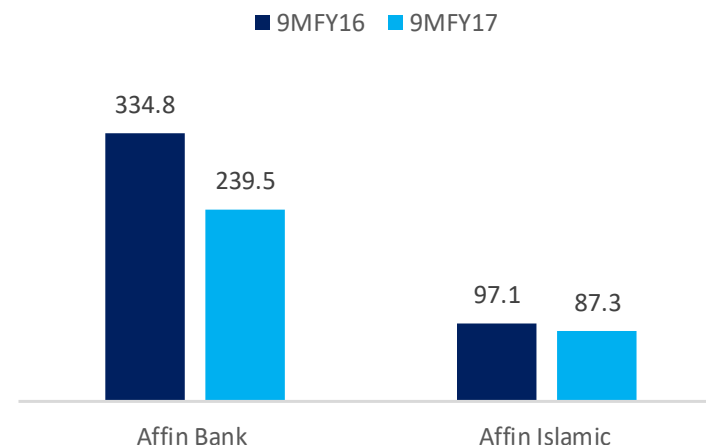




Net Income (RM Million)



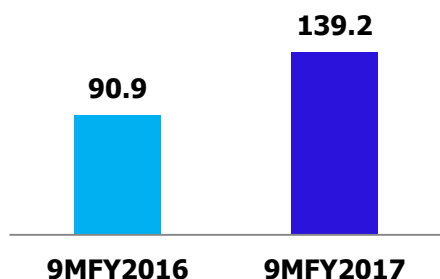
PBT after zakat (RM Million)



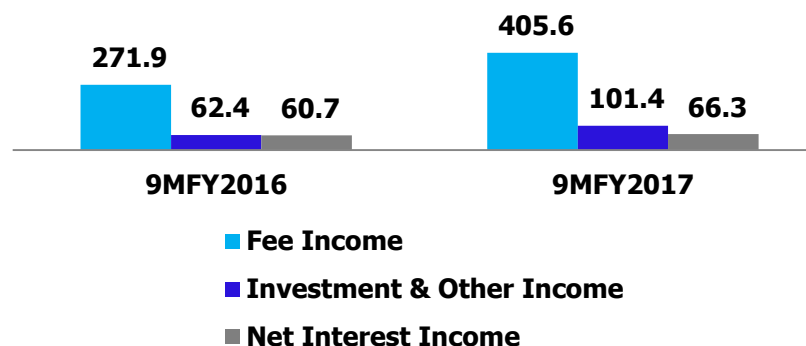
Key Highlights

- Higher net income due to higher loan/financing growth and other operating income however lower PBT attributable to provision for VSS of RM48 million and higher allowance of loan impairment.
- As at November 2017, 25 projects under the Affinity Transformation Program have been initiated of which 15 projects have been completed and 10 projects are still on-going. Significant progress has since been made.
- 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 32% (as at September 2017) of the Bank’s total banking assets.
- The Bank has recently won the Asian Banker's Liquidity Risk Technology Implementation of the Year.

PBT after zakat (RM million)



Net Income Contribution (RM million)

