



# ANALYSTS/FUND MANAGERS PRESENTATION 1H2018 FINANCIAL RESULTS

## 3 SEPTEMBER 2018





- 1**    **KEY PERFORMANCE HIGHLIGHTS**
- 2**    PBT BY ENTITIES
- 3**    2018 GUIDANCE



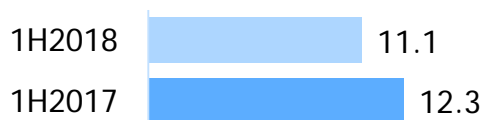
Profit Before Tax (RM mil)

**300.7**



Earnings Per Share (Sen)

**11.1**



Net Interest Margin (%)

**1.92**



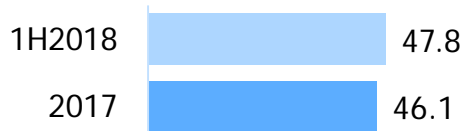
Gross Impaired Loan Ratio (%)

**2.81**



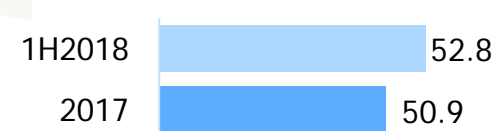
Gross Loans, Advances and Financing  
(RM bil)

**47.8**



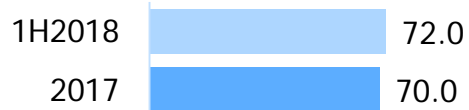
Total Deposits from Customers  
(RM bil)

**52.8**



Total Assets (RM bil)

**72.0**



Total Equity (RM bil)

**8.4**



Net assets Per Share (RM)

**4.28**





## PROFITABILITY

- Achieved a PBT of RM300.7 million for the half year ended 30 June 2018
- Net interest income increased by RM4.9 million or 1.2% to RM426.3 million
- Islamic Banking Income increased by RM52.0 million or 34.4% to RM203.2 million
- Net fee and commission income increased by RM184.2 million or 360.7% to RM235.3 million
- Net gains on financial instruments increased by RM16.5 million or 32.7% to RM67.1 million
- Overhead expenses increased by RM233.9 million or 61.0% to RM617.5 million
- Net allowances for credit impairment losses increased by RM33.8 million or 79.8% to RM76.2 million

## ASSET QUALITY

- Gross Impaired Loans ratio was at 2.81% (Dec 2017 : 2.53%). Excluding the R&R accounts, the Gross Impaired Loan ratio stood at 2.28%. Loan Loss Reserve was at 101.3% (June 2018) vs. 98.5% (Dec 2017)

## CAPITAL ADEQUACY

- Total Capital ratio, Common Equity Tier-1 Capital ratio and Tier 1 Capital ratio of all banking entities within the Group remained at above the minimum regulatory requirements.
- Total Capital ratio for Affin Bank Berhad Group stood at 16.81%. (CET1:11.68%, Tier1: 11.72%)
- Total Capital ratio for Affin Hwang Investment Bank Berhad Group stood at 32.97% (CET1: 31.65%, Tier1: 32.13%)



## CAPITAL PLAN

- RM6 billion MTN Programme for the issuance of Subordinated Notes and/or Senior Notes was established. RM1 billion was issued at 5.45% in February 2017 and another RM1 billion was issued at 5.03% in September 2017
- RM3 billion AT1CS Programme was established. RM500 million was issued at 5.80% in July 2018.
- Dividend Reinvestment Plan is awaiting for BNM's approval.
- Other debt instruments program for AiBB (Inaugural Sukuk issuance)

## RATIOS

- LCR as at June 2018 was 139%.
- Loan to Fund and Equity (LTFE), Loan to Deposits, Loan To Fund (LTF) is at 76.6%, 90.6%, 87.2% as at June 2018.

## AFFINITY PROGRAM

- Completed 22 projects out of 32 projects. Improvements seen in loan stock, turnaround time, loans and deposits growth.
- Digital initiatives, launched new branch concept at MyTown, Cheras. The basis of branches in becoming digital and paperless. Partnered with Strategic Partners/ Fintechs for the Group to be digital at core (new Retail Internet Banking, E-wallet, Affinity Lifestyle Banking)

## LOANS & DEPOSITS GROWTH

- Gross loans, advances and financing grew by 3.8% to RM47.8 billion driven largely by Consumer Banking while customer deposits grew by 3.6% to RM52.8 billion.

## BUSINESS PERFORMANCE

- AFFIN Bank Group reported a higher PBT of RM300.7 million in 1H2018 as compared to RM271.8 million achieved in 1H2017 driven by the increase in net fee and commission income, net gain on financial instruments, Islamic banking income, other income and net interest income.
- AFFIN Bank achieved a higher PBT of RM315.4 million in 1H2018 as compared to RM215.9 million in 1H2017 mainly attributable to higher non-interest income.
- AFFIN Islamic Bank registered a PBT of RM85.6 million in 1H2018 as compared to RM55.7 million in 1H2017 due to higher net financing income in line with the financing growth of 13.5% or RM2.1 billion during 1H2018.
- Affin Hwang Investment Bank Group reported a PBT of RM83.0 million in 1H2018 mainly driven by fee based income. Its net interest income grew by 14.2% to RM37.9 million as compared to RM33.2 million in 1H2017.
- Affin Hwang Asset Management registered a PBT of RM56.0 million in 1H2018, a significant improvement of 61.4% as compared to RM34.7 million in 1H2017.
- AXA AFFIN Life Insurance reported a lower pre-tax loss of RM1.9 million in 1H2018 as compared to a pre-tax loss of RM9.8 million in 1H2017 mainly attributable to lower reserves for policy holder's liabilities due to movement in interest rate.
- AXA AFFIN General Insurance registered a pre-tax profit of RM86.4 million in 1H2018 mainly contributed by higher investment income and higher gains on disposal of investment securities as well as stable underwriting results.



