

ANALYST PRESENTATION 1H2020 RESULTS

AFFIN BANK BERHAD

26 August 2020

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AFFIN Key Performance Highlights 1H2020

PROFITABILITY

- Achieved a PBT of RM267.9 million (1H2019: RM400.0 million) YoY decline of 33.0%.
- Modification Loss of RM79.7 million recognised in 2Q2020 due to the waiving of interest charges during the 6-month loan and financing moratorium for Hire Purchase and Personal Financing.
- Excluding the modification loss, the normalised PBT was RM347.6 million in 1H2020, YoY decline of 13.1%.
- Net income recorded was RM1.14 billion (1H2019: RM970.4 million) YoY growth of 17.8%.

COST MANAGEMENT

- Cost to Income Ratio of 58.45%, improved by 4.94% YoY compared to 1H2019 of 63.39%
- ROE of 4.06% as compared to 5.81% in 1H2019 due to lower PBT recorded in 1H2020.

ASSET QUALITY

- Gross Impaired Loans ratio decreased by 43 bps to 3.06% (1H2019: 3.49%).
- Net Impaired Loans ratio decreased by 57 bps to 2.23% (1H2019: 2.80%).
- Loan Loss Reserve significantly improved to 50.89% (1H2019: 33.31%).

LIQUIDITY

- CASA increased by 16.3% YoY, significantly improving the CASA ratio to 19.86% in 1H2020 compared to 13.92% in 1H2019.
- A reduction in high cost deposits of RM10.9 billion or 18.5% in 1H2020 resulting in Customer Deposits at RM48.3 billion (1H2019: RM59.2 billion) in line with decrease in loan balances.
- LCR elevated at 163.42% (1H2019: 146.79%) and NSFR improved significantly to 115.59% (1H2019: 98.34%).

AFFIN Key Performance Highlights 1H2020

LOANS

- Gross Loans reduced 5.4% YoY to RM45.0 billion 1H2020 due to rebalancing of portfolios and slowdown due to COVID-19 (1H2019: RM47.6 billion).

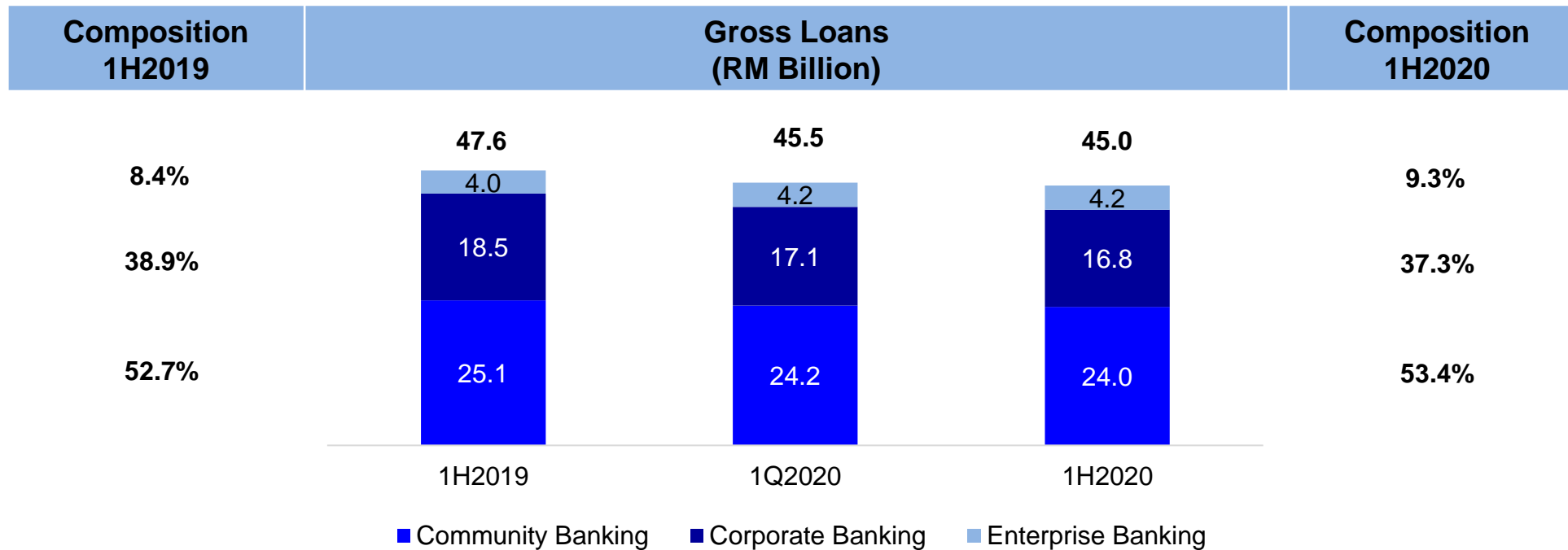
CAPITAL ADEQUACY

- Highest Total capital ratio of 23.51% improved by 237 bps due to lower RWA (1H2019: 21.14%)
- CET-1 capital ratio increased by 199 bps to 14.66% (1H2019: 12.67%)
- Tier-1 capital ratio increased by 209 bps to 16.45% (1H2019: 14.36%)

Balance Sheet Highlights

RM Million	1H2019	1Q2020	1H2020	QoQ (%)	YoY (%)
Cash & short-term funds	10,324.8	5,559.0	8,165.2	46.9	(20.9)
Financial assets/investments	13,088.7	12,430.4	10,672.5	(14.1)	(18.5)
Gross loans, advances & financing	47,618.3	45,484.4	45,023.5	(1.0)	(5.4)
<i>of which : ECL</i>	(554.2)	(655.9)	(700.5)	6.8	26.4
Other assets	5,806.3	4,391.0	4,014.3	(8.6)	(30.9)
TOTAL ASSETS	76,283.9	67,208.9	67,175.0	(0.1)	(11.9)
Deposits from customers	59,248.1	50,932.9	48,294.7	(5.2)	(18.5)
<i>of which : CASA</i>	8,249.5	9,143.7	9,592.4	4.9	16.3
<i>Fixed Deposits, NIDs, MMD & CMD</i>	50,998.6	41,789.2	38,702.3	(7.4)	(24.1)
Deposits & placement of banks & other FIs	2,029.9	1,418.6	3,402.6	>100	67.6
Other liabilities	2,018.0	2,029.3	2,338.9	15.3	15.9
Borrowings	3,658.7	3,587.3	3,606.2	0.5	(1.4)
Total Equity	9,329.2	9,240.8	9,532.6	3.2	2.2
TOTAL LIABILITIES & EQUITY	76,283.9	67,208.9	67,175.0	(0.1)	(11.9)

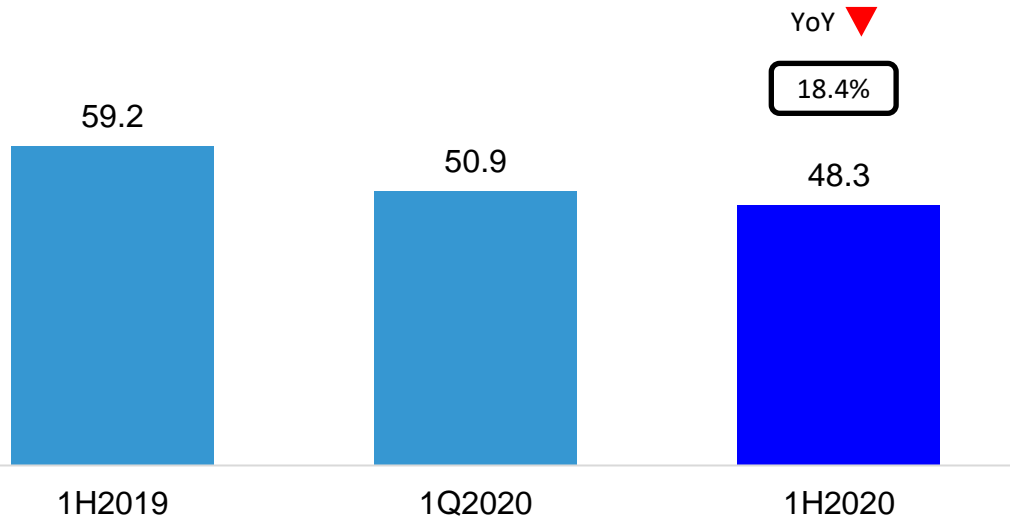
Loans bookings slowdown due to COVID-19



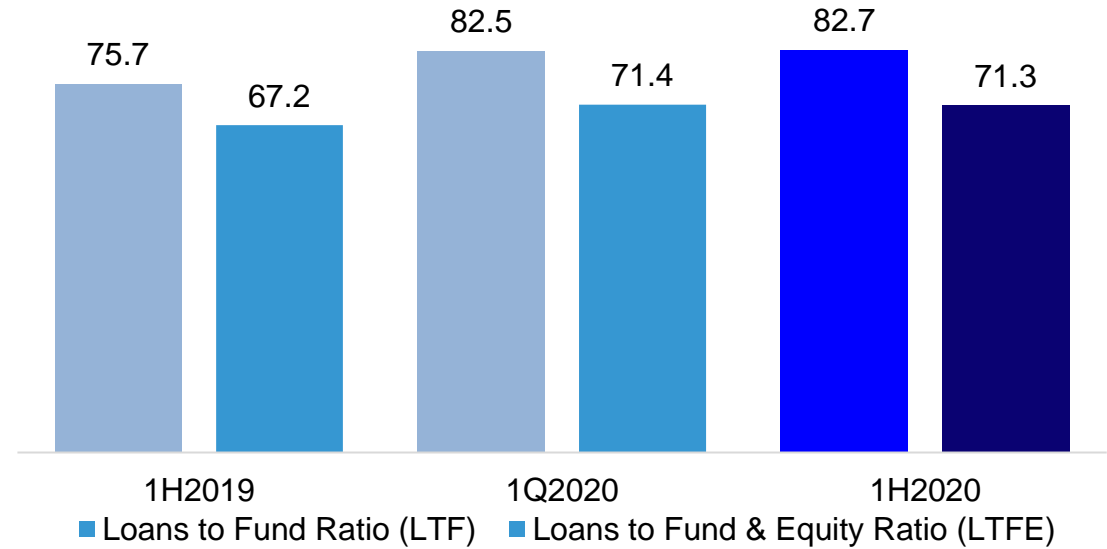
RM Billion	1H2019	1Q2020	1H2020	QoQ (%)	YoY (%)
Community Banking	25.1	24.2	24.0	(0.8)	(4.4)
Corporate Banking *	18.5	17.1	16.8	(1.8)	(9.2)
Enterprise Banking	4.0	4.2	4.2	(0.0)	5.0
TOTAL	47.6	45.5	45.0	(1.1)	(5.5)