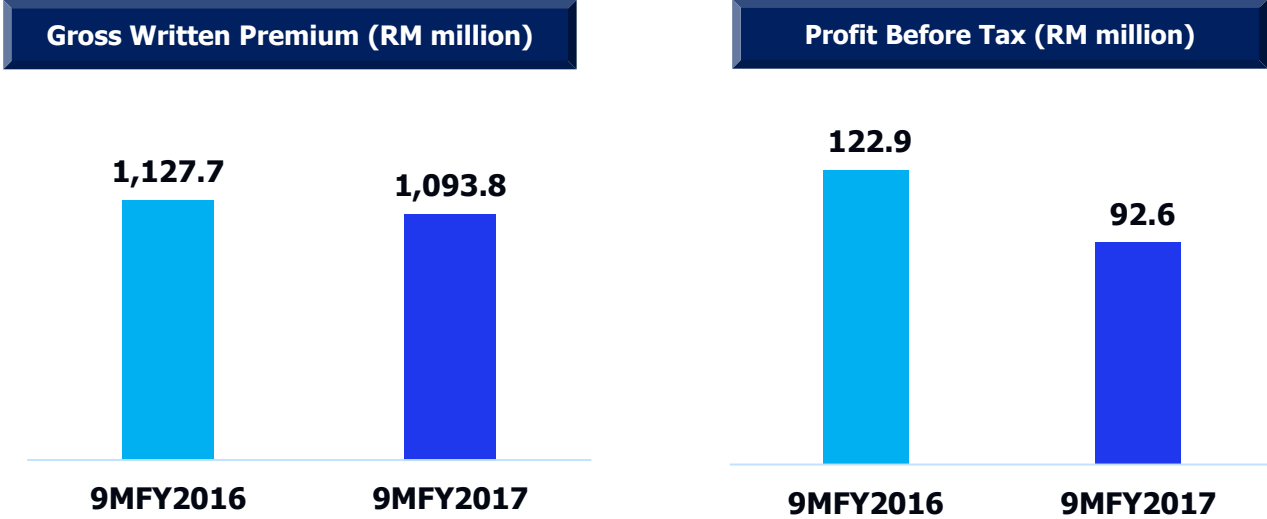


Key Highlights

- PBT after zakat improved 53% to RM139.2m
- Net Income grew 45% to RM573.3m, driven by almost 50% growth in Fee Income. Improved market sentiments resulted in better management fees & unit trust service charge, and higher brokerage & trading activities.
- Operating Expenses correspondingly grew mainly from marketing-related expenses in line with overall growth in net income.

Market Ranking & Recent Accolades

- No. 1 Bursa ranking for Value Traded (11.7%; 2016: 11.4%) & Volume Traded (17.6%; 2016: 14.9%)
- No. 3 Unit Trust industry ranking with RM29.3bn (2016: RM23.7bn) in AUM. Total AUM grew to RM43.5bn (2016: RM36.3bn)
- World's first Green sukuk (Tadaw Energy's RM250m Sustainable Responsible Investment "Green sukuk")
- Malaysia's first sukuk wakalah issued by a subsidiary of a Chinese State Own Enterprise (BEWG's RM400m sukuk wakalah)



Key highlights

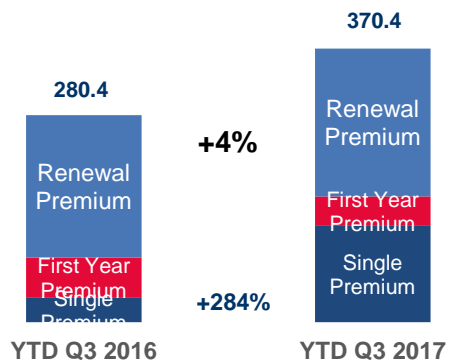
- 9M2017 PBT of RM92.6 million was lower than 9M2016 of RM122.9 million mainly due to higher expenses for transformation initiatives which were budgeted for.
- AXA’s Gross Written Premium decline year-on-year amidst a competitive general insurance industry due to liberalisation of Motor and Fire tariff.

Affin Bank had on 27 November 2017 submitted an application to Bank Negara Malaysia (BNM) to seek approval for AFFIN Bank to acquire an additional 6,913,788 ordinary shares in AXA AFFIN GI ("Shares") (which represents 5.81% equity interest herein) from Felda Marketing Services Sdn Bhd (FELMA) for a cash consideration of RM81.44 million. Recall that, BNM had approved an application made by AFFIN Bank to acquire 7.07% equity interest in AXA AFFIN GI, from FELMA on 18 September.



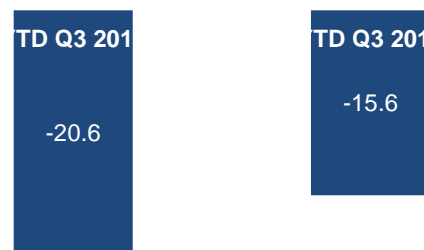
Gross Premium (RM Million)

Gross Premium grew 32%



Loss Before Tax (RM Million)

