

# ANALYST PRESENTATION 1Q2020 RESULTS

AFFIN BANK BERHAD

1 June 2020

# Key Performance Highlights 1Q2020

## LOANS

- Gross Loans reduced to RM45.5 bn 1Q2020 (YoY reduction of 6.2% 1Q2019:RM48.5 bn)

## ASSET QUALITY

- Gross Impaired Loans ratio was at 3.11% (1Q2019:3.31%)
- Loan Loss Reserve including regulatory reserve was at 96.14% (1Q2019: 97.39%)

## DEPOSITS

- CASA ratio increased in 1Q2020: 17.95% compared to 1Q2019: 14.54%
- Customer Deposits was at RM50.9 bn (1Q2019: RM57.4 bn), YoY reduction of RM6.5 bn or 11.3%
- LCR comfortable level at 141.68%, (1Q2019: 146.76%)
- NSFR improved significantly to 114.29% (1Q2019: 81.19%)

## PROFITABILITY

- Achieved a PBT of RM174.3 mn (1Q2019: RM185.0 mn) YoY decline of 5.8%
- Net income recorded was RM630.4 mn (1Q2019: RM472.5 mn) YoY growth of 33.4%
- Cost to Income Ratio of 52.67%, improved by 11.73% YoY (1Q2019: 64.40%)
- ROE of 5.34% (1Q2019: 5.79%)

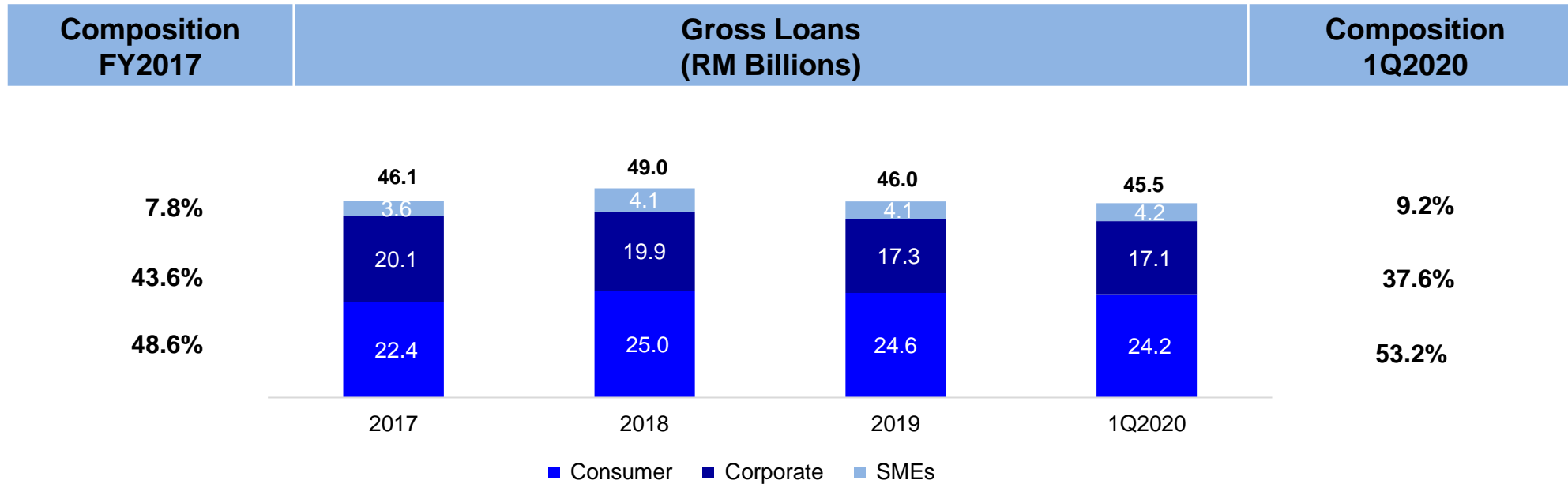
## CAPITAL

- Common Equity Tier-1 Capital Ratio increased 183bps to 14.25% (1Q2019: 12.42%)
- Total Capital Ratio improved to 23.12% (1Q2019: 20.76%)