Reduction in High Cost Deposits

Deposits (RM Billion)



LTF & LTFE (%)



Deposits by Business Segments (RM Billion)

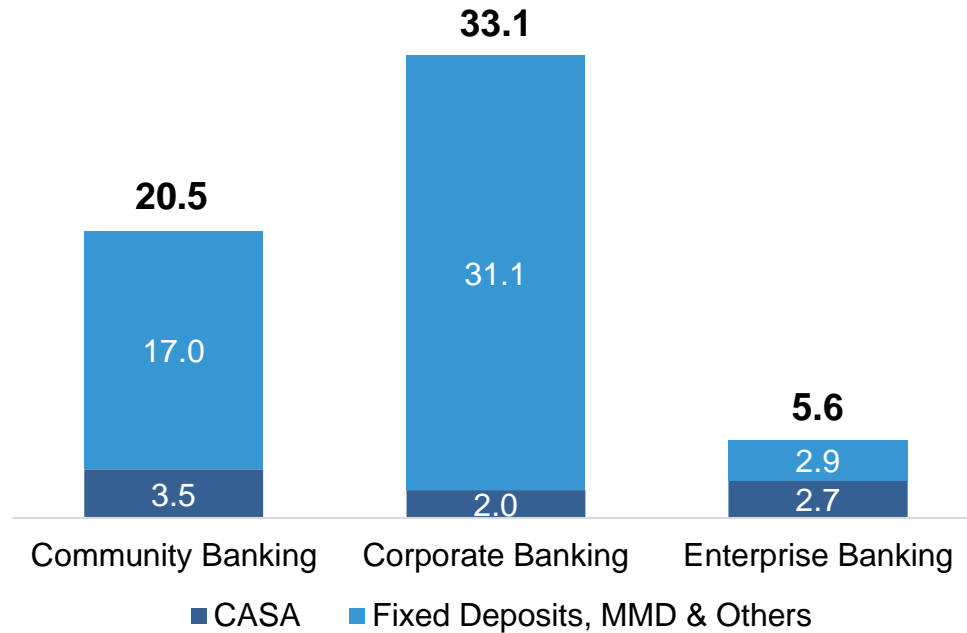
	Community Banking		Corporate Banking		Enterprise Banking	
	RM Billion	%	RM Billion	%	RM Billion	%
1H2019	20.5	34.6%	33.1	55.9%	5.6	9.5%
1Q2020	24.7	48.5%	20.5	40.3%	5.7	11.2%
1H2020	25.5	52.8%	17.1	35.4%	5.7	11.8%

Improving CASA Ratio

1H2019

Deposits from Customers (RM Billion)

59.2

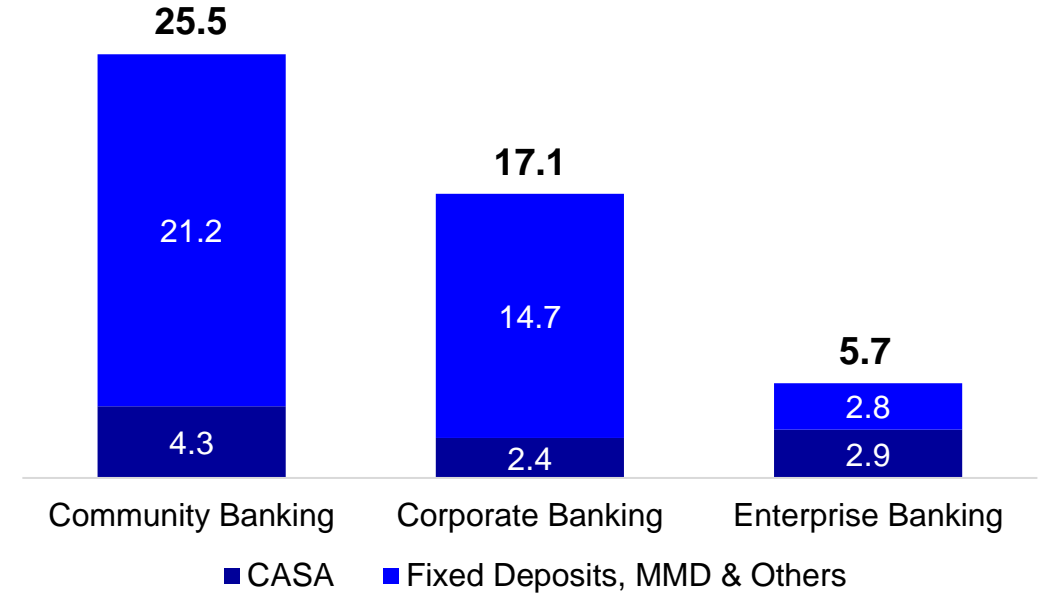


%	Community Banking	Corporate Banking	Enterprise Banking	Total
CASA Ratio	17.1	6.0	48.2	13.9

1H2020

Deposits from Customers (RM Billion)

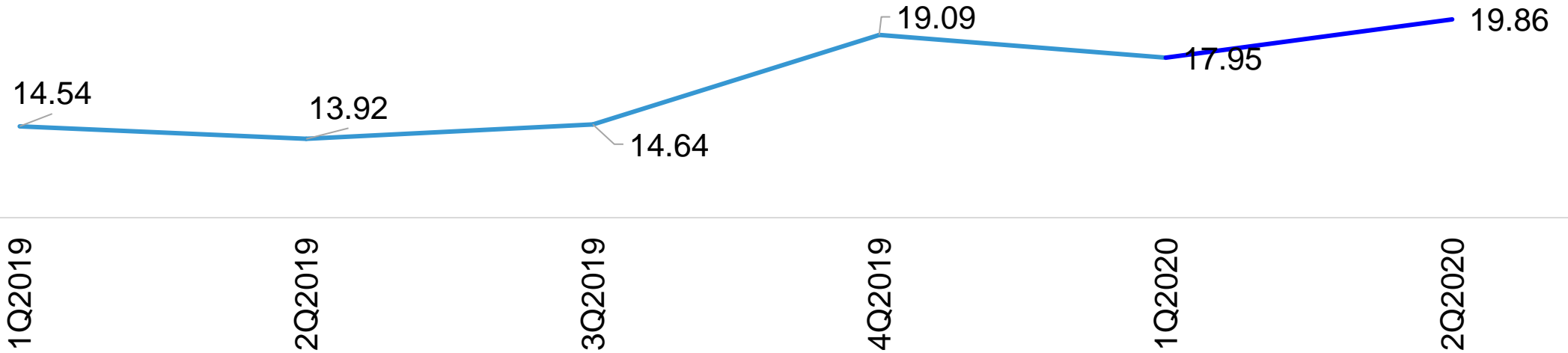
48.3



%	Community Banking	Corporate Banking	Enterprise Banking	Total
CASA Ratio	16.9	14.0	50.9	19.9

CASA Ratio Continues to Build Momentum

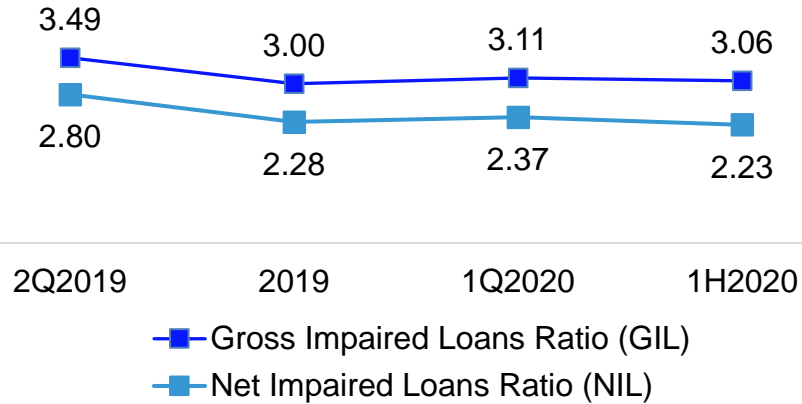
CASA Ratio (%)



	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020
LCR (%)	146.76	146.79	237.78	171.72	141.68	163.42
NSFR(%)	81.19	98.34	121.14	115.60	114.29	115.59