## KEY METRICS

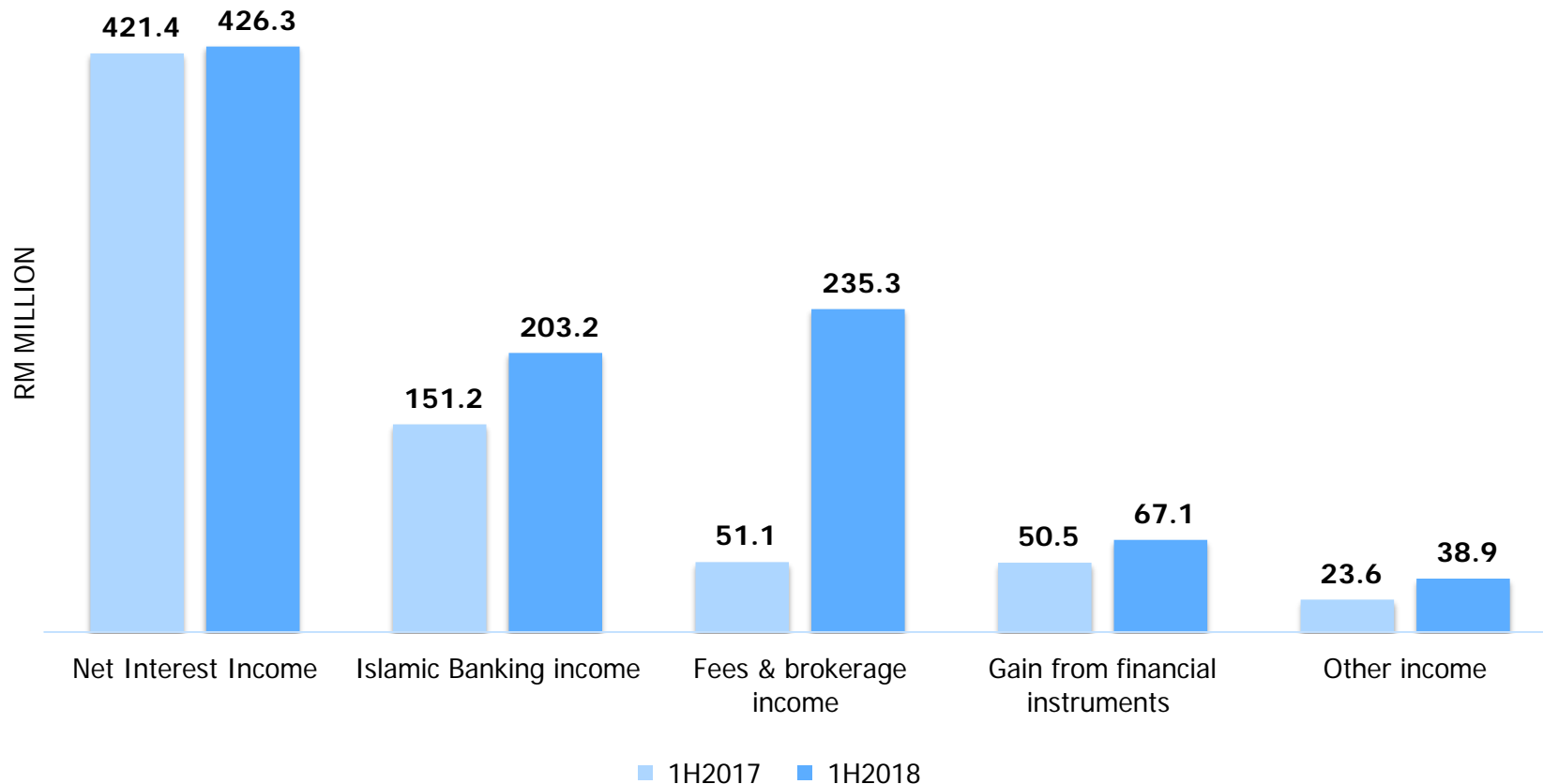
RM'000	ABB GROUP 1H2017	ABB GROUP* 1H2018	AHB Group** 1H2017
Net interest income	421,382	426,321	494,283
Islamic banking income	151,225	203,222	151,225
Net Fee and commission income	51,071	235,277	206,733
Other operating income	74,120	105,975	161,569
<b>Net Income</b>	<b>697,798</b>	<b>970,795</b>	<b>1,013,810</b>
Operating expenses	(383,627)	(617,501)	(596,217)
Operating profit before allowances	314,171	353,294	417,593
Allowances for impairment losses	(42,383)	(82,570)	(42,348)
Operating profit	271,788	270,724	375,245
Profit before taxation	271,788	300,650	360,575
<b>Net Profit for the financial year</b>	<b>208,417</b>	<b>224,988</b>	<b>276,698</b>
<b>Earnings Per Share (Sen)</b>	<b>12.30</b>	<b>11.10</b>	<b>13.82</b>

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

\*\* AHB group consolidated results for 1H2017 for comparison purposes.



# INCOME COMPOSITION





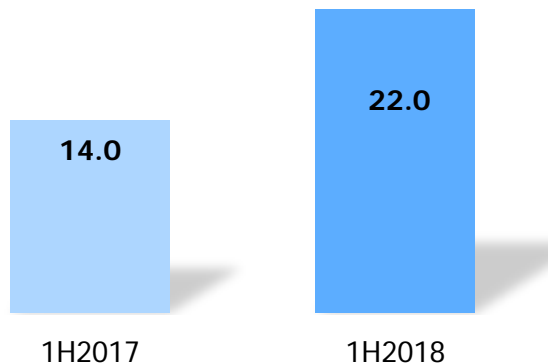


## NET FEE AND COMMISSION INCOME

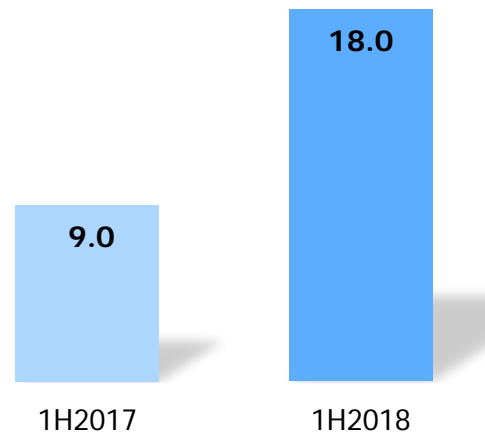
RM'000	ABB Group 1H2017	ABB Group 1H2018	AHB Group 1H2017
Net brokerage	-	42,167	40,941
Portfolio management fees	-	151,639	122,214
Corporate advisory fees	-	5,292	4,353
Commission	10,174	13,580	9,897
Service charges and fees	33,819	36,886	34,964
Guarantee fees	11,309	11,392	10,733
Arrangement fees	-	1,425	600
Agency fees	-	2,014	1,014
Initial service charges	-	61,699	66,159
Other fee income	-	8,303	9,443
Fee and commission expense	(4,231)	(99,120)	(93,585)
<b>NET FEE AND COMMISSION INCOME</b>	<b>51,071</b>	<b>235,277</b>	<b>206,733</b>