# Balance Sheet Highlights

RM Millions	1Q2019	4Q2019	1Q2020	QoQ (%)	YoY (%)
Cash, short-term funds & deposits placements with FIs	6,987.7	4,605.4	5,559.0	20.7	(20.4)
Financial assets/investments	16,003.0	13,304.0	12,430.4	(6.6)	(22.3)
Gross loans, advances & financing	48,510.2	45,961.9	45,484.4	(1.0)	(6.2)
Other assets	4,706.4	4,470.0	3,735.1	(16.4)	(20.6)
<b>TOTAL ASSETS</b>	<b>76,207.3</b>	<b>68,341.3</b>	<b>67,208.9</b>	<b>(1.7)</b>	<b>(11.8)</b>
Deposits from customers	57,361.0	51,089.0	50,932.9	(0.3)	(12.6)
<i>of which : CASA</i>	8,347.7	9,752.2	9,143.7	(6.2)	9.5
<i>Fixed Deposits, NIDs, MMD &amp; CMD</i>	49,013.3	41,336.8	41,789.2	(1.1)	(17.3)
Deposits & Placement of banks and other FIs	3,707.7	1,763.3	1,418.6	(19.5)	(61.7)
Other liabilities	2,347.5	2,485.5	2,029.3	(18.4)	(13.6)
Subordinated MTN/ Senior Notes	3,639.7	3,607.1	3,587.3	(0.5)	(1.4)
Total Equity	9,151.4	9,396.4	9,240.8	(1.7)	1.0
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>76,207.3</b>	<b>68,341.3</b>	<b>67,208.9</b>	<b>(1.7)</b>	<b>(11.8)</b>

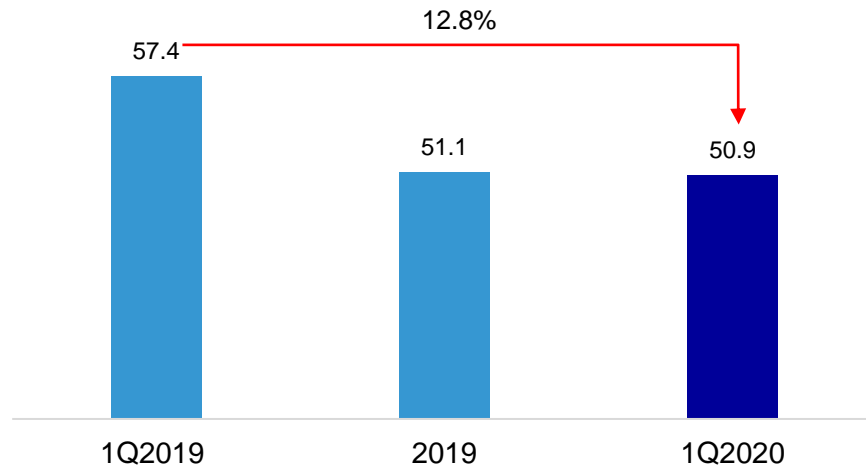
# Loans: Continued Focus on SME & Consumer Banking