Asset Quality: Priority to Increase the LLC

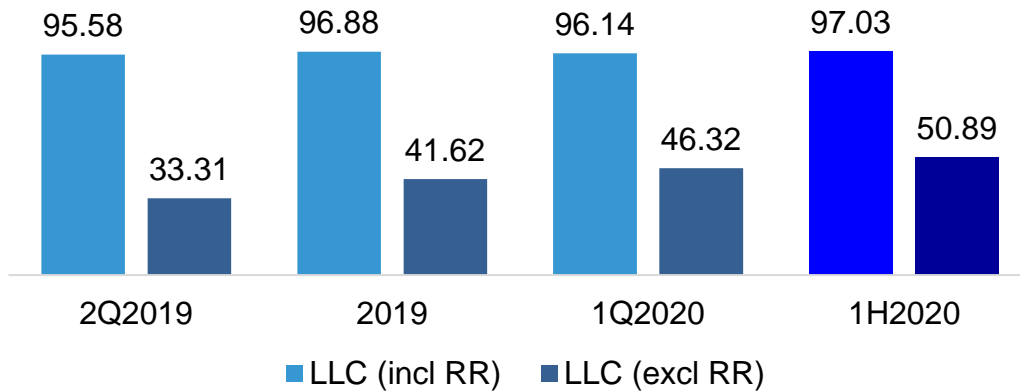
Impaired Loans Ratios (%)



- GIL recorded at 3.06% (1H2019: 3.49%). Excluding the R&R accounts, the GIL was at 2.79%.
- NIL at 2.23% (1H2019: 2.80%). Excluding the R&R accounts, the NIL was at 1.96%.

R&R - Restructured & Rescheduled

Loan Loss Coverage (%)



- Increasing Loan Loss Coverage YoY was higher at 50.89% as at 1H2020 (1H2019: 33.31%)

RR - Regulatory Reserve

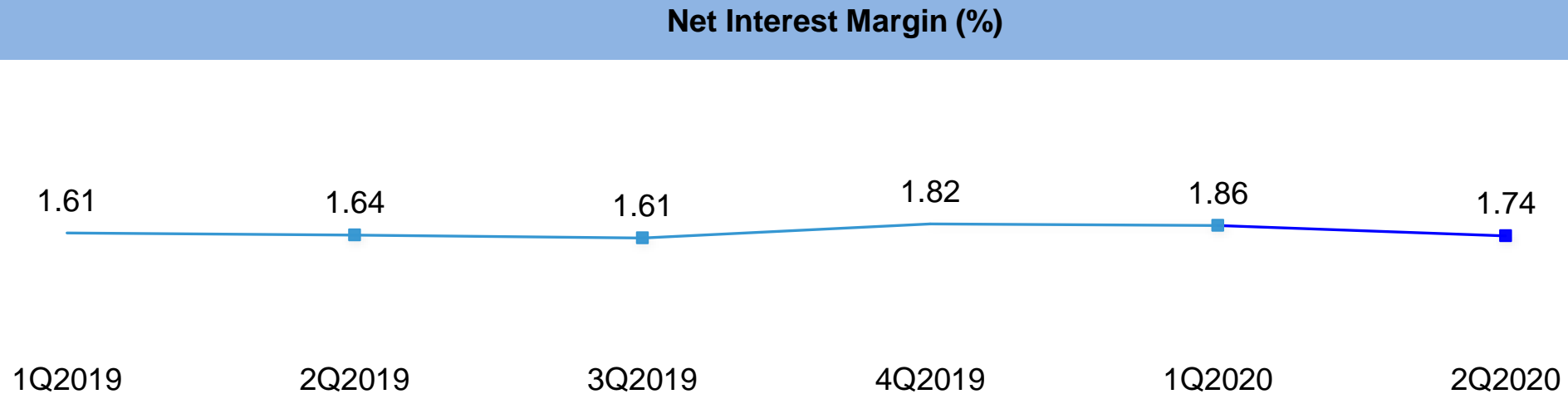
Income Statement

RM Million	1Q2020	2Q2020	QoQ (%)	1H2019	1H2020	YoY (%)
Net Interest Income	173.4	157.2	(9.4)	375.4	330.7	(11.9)
Income from Islamic Banking Business	119.7	117.4	(1.9)	202.1	237.0	17.3
Modification loss	-	(79.7)	(100.0)	-	(79.7)	(100.0)
Non-Interest Income	337.2	318.1	(5.7)	392.9	655.3	66.8
<i>of which :</i>						
<i>Net Gains on Financial Instruments</i>	207.6	187.3	(9.8)	155.3	394.9	>100
<i>Net Fee & Commissions Income</i>	116.3	118.2	1.6	212.3	234.5	10.5
<i>Other Income</i>	13.3	12.6	(5.3)	25.3	25.9	2.4
Total Income	630.3	513.0	(18.6)	970.4	1,143.3	17.8
Operating Expenses	(332.0)	(382.8)	15.3	(615.1)	(714.8)	16.2
Operating profit before allowances	298.3	130.2	(56.4)	355.3	428.5	20.6
Allowances for Impairment Losses	(118.1)	(53.8)	(54.4)	36.1	(171.9)	(>100)
Share of results of a Joint Venture & an Associate	(3.7)	18.2	>100	12.9	14.5	12.4
Zakat	(2.2)	(1.0)	(54.5)	(4.3)	(3.2)	(25.6)
Profit Before Taxation	174.3	93.6	(46.3)	400.0	267.9	(33.0)
Normalized PBT (Excl Modification Loss)	174.3	173.3	(0.6)	400.0	347.6	(13.1)

PBT Contribution by Subsidiaries, JV and Associate Company

Entity	1Q2020 (RM Million)	2Q2020 (RM Million)	QoQ (%)	1H2019 (RM Million)	1H2020 (RM Million)	YoY (%)
AFFIN Bank (Bank Level)	31.9	6.8	(78.7)	227.5	38.7	(83.0)
AFFIN Islamic	19.2	27.3	42.2	68.2	46.6	(31.7)
AFFIN Hwang Investment	127.4	80.4	(36.9)	96.8	207.8	>100.0
AXA AFFIN Life Insurance	(3.7)	6.6	>100.0	0.3	2.9	>100.0
AXA AFFIN General Insurance	0.7	11.7	>100.0	12.6	12.3	(2.4)
AFFIN Moneybrokers	0.9	0.2	(77.8)	1.3	1.1	(15.4)
AFFIN Bank Group	174.3	93.6	(46.3)	400.0	267.9	(33.0)

NIM reduced by 12 bps QoQ, as we continue to expand our CASA franchise



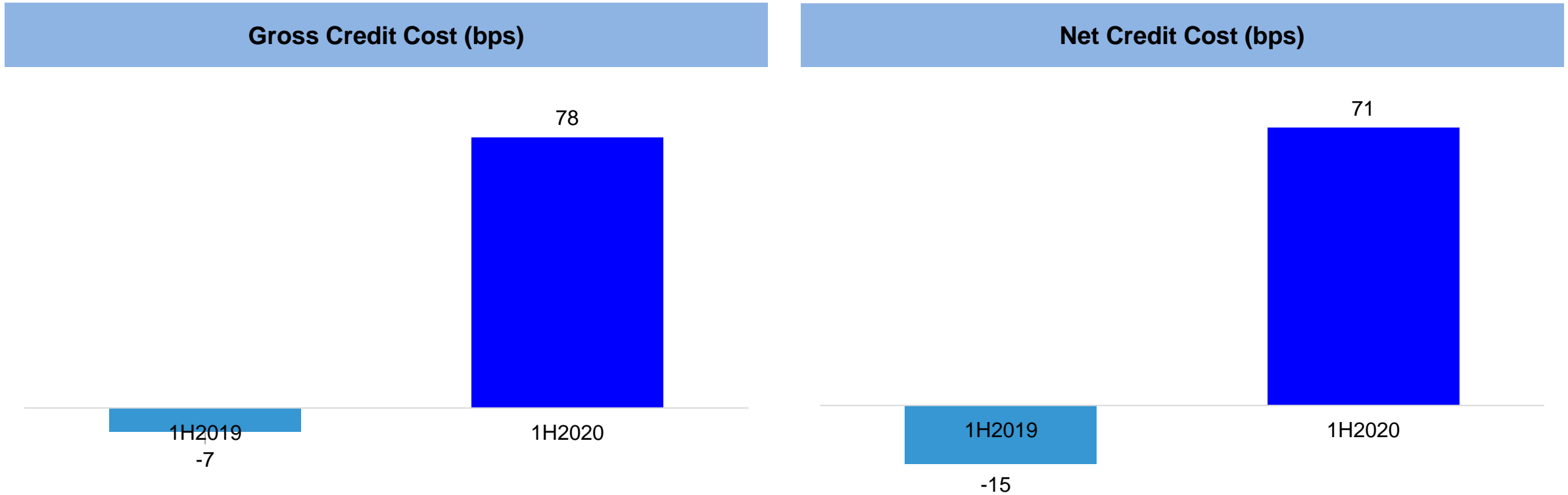
- BNM reduced rate by 100bps (in January, March, May) in 1H2020.
- The Group will continue to pursue CASA funding to mitigate the impact on NIM.