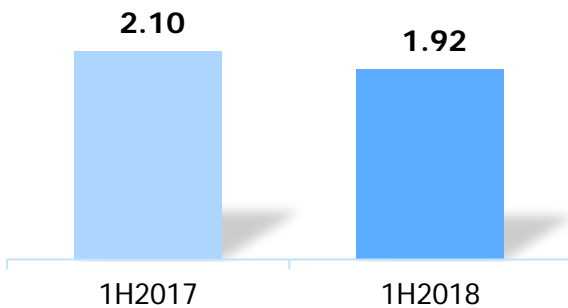
## Gross Credit Cost (bps)



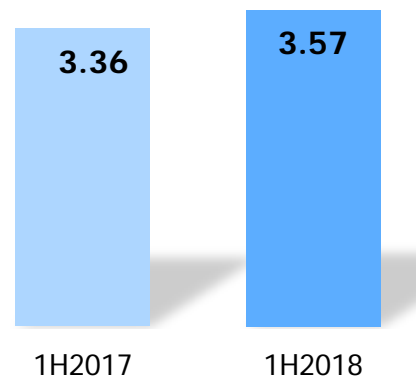
## Net Credit Cost (bps)



## Net Interest Margin (%)



## Cost of Funds (%)



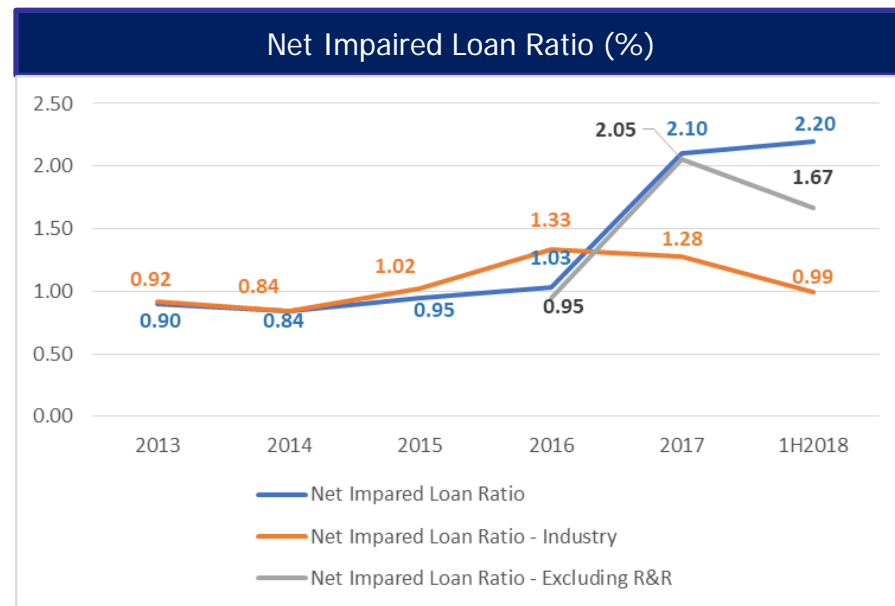
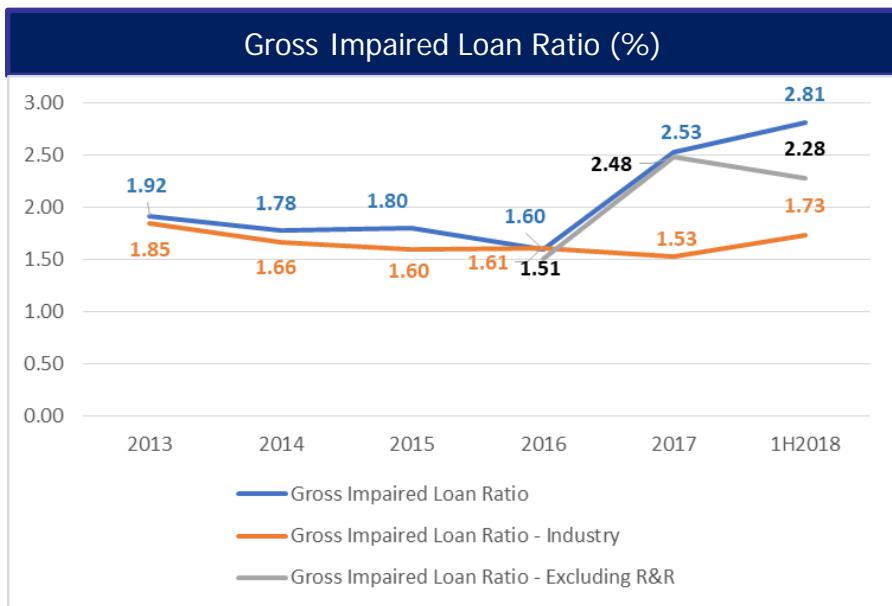
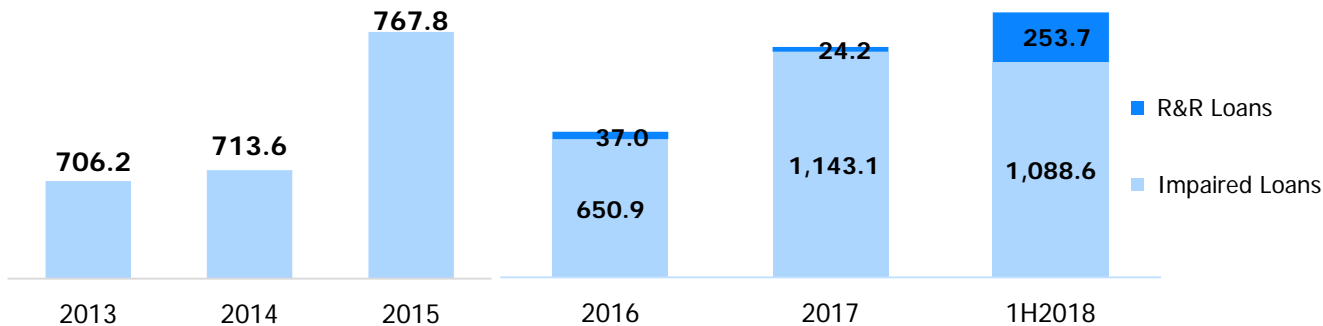