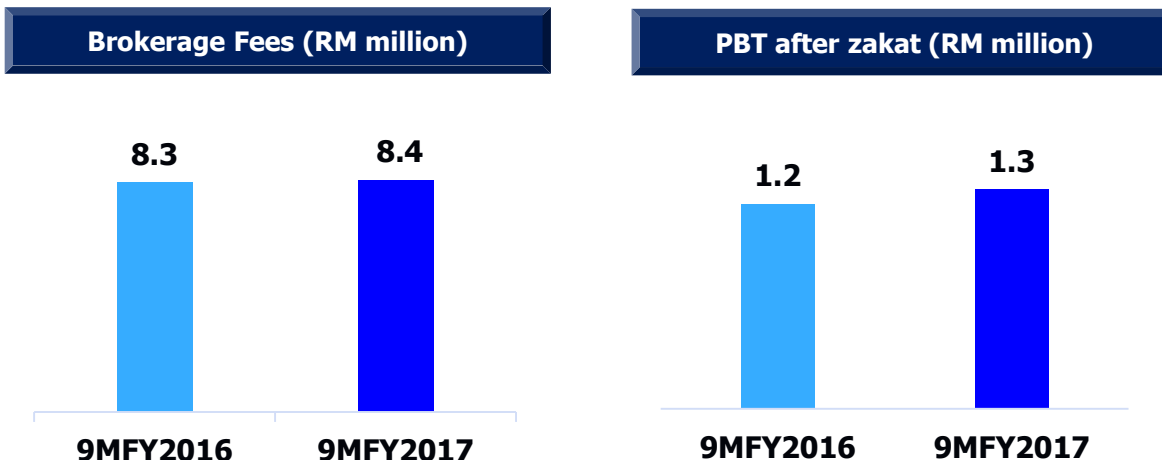
Pre-tax loss lower by 24%



Key highlights

- YTD Q3 2017 pre-tax loss was lower due to higher investment income and lower increase in reserve for future policyholder liabilities.
- Strong premium growth on the back of single premium protection product distributed through Bancassurance.

AALI is focused on taking actions to deliver sustainable growth through multi-distribution channels and partners. This includes strengthening protection and health offerings, efficiency with expenses and capital, leading to better margins and sustained financial strength in a challenging economic environment.



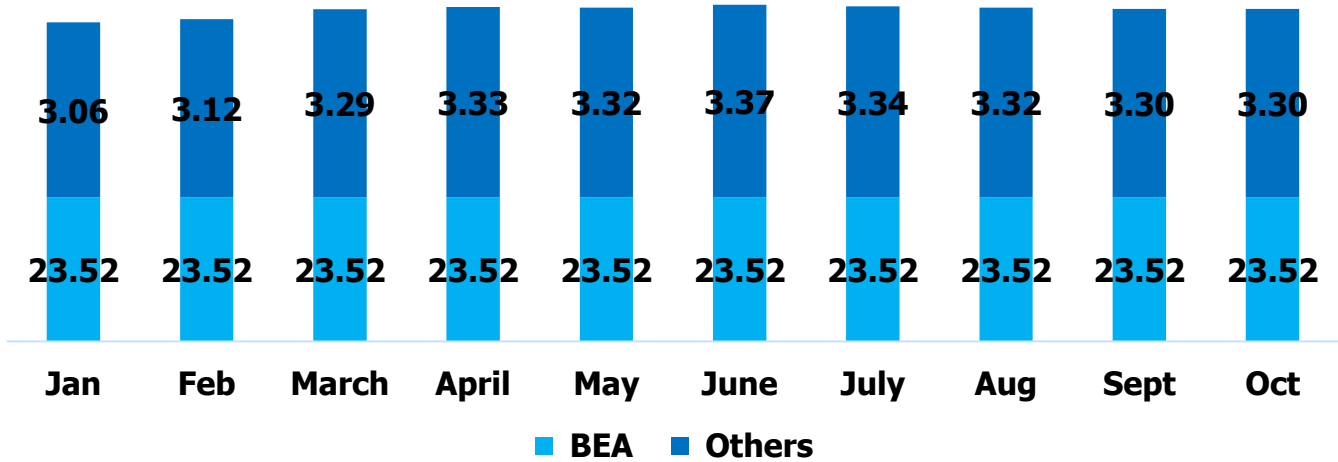
Key highlights

- PBT after Zakat was RM1.3 million as compared to RM1.2 million for 9MFY2017
- Brokerage fees was RM8.4 million as compared to RM8.3 million in 9MFY2016

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.



FOREIGN SHAREHOLDING



JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT
26.58	26.64	26.81	26.85	26.84	26.89	26.86	26.84	26.82	26.82



For any enquiries, please email ir@affinbank.com.my or call us at +603-2055-9005 (Investor Relations Department)

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