Net Fee and Commission Income: AHAM continue to sustain its growth, AUA at RM60.6billion

RM Million	1Q2020	2Q2020	QoQ (%)	1H2019	1H2020	YoY (%)
Stockbroking	24.3	25.5	4.9	34.4	49.8	44.8
Portfolio management fees	78.9	78.3	(0.8)	144.1	157.2	9.1
Initial service charges	29.7	27.1	(8.8)	33.1	56.8	71.6
Fee income	12.3	5.0	(59.3)	12.4	12.3	(0.8)
Other commission income (fx, trade, BG)	18.3	20.4	11.5	55.5	43.7	(21.3)
Fee and commission expense	(47.2)	(38.1)	(19.3)	(67.2)	(85.3)	26.9
NET FEE AND COMMISSION INCOME	116.3	118.2	1.6	212.3	234.5	10.5

AUA – Assets Under Administration

Credit Cost: Priority to Increase the LLC

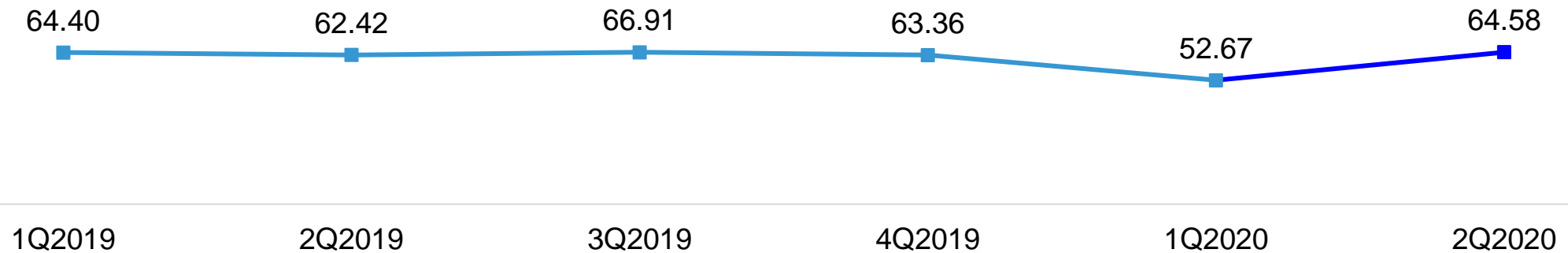


- Increasing credit charges to build up Loan Loss Reserve
- Credit Cost for 1H2020 and 1H2019 calculated on annualised basis

- Limited Recoveries due to COVID-19

Operating Expenses: Increased due to Higher Personnel Cost

RM Million	1Q2020	2Q2020	QoQ (%)	1H2019	1H2020	YoY (%)
Personnel costs	214.0	267.6	25.0	400.1	481.7	20.4
Promotion & marketing related expenses	12.3	8.7	(29.3)	31.2	21.0	(32.7)
Establishment related expenses	77.1	79.3	2.9	131.2	156.4	19.2
General & administrative expenses	28.6	27.2	(4.9)	52.6	55.7	5.9
TOTAL	332.0	382.8	15.3	615.1	714.8	16.2
Cost to Income ratio (%)	52.67	64.58		63.39	58.45	

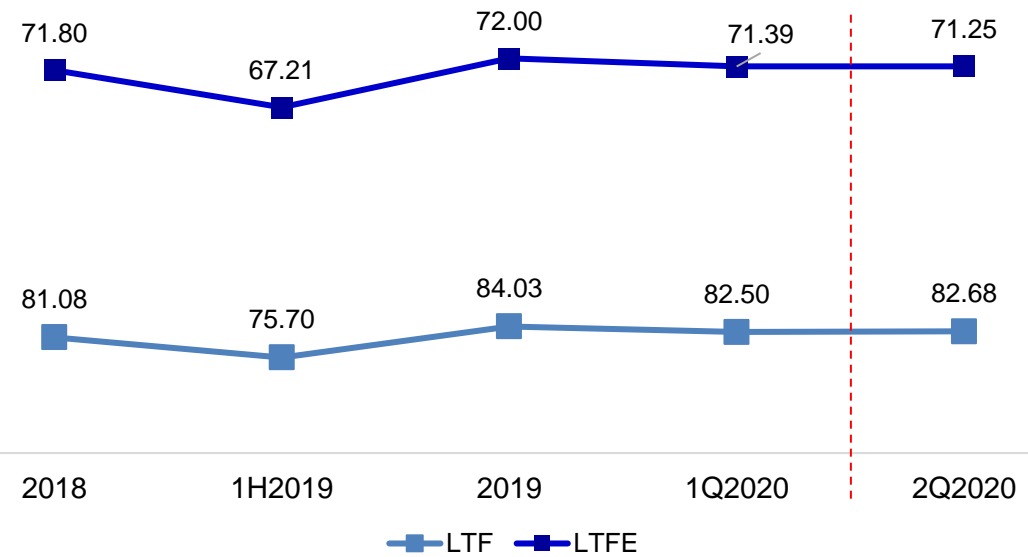
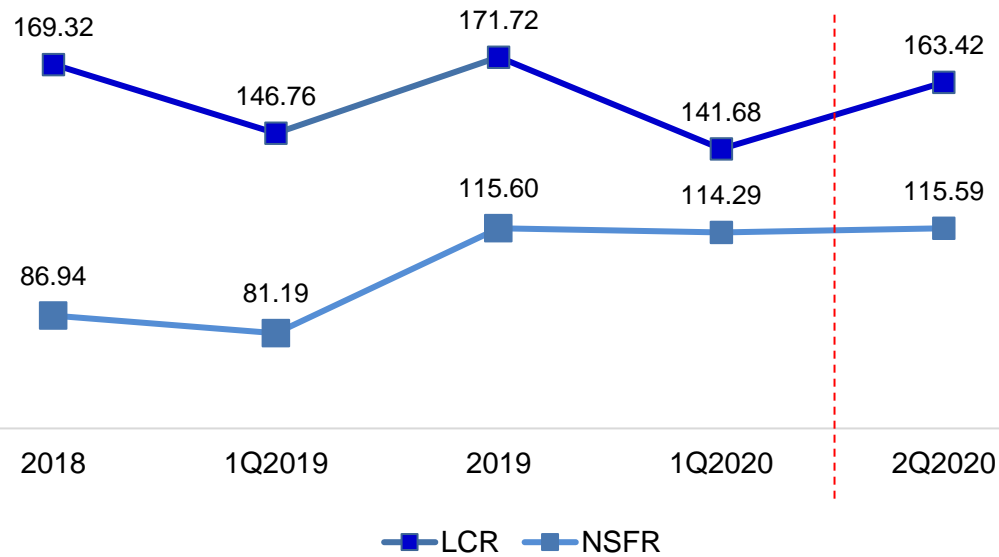


Key Ratios

		1Q2020 (%)	2Q2020 (%)	QoQ (%)		1H2019 (%)	1H2020 (%)	YoY (%)	
Profitability	Return on Equity (After Tax)	5.34	4.04	▼	(1.30)	5.81	4.06	▼	(1.75)
	Fee to Income	53.50	53.67	▲	0.17	40.49	53.58	▲	13.09
	Net Interest Margin	1.86	1.74	▼	(0.12)	1.63	1.80	▲	0.17
	Cost to Income	52.67	64.58	▲	11.91	63.39	58.45	▼	(4.94)
Liquidity	CASA Ratio	17.95	19.86	▲	1.91	13.92	19.86	▲	5.94
	LTF Ratio	82.50	82.68	▲	0.18	75.70	82.68	▲	6.98
	Liquidity Coverage Ratio	141.68	163.42	▲	21.74	146.79	163.42	▲	16.63
	Net Stable Funding Ratio	114.29	115.59	▲	1.30	98.34	115.59	▲	17.25
Asset Quality	Gross Impaired Loans Ratio	3.11	3.06	▼	(0.05)	3.49	3.06	▼	(0.43)
	Net Impaired Loans Ratio	2.37	2.23	▼	(0.14)	2.80	2.23	▼	(0.57)
	Loan Loss Coverage Ratio	46.32	50.89	▲	4.57	33.31	50.89	▲	17.58
Capital Adequacy	CET 1 Capital Ratio	14.25	14.66	▲	0.41	12.67	14.66	▲	1.99
	Tier 1 Capital Ratio	16.04	16.45	▲	0.41	14.36	16.45	▲	2.09
	Total Capital Ratio	23.11	23.51	▲	0.40	21.14	23.51	▲	2.37