# OVERHEADS COMPOSITION

RM '000	ABB Group 1H2017	ABB Group 1H2018	AHB Group 1H2017
Personnel cost	224,896	403,223	357,916
Promotion & marketing related expenses	16,068	30,119	41,626
Establishment-related expenses	110,652	128,835	135,836
General & administrative expenses	32,011	55,324	60,839
<b>TOTAL</b>	<b>383,627</b>	<b>617,501</b>	<b>596,217</b>
<b>Cost to Income ratio (%)</b>	<b>55.0%</b>	<b>63.6%</b>	<b>58.8%</b>

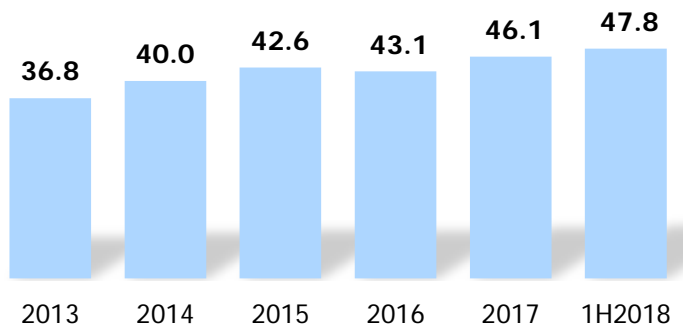


## Gross Impaired Loans (RM Mil)

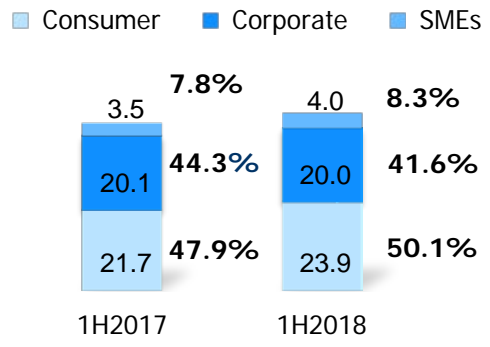




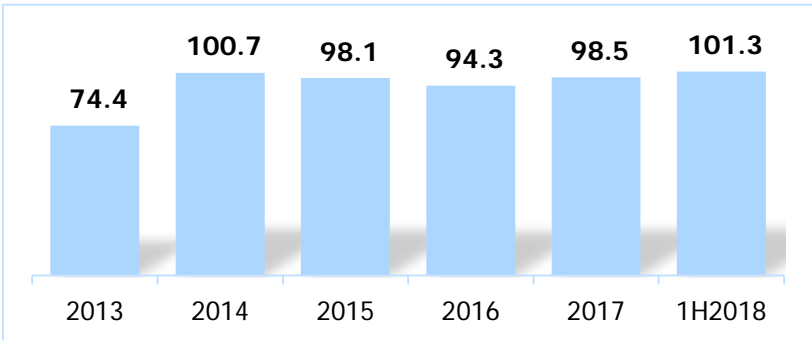
**Gross Loans, Advances & Financing (RM billion)**



**Gross loans composition (RM billion)**



**Loan Loss Reserve (%)**



\* Inclusive of regulatory reserves

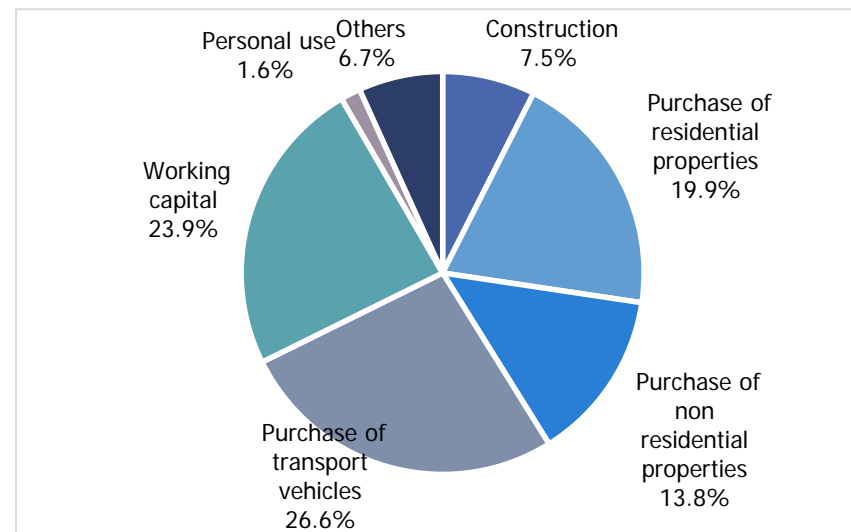
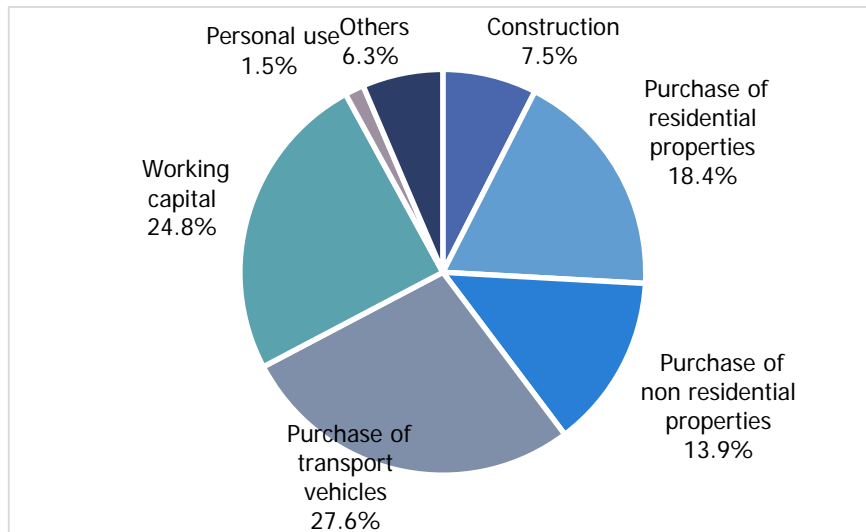