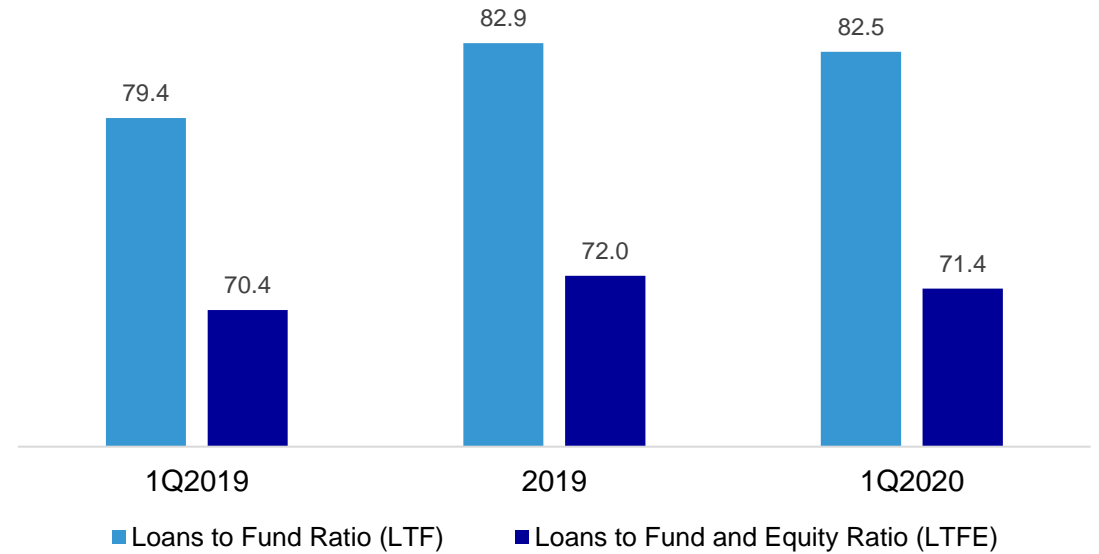
RM Billions	1Q2019	4Q2019	1Q2020	QoQ (%)	YoY (%)
Consumer Banking	25.2	24.6	24.2	(1.6)	(4.0)
Corporate Banking	19.2	17.3	17.1	(1.2)	(10.9)
SME Banking	4.1	4.1	4.2	2.4	2.4
<b>TOTAL</b>	<b>48.5</b>	<b>46.0</b>	<b>45.5</b>	<b>(1.1)</b>	<b>(6.2)</b>

# Deposits: CASA Focus With the Launch of our New Systems (AffinMax, New RIB)

### Deposits (RM Billions)



### LTF & LTFE (%)



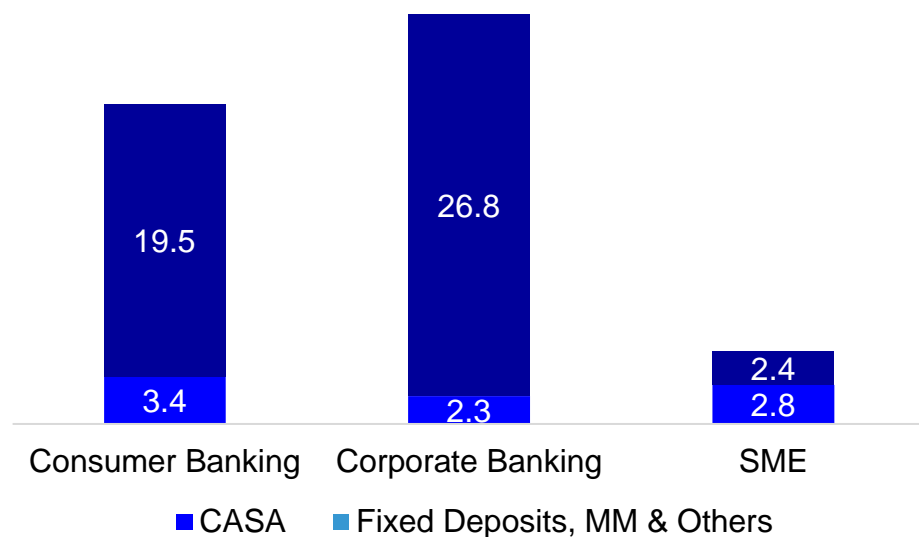
### Deposits by Business Segments (RM Billions)

	Consumer		Corporate		SME	
	RM Billions	%	RM Billions	%	RM Billions	%
FY2019	24.0	47.0%	21.5	42.0%	5.6	11.0%
1Q2020	24.7	48.5%	20.5	40.3%	5.7	11.2%