Liquidity

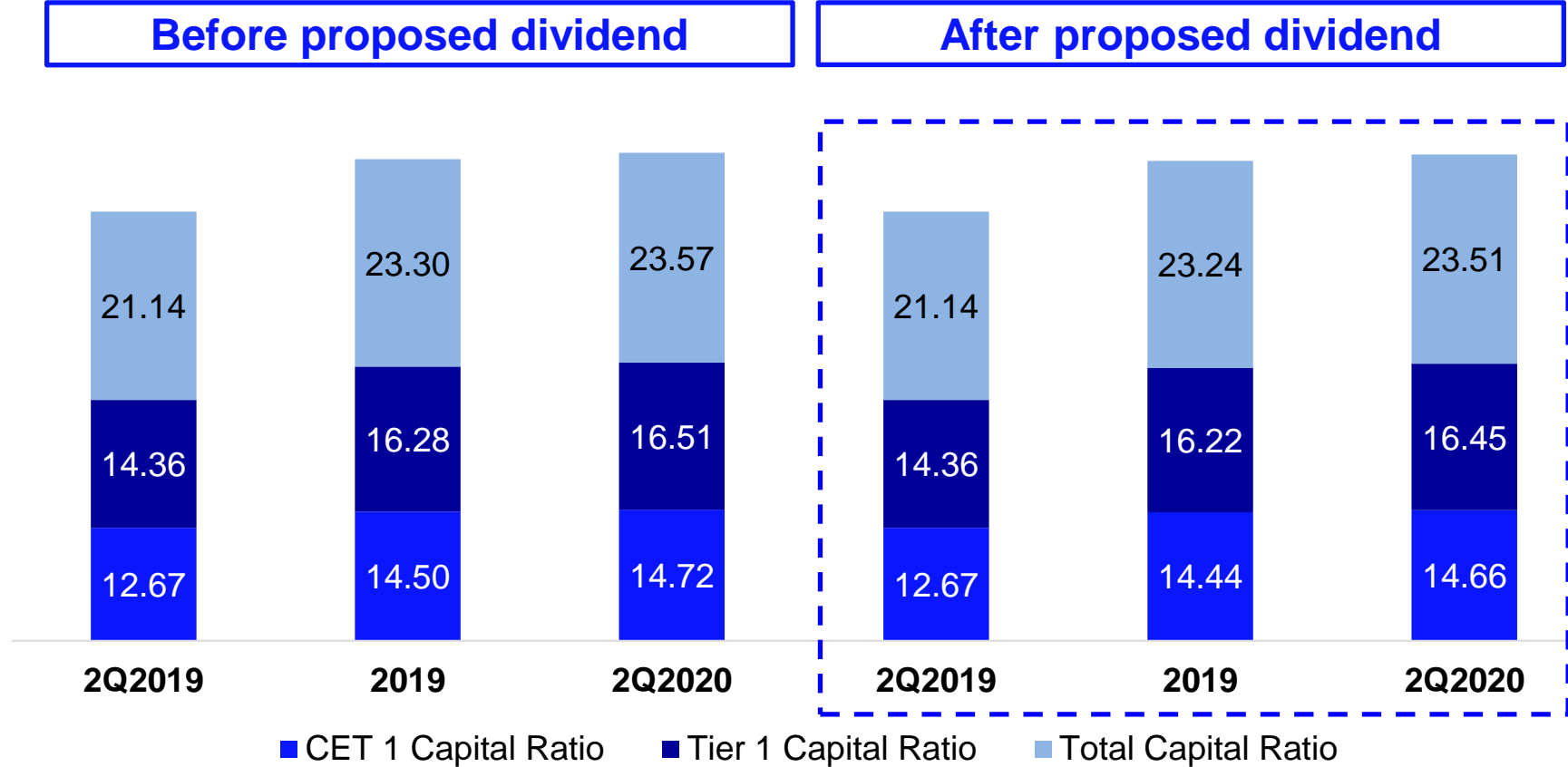
Liquidity Risk Indicators (%)



Deposits by Business Segments (RM Billion)

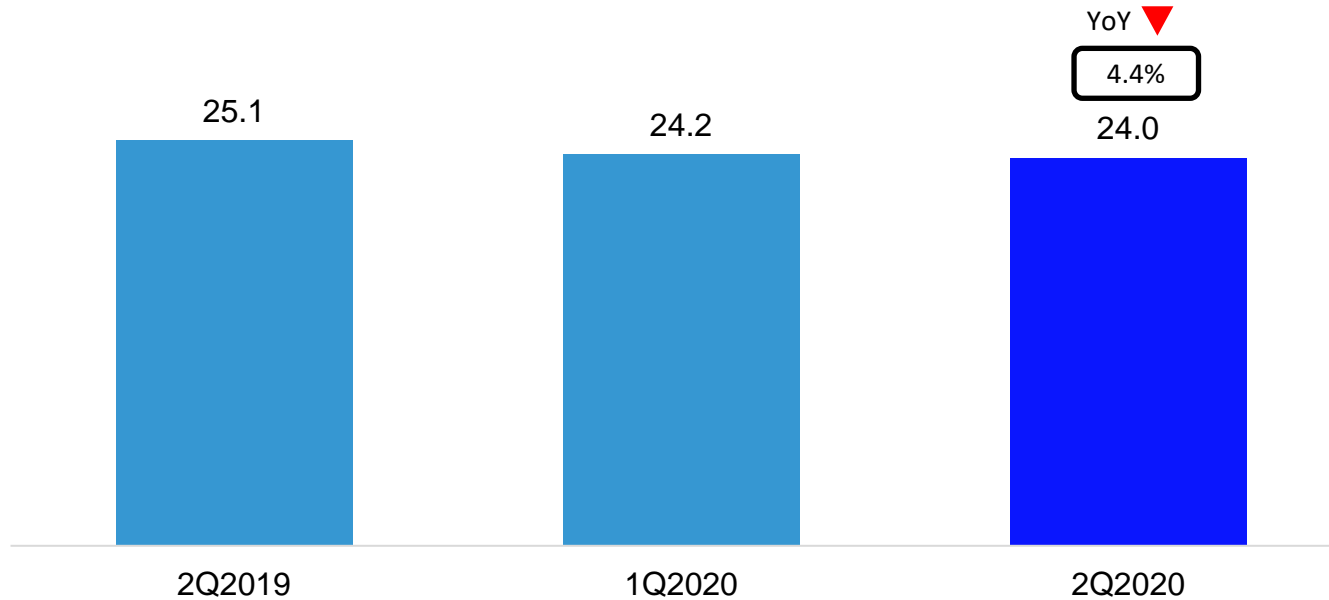
	Community Banking		Corporate Banking		Enterprise Banking	
	RM Billion	%	RM Billion	%	RM Billion	%
2Q2019	20.5	34.6%	33.1	55.9%	5.6	9.5%
1Q2020	24.7	48.5%	20.5	40.3%	5.7	11.2%
2Q2020	25.5	52.8%	17.1	35.4%	5.7	11.8%

Resilient Capital Levels



Common Equity Tier 1 (“CET 1”) Capital Ratio, Tier 1 (“Tier 1”) Capital Ratio and Total Capital Ratio of all banking entities within the Group remained at above the minimum regulatory requirements.

Community Banking: Loans



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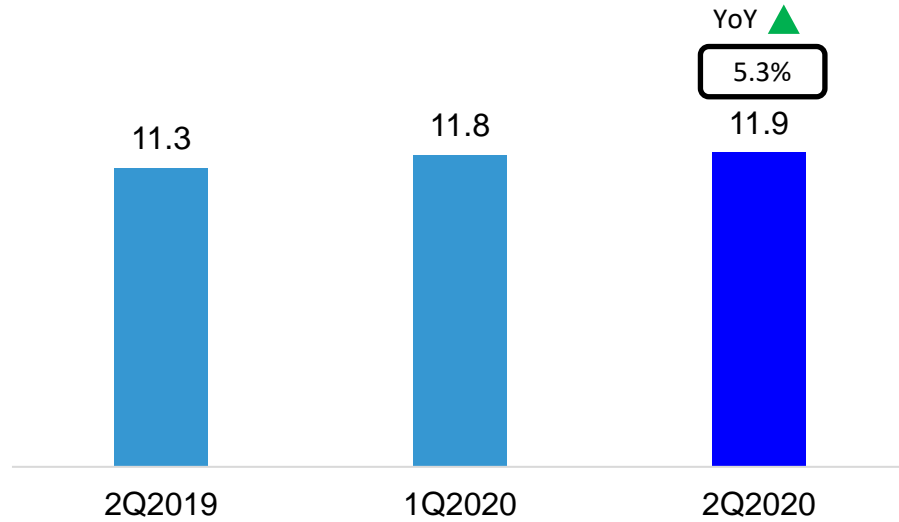
*Campaign Period: Now - 28 February 2021
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AFFINBANK

RM Billion	2Q2019	1Q2020	2Q2020	QoQ (%)	YoY (%)
Mortgage	11.3	11.8	11.9	0.8	5.3
Hire Purchase	11.7	10.3	10.0	(2.9)	(14.5)
Credit Card	0.2	0.2	0.2	(0.0)	(0.0)
ASB	0.6	0.5	0.6	20.0	(0.0)
Personal Loans/Financing	1.3	1.4	1.3	(7.1)	(0.0)
TOTAL	25.1	24.2	24.0	(0.8)	(4.4)

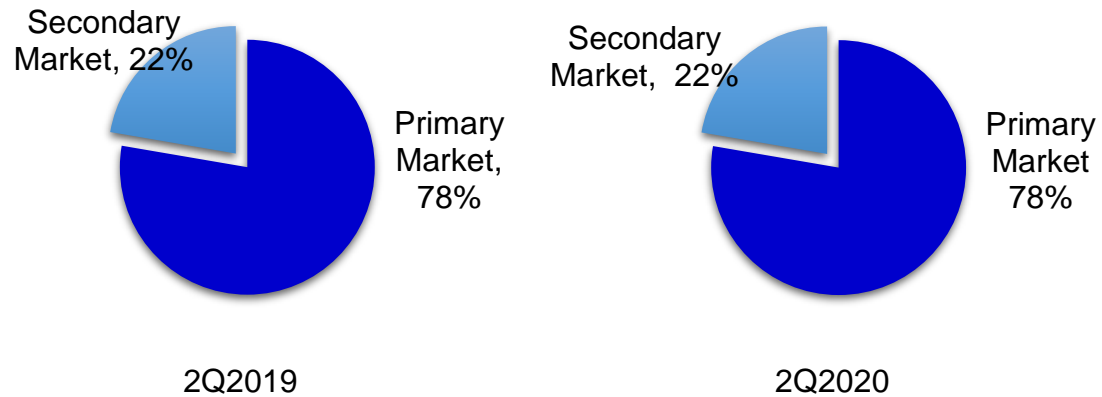
Community Banking: Mortgage

Mortgage Loans (RM Billion)



- Mortgage loans improved 5.3% YoY to RM11.9 billion as at 2Q2020.