# LOANS BY PURPOSE

2017

## GROSS LOAN BY ECONOMIC PURPOSE

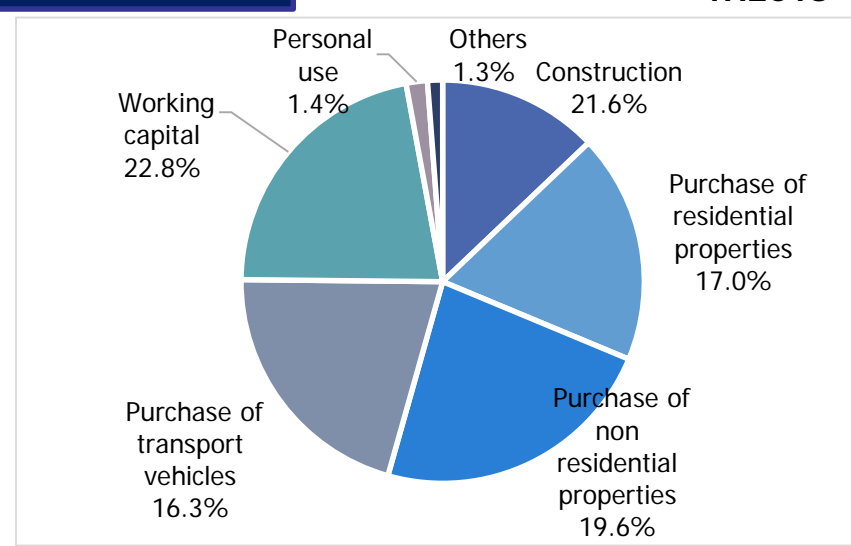
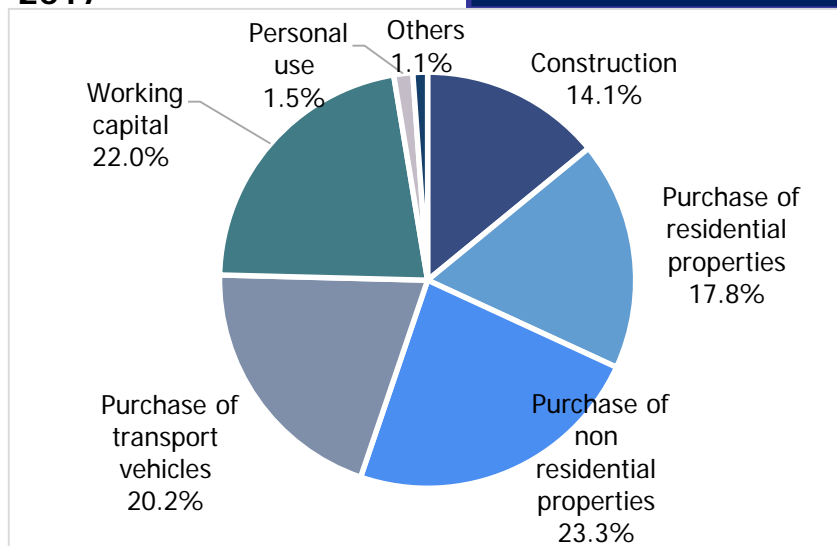
1H2018



2017

## GROSS IMPAIRED LOAN BY ECONOMIC PURPOSE

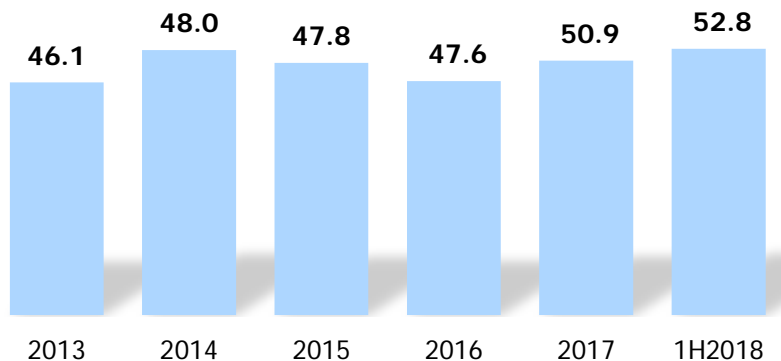
1H2018



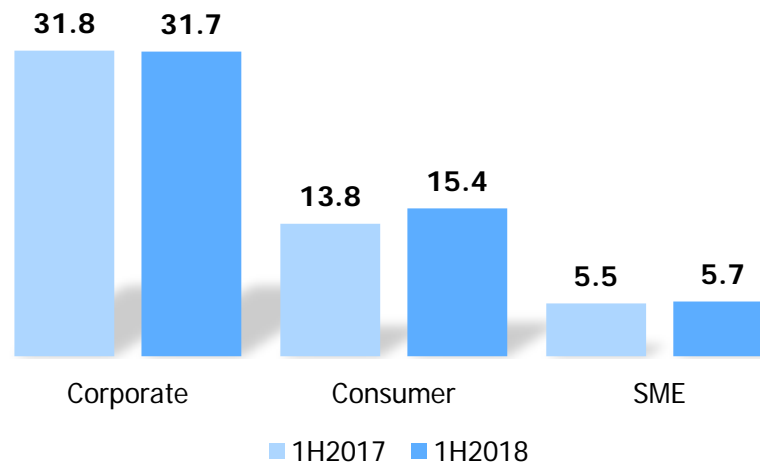


# DEPOSITS

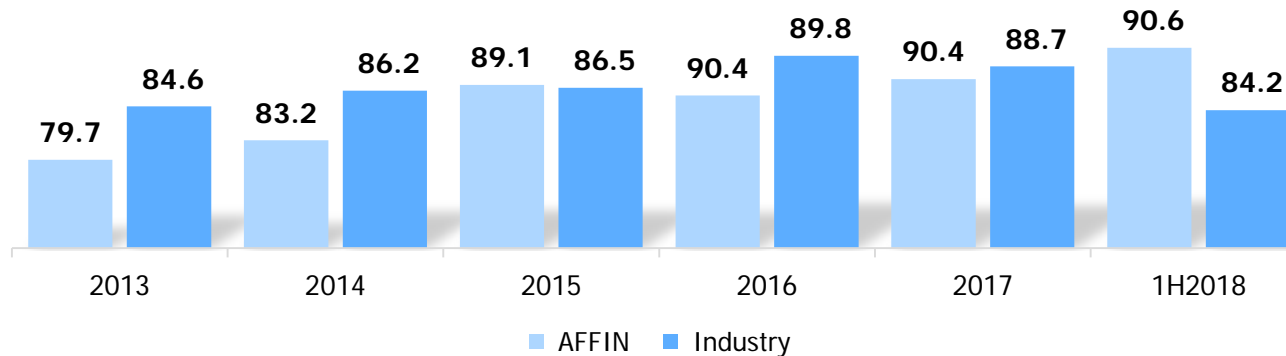
Deposits from Customers (RM billion)