# Deposits: Reducing Dependence on High Cost Deposits

1Q2019

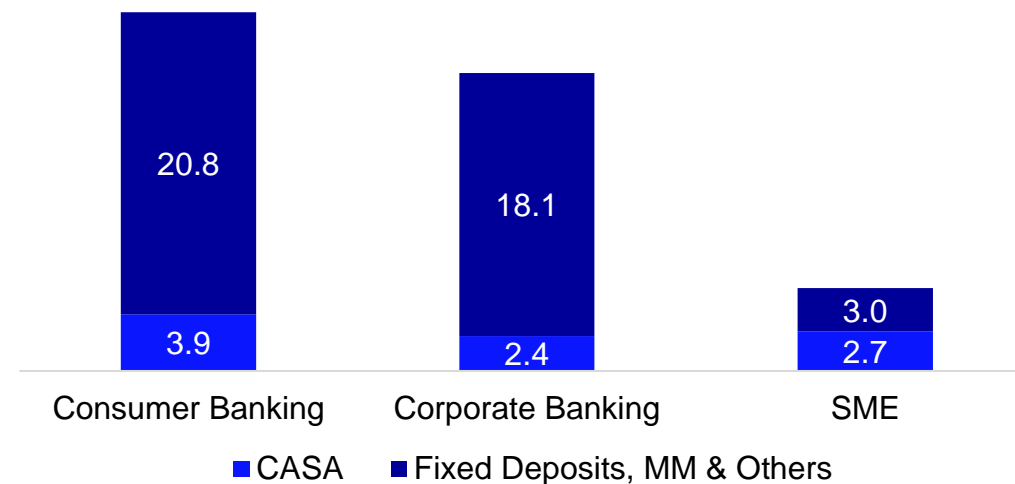
Deposits from Customers (RM Billions)  
57.4



	Corporate	SME	Consumer	Total
CASA Ratio %	8.4	53.8	14.8	14.5

1Q2020

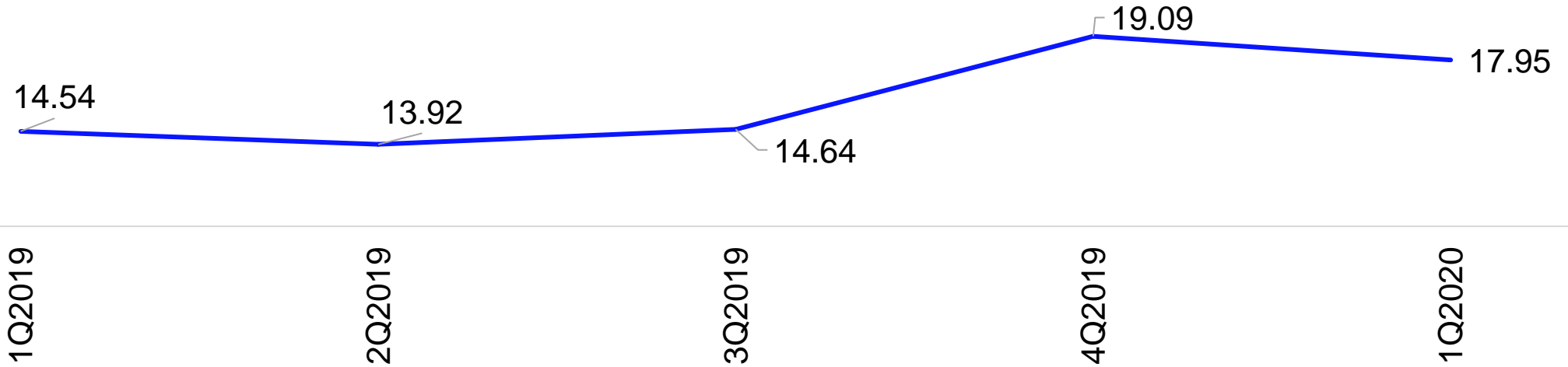
Deposits from Customers (RM Billions)  
50.9



	Corporate	SME	Consumer	Total
CASA Ratio (%)	17.9	48.2	15.1	18.0

# Increasing Intensity of CASA Focus

CASA Ratio (%)



	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
LCR (%)	146.76	146.79	237.78	171.72	141.68
NSFR(%)	81.19	89.32	121.14	115.60	114.29

# Resilient Capital Levels Given the Challenging Environment

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.