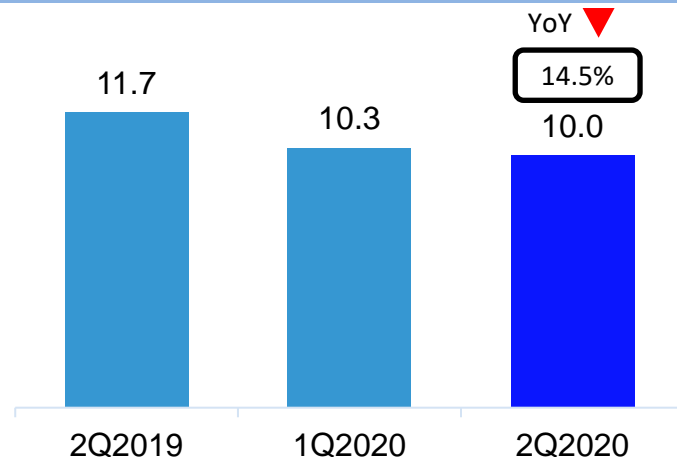
Mortgage Loans Composition (%)



- No change in composition mix YoY

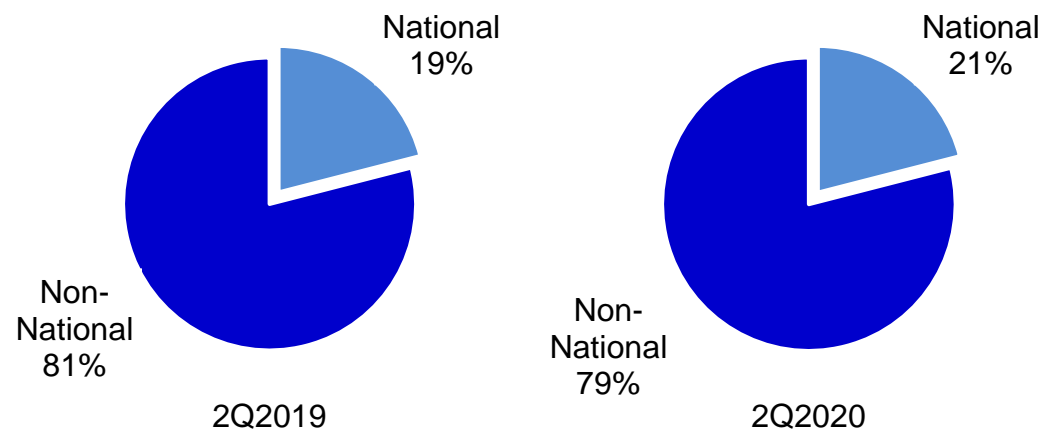
Community Banking: Hire Purchase

Hire Purchase (HP) Loans (RM Billion)



- Repayment in HP loans base to RM10.0 billion in June 2020
- HP asset quality remains resilient as reflected in the impaired loan ratio of 0.65%.

HP Portfolio Composition (%)

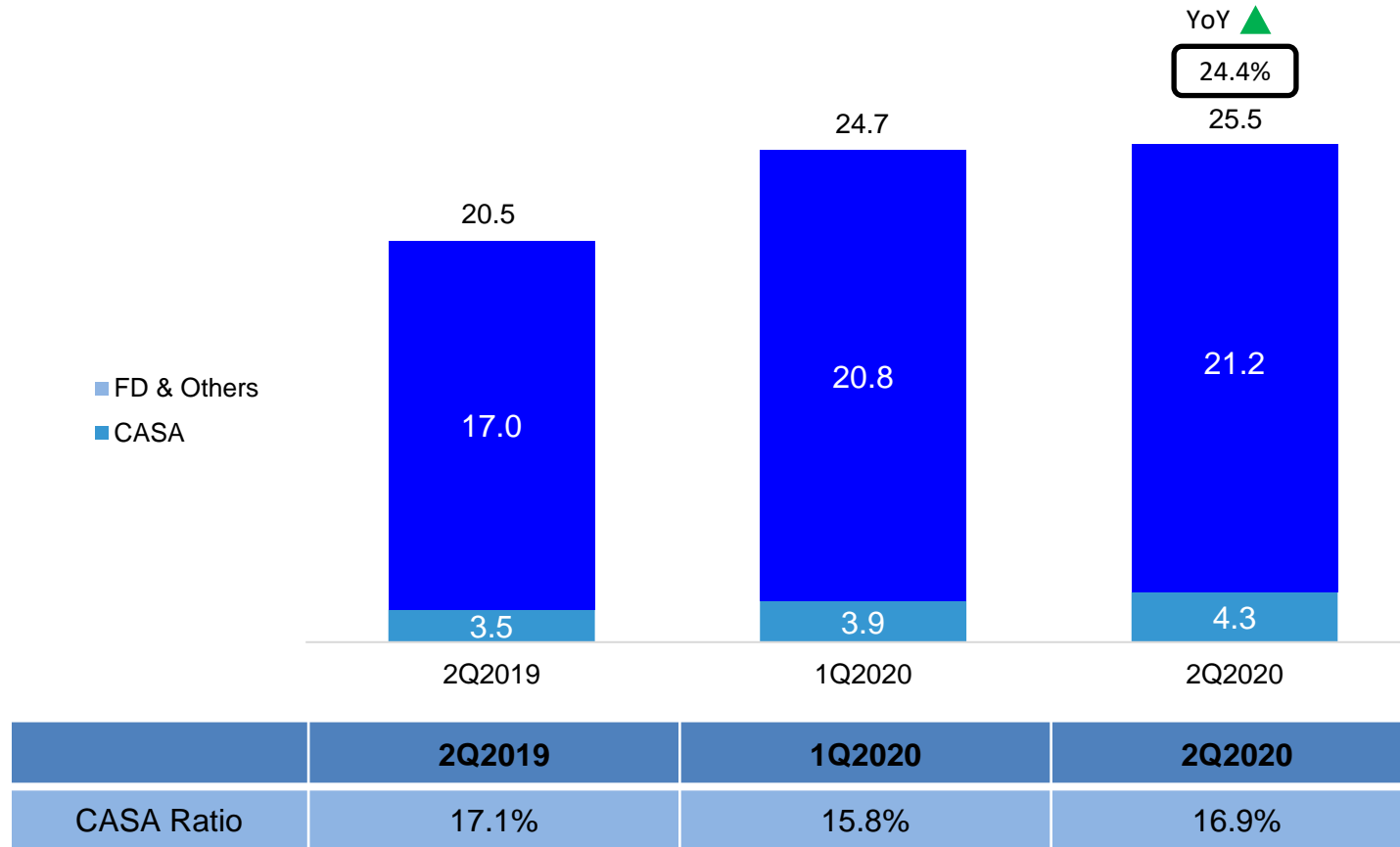


- Non-national makes e.g. Toyota, Honda, Mazda, Mercedes Benz, BMW constitutes 79% of HP Portfolio in June 2020.

PORTFOLIO	NET OUTSTANDING (RM Million)
National cars	2.0
Non-National cars	8.0

Community Banking: Deposits

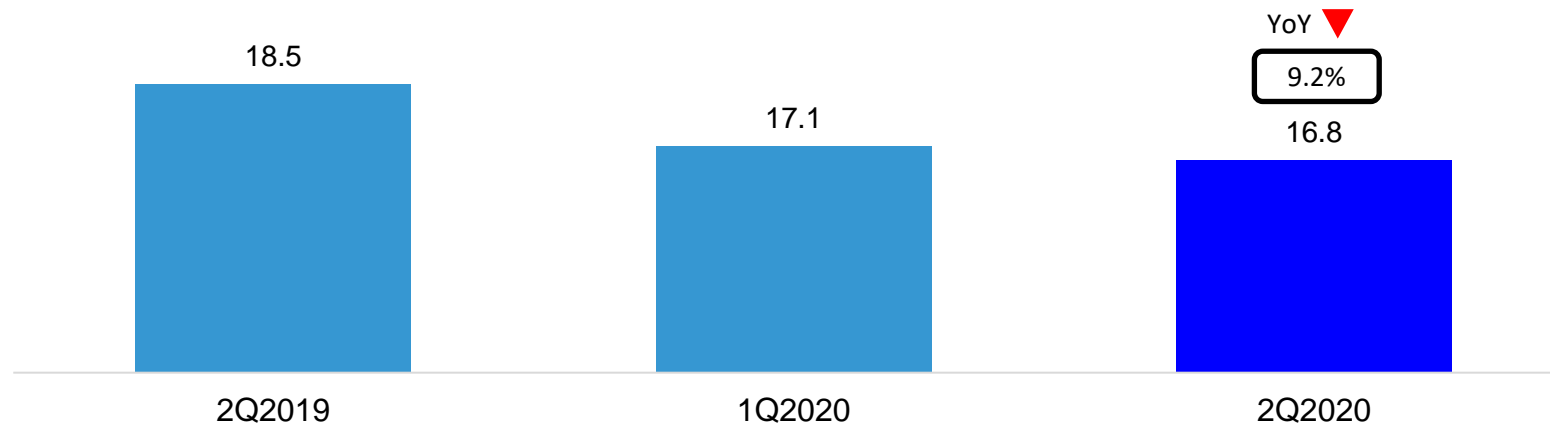
Deposits (RM Billion)



- CASA ratio will remain the primary focus with our CASA hunting teams and introduction of our new Retail Internet Banking and other digital platforms.