Deposits by Segment (RM billion)



Gross Loans/Deposit Ratio (%)





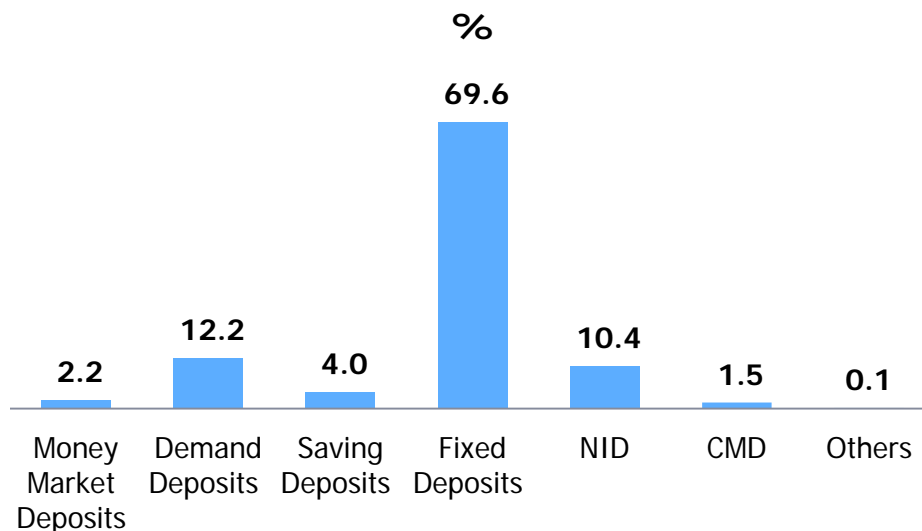
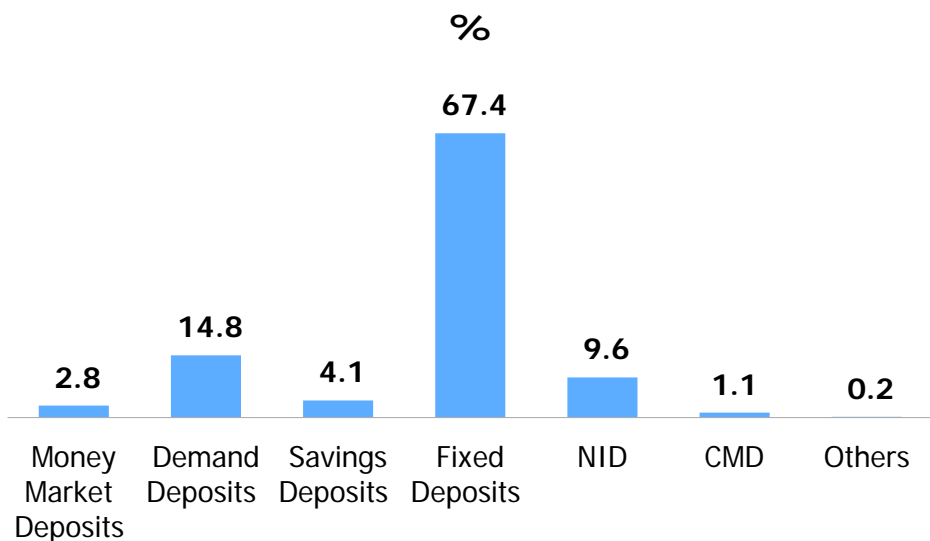
# COMPOSITION OF DEPOSITS

2017

1H2018

Total Deposits from Customers  
**RM50.9 bil**

Total Deposits from Customers  
**RM52.8 bil**



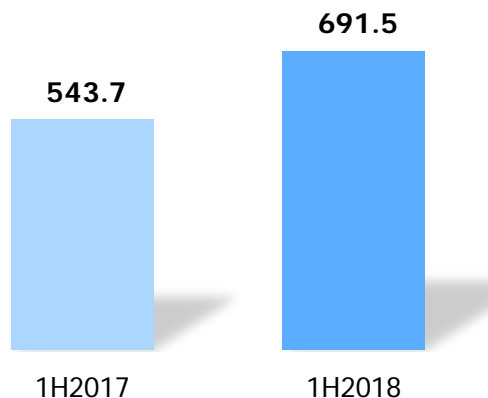




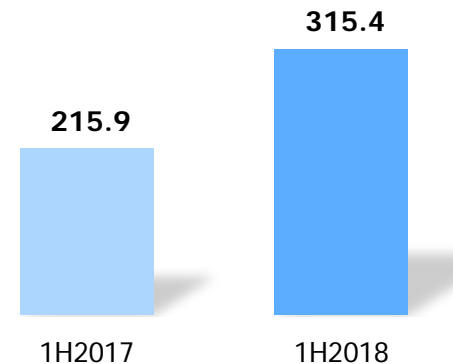
- 1 KEY PERFORMANCE HIGHLIGHT
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- 3 2018 GUIDANCE



**Net Income (RM Million)**



**PBT (RM Million)**

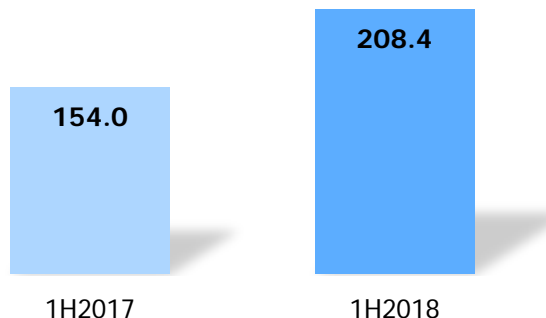


**Key Highlights**

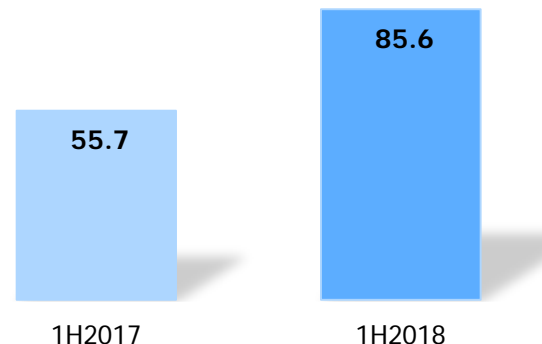
- The Bank registered a lower net interest income of RM380.4 million in 1H2018 as compared to RM418.6 million in 1H2017 mainly due to the decrease in loans and advances of the conventional banking. This is in line with the Bank's strategy to grow its Islamic financing portfolio instead of the conventional loans portfolio during the year.
- The non interest income increased by RM186.3 million in 1H2018 to RM317.3 million.
- The higher PBT was mainly due to dividend income received from subsidiaries and gain on winding-up of a subsidiary, net of reduction in interest income and net gain on financial instruments.
- The Bank won the Achievement in Liquidity Risk Management Awards 2018 in Beijing, China in May 2018
- The award is to recognise the Bank's commitment to improve its enterprise wide and liquidity management as well as to advance its risk management best practices.