		CET 1 Dec 2019	CET 1 Mar 2020	Tier 1 Dec 2019	Tier 1 Mar 2020	Total Capital Dec 2019	Total Capital Mar 2020
<b>AFFIN BANK BERHAD*</b>	Group	14.45	14.25	16.24	16.04	23.26	23.11
	Bank	12.95	12.88	14.64	14.59	22.28	22.30
<b>AFFIN ISLAMIC BANK BERHAD</b>	Bank	11.7	11.36	13.82	13.48	20.63	20.32
<b>AFFIN HWANG INVESTMENT BANK BERHAD#</b>	Group	33.23	34.01	33.99	34.63	34.76	35.43
	Bank	42.74	40.88	42.74	40.88	43.57	41.77

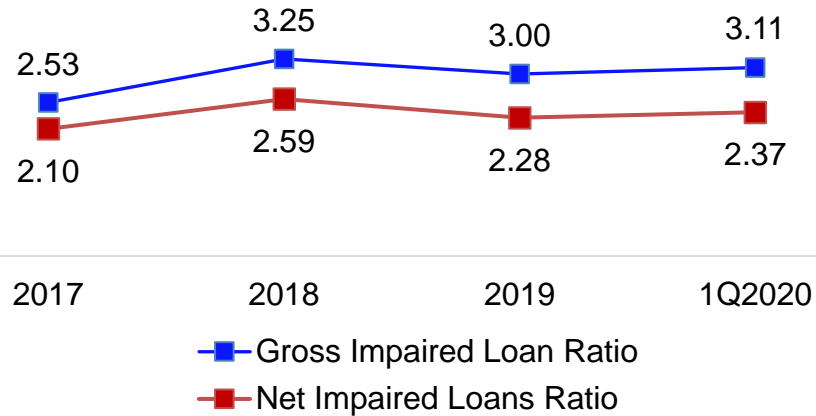
• After proposed interim dividend of 7 sen

# After proposed final dividend of 4 sen



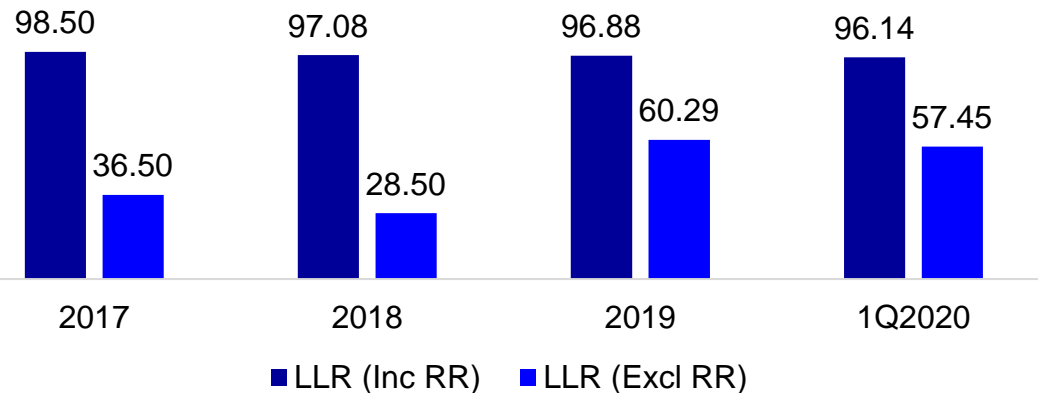
# Asset Quality: Priority to Increase the LLR (Excluding Regulatory Reserve)

## Impaired Loan Ratios (%)



- GIL recorded at 3.11% (1Q19: 3.31). Excluding the R&R accounts, the GIL was at 2.98%.
- NIL at 2.37% (1Q19: 2.63%). Excluding the R & R accounts, the NIL was at 2.24%.

## Loan Loss Reserve (%)

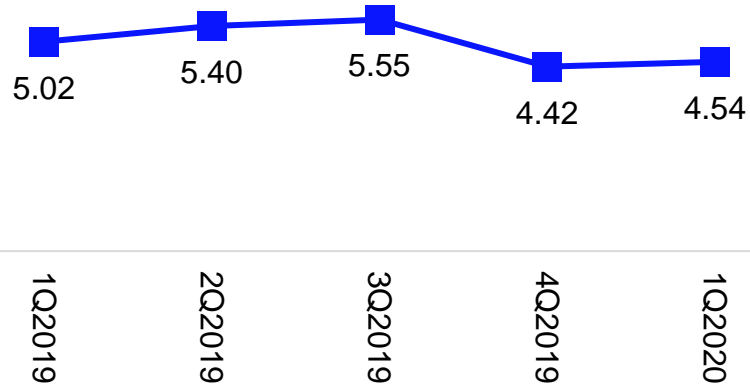


- Loan Loss Reserve (including RR) was slightly lower at 96.14% as at 1Q2020 (1Q19: 97.39%)