Corporate Banking: Loans

Loans (RM Billion)

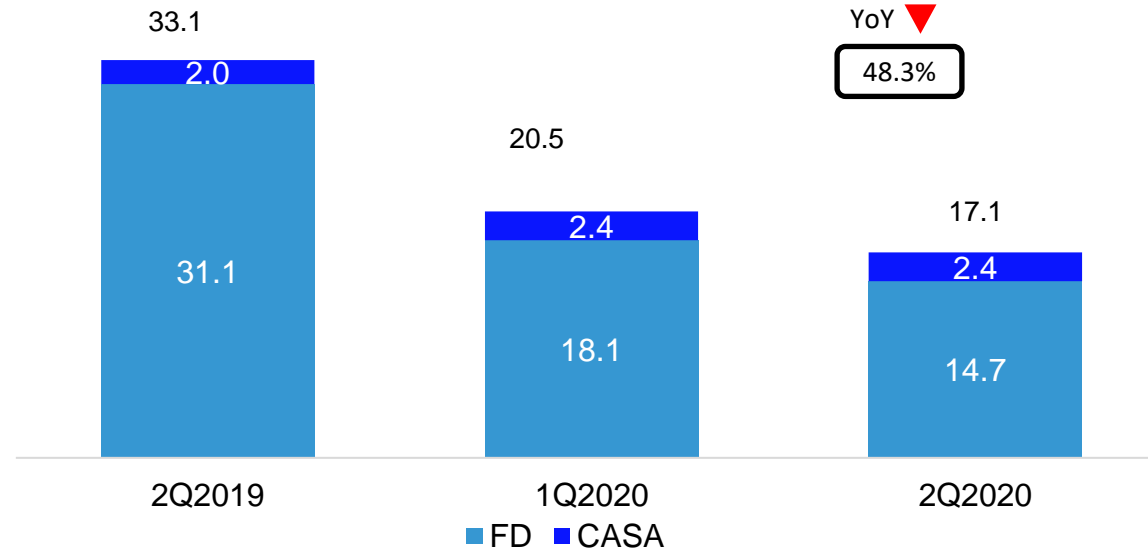


Corporate Banking experienced a marginal decline in loans in the 2Q2020

	2Q2019	1Q2020	2Q2020	QoQ (%)	YoY (%)
Overdraft	1.0	1.1	1.2	9.1	20.0
Trade Products	1.5	1.4	1.4	0.0	(6.7)
Revolving Credit	4.2	4.1	4.0	(2.4)	(4.8)
Term Loan	11.4	10.0	9.7	(3.0)	(14.9)
Share Loan Margin	0.4	0.5	0.5	0.0	25.0
Total	18.5	17.1	16.8	(1.8)	(9.2)

Corporate Banking: Deposits

Deposits (RM Billion)

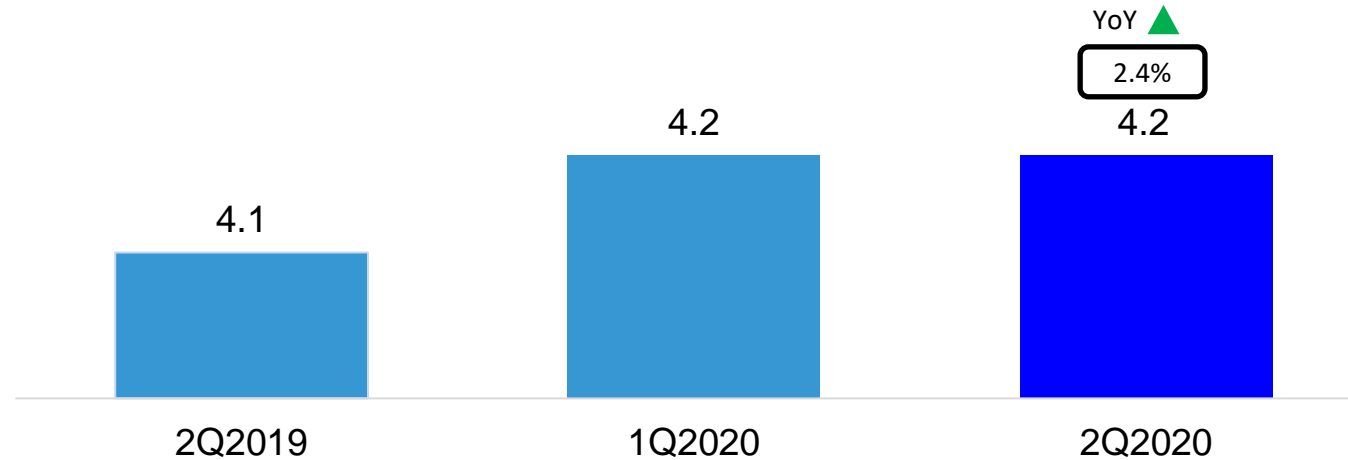


	2Q2019	1Q2020	2Q2020
CASA Ratio	6.0%	11.7%	14.0%

- Corporate Banking will unveil a new Corporate Internet Banking, now known as AffinMax in October 2020.

Enterprise Banking: Loans

Loans (RM Billion)

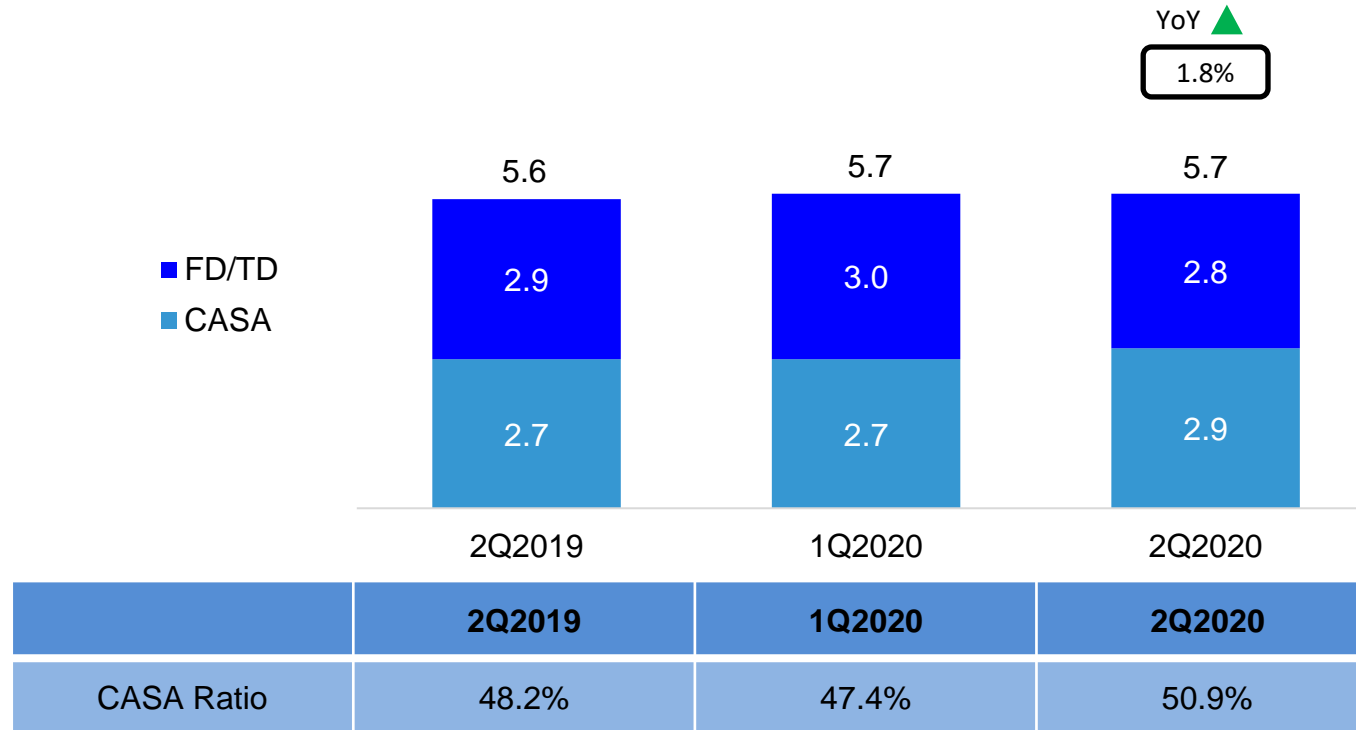


Loans growth steady at 7.5% YoY with RM1.0 billion loan stocks on the book for Enterprise segment

	2Q2019	1Q2020	2Q2020	QoQ (%)	YoY (%)
Term Loans	2.8	2.8	2.8	0.0	0.0
OD	0.7	0.8	0.9	12.5	28.6
Trade & Others	0.6	0.6	0.5	(16.7)	(16.7)
Total	4.1	4.2	4.2	0.0	2.4

Enterprise Banking: Deposits

Deposits (RM Billion)



- CASA ratio above 50.0% and will remain the primary focus with our CASA hunting teams and SMEEdge series of CASA products
- Overall deposit growth will be under pressure due to high cash requirements by SMEs; efforts to be on growing CASA with targeted campaigns at HNW & high-cash entities
- Defending FD base while managing cost of funds

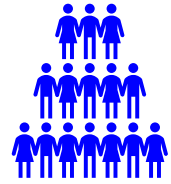
AIM22

The Bank has formulated its Advance 30 (A30) new initiatives under its Metamorphosis Plan called AIM22. Some of the key focus areas are:

- ROE Focus.
- Lowering the overall Cost of Funds by reengineering the Balance Sheet.
- Digital Transformation to reduce the Bank's gap with its peers.
- Focus on People and Productivity.
- Improved Risk Management – enhance Asset Quality Management, Liquidity Risk and Capital Management.