**Net Income (RM million)**



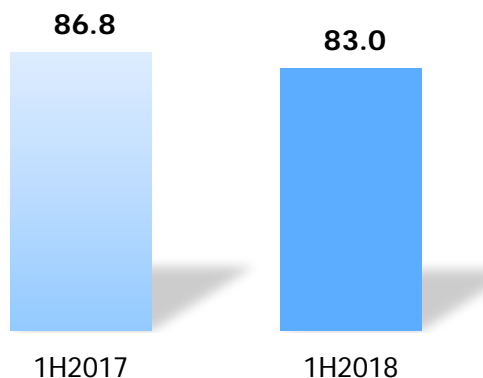
**PBT (RM million)**



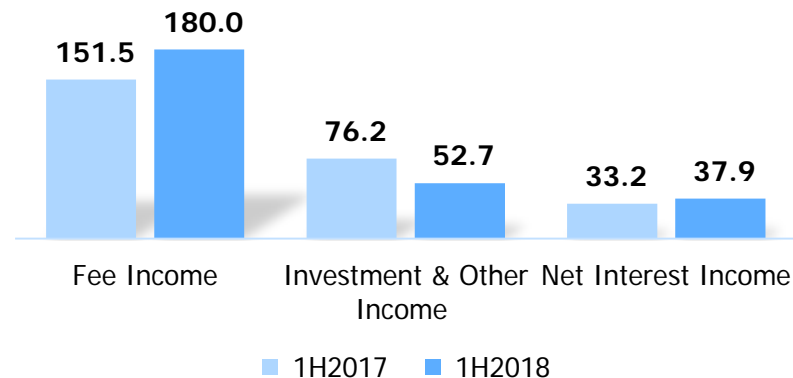
**Key Highlights**

- The improved PBT is due to increase in net financing income as a result of growth in financing.
- 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 38% (as at June 2018) of the Bank’s total banking assets.

## PBT (RM million)



## Net Income Contribution (RM million)

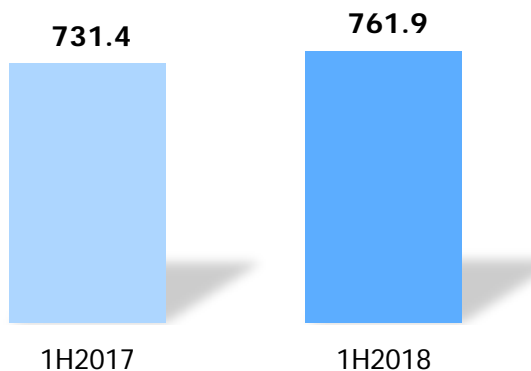


## Key Highlights

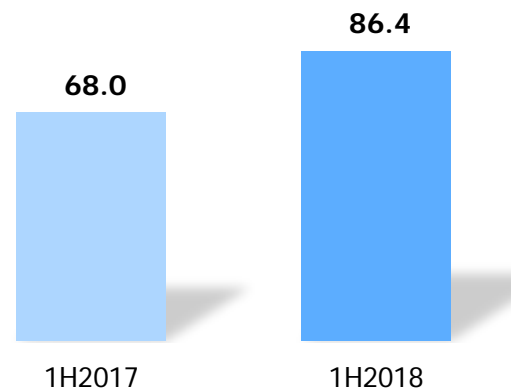
- PBT declined slightly by 4.3% to RM83.0 million compared to 1H2017.
- Net Income grew 3.7% to RM270.6 million driven largely by Net Fee Income
- Operating Expenses grew 5.4% to RM182.9 million in line with business growth
- No. 1 Bursa ranking in both value traded (12.6%) and volume traded (18.7%)
- No. 2 Unit Trust industry ranking with RM33.2 billion in AUM, while total AUM stands at RM48.3 billion
- First Bank approved by Bursa Malaysia to provide Islamic Securities Borrowing and Lending activities in Malaysia
- Principal Adviser to the largest IPO (Market Cap: RM710m) to date this year with the listing of Mi Equipment Holdings Berhad
- Green Project of the Year by The Asset Triple A in the Asia Infrastructure Awards 2018; also won 6 country awards
- Asset Management Company of the Year in Malaysia by The Asset Triple A in the Asset Servicing, Institutional Investor and Insurance Awards 2018
- Asset Manager of the Year in Malaysia by The Asset Triple A in the Islamic Finance Awards 2018
- Silver Award for Best Use of Digital Media in Malaysia by Human Resources Magazine in the Asia Recruitment Awards 2018
- Ranked 3<sup>rd</sup> for Talent Management in Malaysia by World HRD Congress in the Best Employer Brand Awards 2018