AIM22 has taken into consideration key levers such as improving net interest margin, increasing fee-based income, reducing cost of funds, managing cost and expanding our digital capabilities.

Key Focus Areas



People & Culture



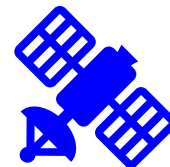
Lowering Cost of Funds



Digital Transformation



Productivity and Efficiency



ROE

With a staff strength of close to 7,000, we have the potential to do many things together.

On-going Initiatives

- Idea Bank launched on 26 June 2020, where Employees are able to share their ideas on how to make the Bank better.
- Renaming our Consumer Banking to Community Banking Directorate, effective on 1 July 2020.
- Renaming our SME Banking to Enterprise Banking Directorate, effective on 1 August 2020.

People & Culture

Initiatives

Collaboration & team work -
*No silos; working together
towards common goals*

Collaboration & team work -
Breaking down silos

Driven top-down -
*Top management to be change
agents & champions*

LOWERING COST OF FUNDS

Net Interest Margin and Cost of Fund are expected to improve driven by our focus to increase our CASA franchise leveraging on group & business units synergies & using the new systems adequately to capture primary accounts.



Pindahan Baki
untuk 12 bulan

Satukan baki anda dan nikmati penjimatan ke atas faedah.
Mohon sekarang!



Tempoh Kempen: **Sekarang – 31 Disember 2020**



SERIES 1

OMG
OH MY GOLD

Turn Your Deposits Into Gold

Join OH MY GOLD and stand a chance to win up to 1,655 grams of Gold.

 Grand Prize 1X Gold (1 kilogram)	1st Prize	2nd Prize	3rd Prize	Monthly Prizes
	1X Gold (40 grams)	1X Gold (20 grams)	1X Gold (10 grams)	117X Gold (5 grams)



New Enhancement

- Higher Approval Security with stronger 2FA
- Fraud Management System
- Elimination of Pin Mailer & Virtual Cards
- Automation Process for Reset Password
- Introduction of Digital Token
- New enhanced Physical (PICO) Token
- Introduction of Mobile Banking Application
- Dedicated Support Team at Contact Centre
- Provide Bank-to-Manage option

Rolling out to 4,500 corporate customers.



Self Reset Password



New Digital Token



Dedicated Support Team



Save Payment as Template



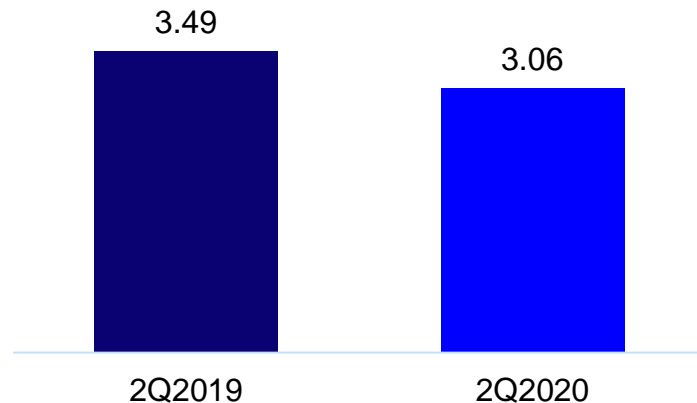
Troubleshoot Capture Assistant

The Bank will focus intensively in managing its asset quality and enhance management of risk.

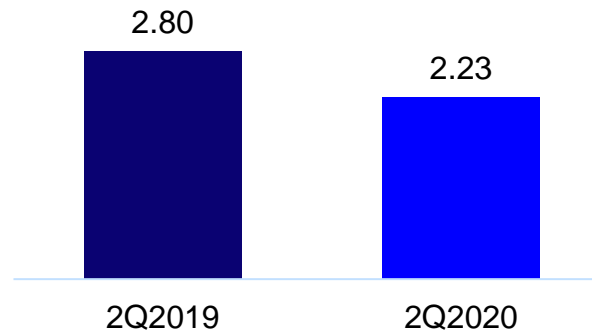
On-going Initiatives

- Enhance Collections strategy and execution through use of collection scorecards and associated analytics.
- Strengthen portfolio risk analytical capability.
- Collections models-based actions for low / high exposure (phone-based vs. on-field for high exposure customers), speed of the collection approach (e.g. rapid escalation and intensity of contacts for high risk customers).

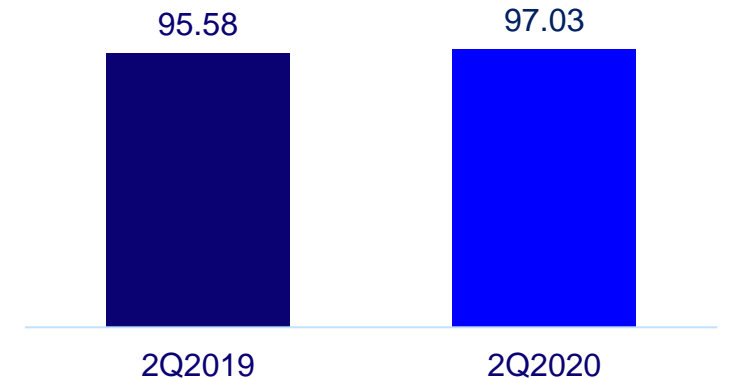
Gross Impaired Loans Ratio (%)



Net Impaired Loans Ratio (%)



Loan Loss Reserve – Including RR (%)



COST EFFICIENCY

The Bank recently set up an Efficiency Council to look into incorporating more efficient practices throughout the bank which could help with the overall cost savings.

On-going Initiatives

The Bank is actively managing its cost level in an effort to bring down the CIR level to industry level. To this end, the Bank recently set up an Efficiency Council to look into incorporating more efficient practices throughout the Bank which could help with the overall cost savings. The initiatives, which includes rightsizing of the workforce through redeployment and reskilling as opposed to hiring from external sources, conservation of electricity and water, automation as well as digitalization of processes.

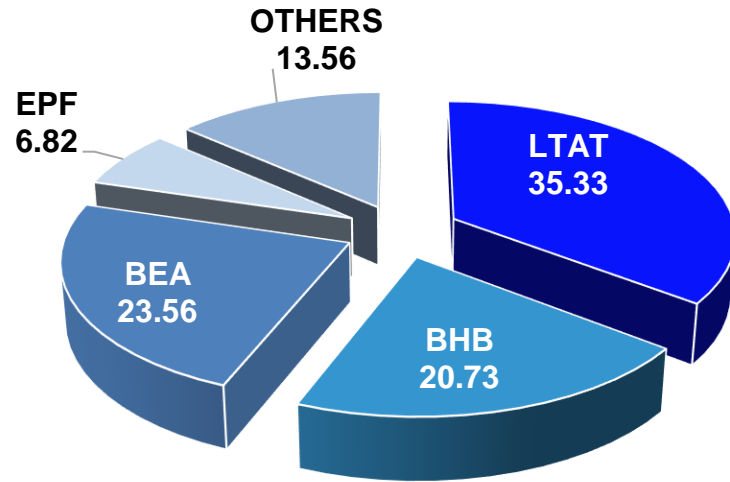
The Board of Directors and Senior Management have also recently volunteered for a cut in directors' fees and salaries for the rest of FY20 up to 10%.

Key Takeaways

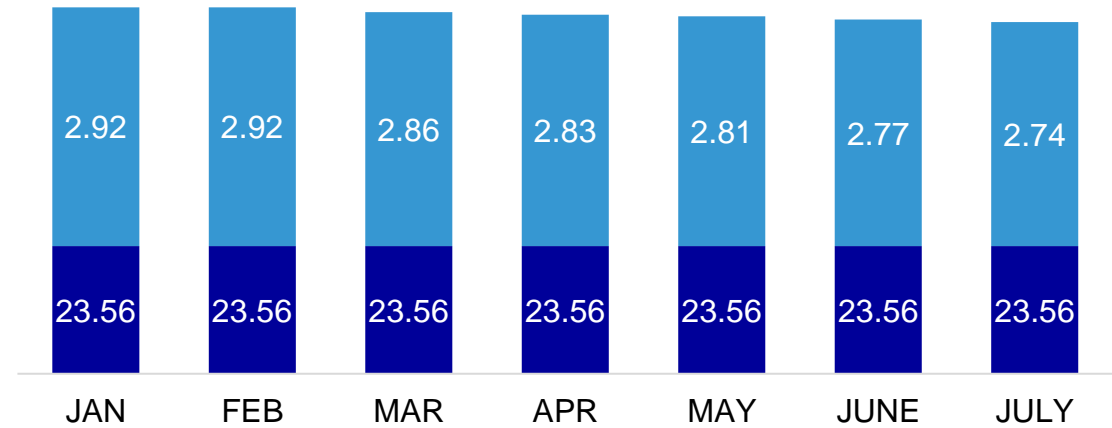
- Impact of Covid-19 will become more visible in 2H2020;
- Rebuilding Momentum for Loan growth post MCO with new Product Offerings and Economic Recovery;
- Re-engineering the Balance Sheet to manage Net Interest Margins;
- Focus of growing Current and Savings Account;
- Rapid Digital Transformation and Metamorphosis Plan (AIM22).

Shareholding Statistics January 2020 – July 2020

Substantial Shareholders (%)



Foreign Shareholdings (%)



■ BEA

JAN 2020	FEB 2020	MAR 2020	APRIL 2020	MAY 2020	JUNE 2020	JULY 2020
26.48	26.48	26.42	26.39	26.37	26.33	26.30

THANK YOU

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

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