**Gross Written Premium (RM million)**



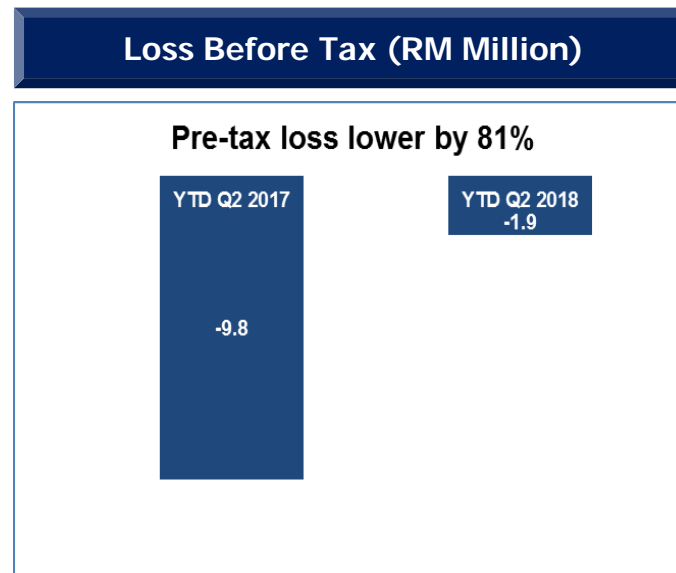
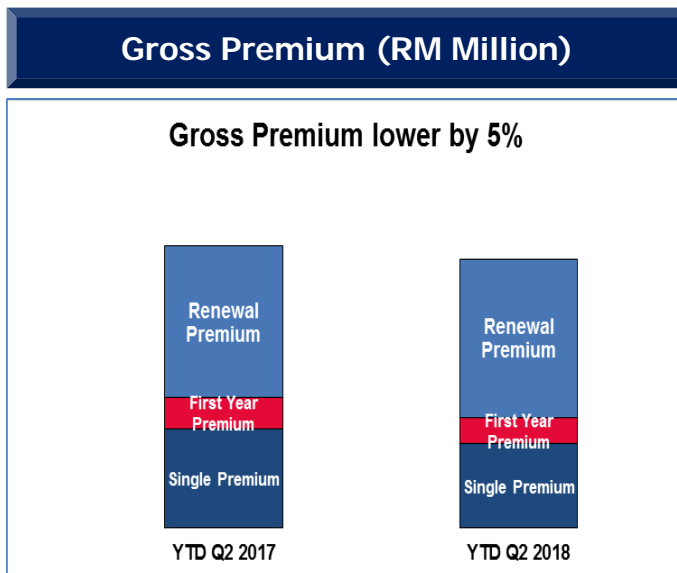
**PBT (RM million)**



**Key Highlights**

- AXA AFFIN General Insurance's Gross Written Premium grew by 4.2% backed by momentum in Motor, Health and Retail business.
- The Company also reported a higher PBT of RM86.4 million for 1H2018 mainly contributed by higher investment income and higher gains on disposal of investment securities as well as stable underwriting results.

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

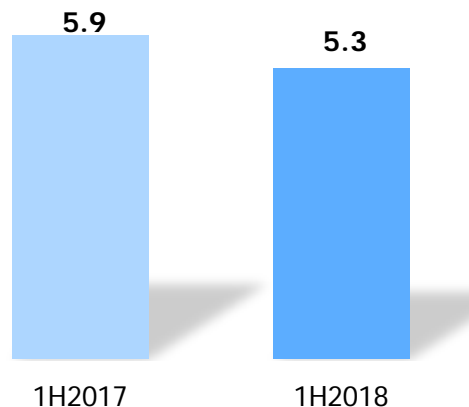


**Key highlights**

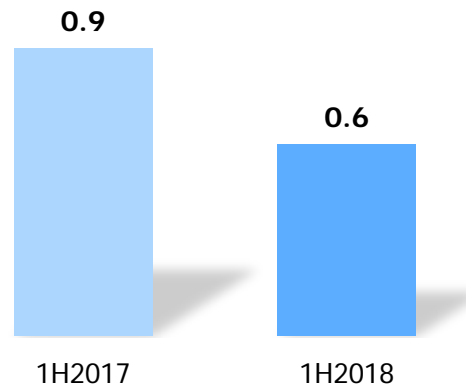
- Gross premium lower by 5% as compared to that of same period last year mainly due to lower premium from first year and single premium products. The renewal premium however grew by 4%.
- Protection & Health Gross Premium higher than the company’s plan by 2.4%.
- Lower loss before tax, contributed by lower increase in reserves for future policyholder liabilities due to movement in interest rate.



## Brokerage Fees (RM million)



## PBT (RM million)

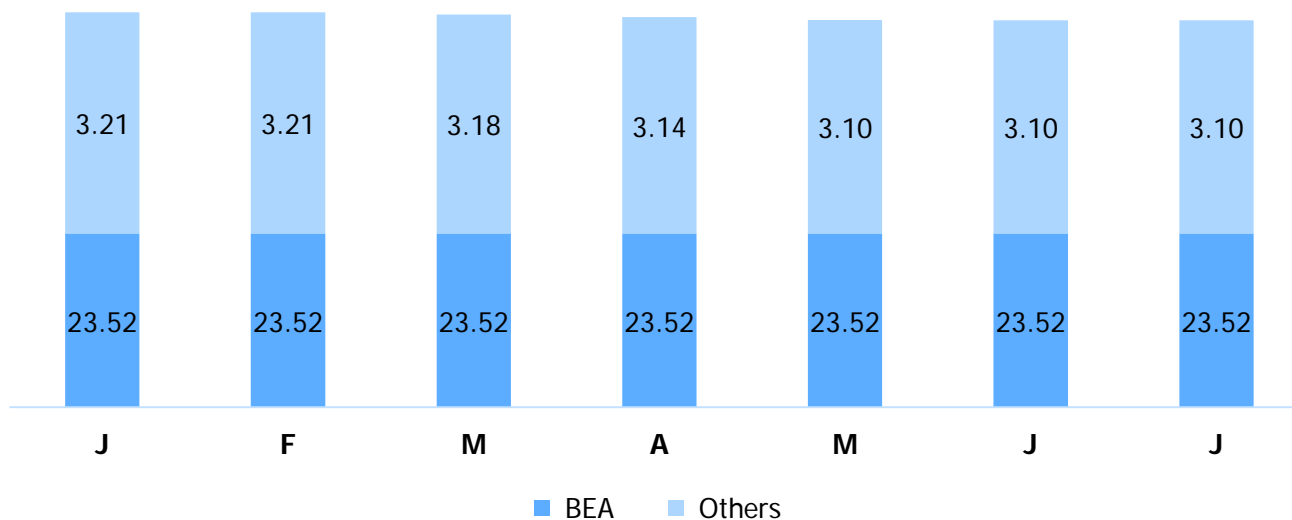


### Key highlights

- PBT was RM0.6 million in 1H2018 as compared to RM0.9 million in 1H2017
- Brokerage fees was RM5.3 million in 1H2018 as compared to RM5.9 million in 1H2017



## FOREIGN SHAREHOLDING FOR JANUARY - JULY 2018



JAN	FEB	MAR	APR	MAY	JUNE	JULY
26.73	26.73	26.70	26.66	26.62	26.62	26.62





- 1 KEY PERFORMANCE HIGHLIGHT
- 2 PBT BY ENTITY
- 3 2018 GUIDANCE



LOAN GROWTH	6-7%
DEPOSITS GROWTH	11%
COST TO INCOME RATIO	<60%
GROSS CREDIT COST	30-40BPS
GDP	5%
CPI	1.5%
OPR	3.25%
USD/MYR	3.90-3.95



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

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