# Asset Quality by Business Segments

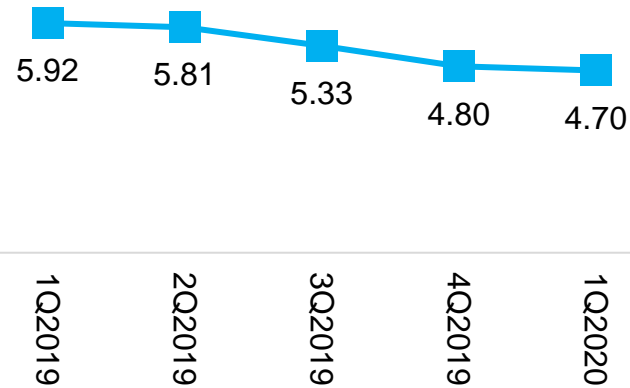
## Gross Impairment Ratio (%)

### Corporate



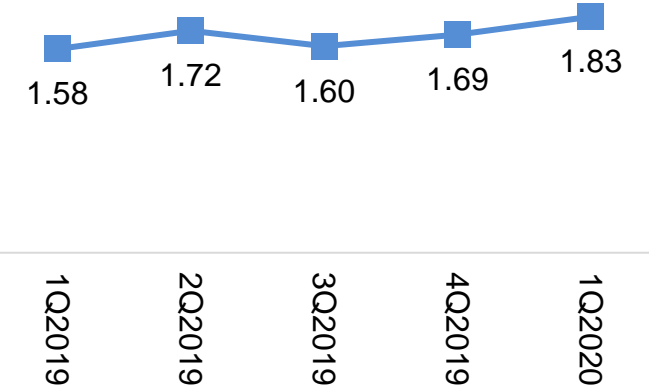
- Enhance early warning framework to ensure timely detection and rehabilitation.

### SME



- Regional Asset Quality Management set-up for faster response.

### Consumer



- Enhance Collections strategy and execution through use of collection scorecards and associated analytics.

# Income Statement

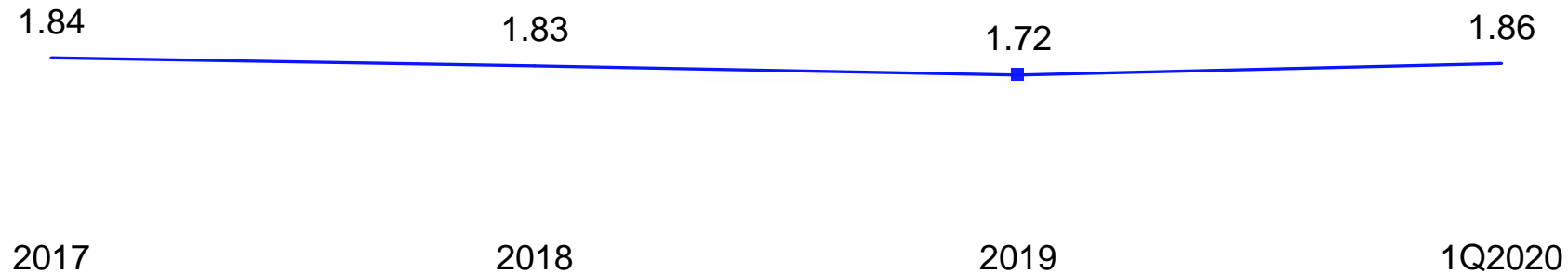
RM Million	1Q2019	4Q2019	1Q2020	QoQ (%)	YoY (%)
Net Interest Income (+Islamic)	285.8	297.6	293.1	(1.5)	(2.5)
Non-Interest Income	186.7	189.4	337.2	78.0	80.7
of which :					
Gains on Financial Instruments	71.5	55.0	207.6	>100	> 100
Fee & Commissions	102.6	120.5	116.3	(3.5)	13.3
Operating Expenses	(304.3)	(291.5)	(332.0)	13.9	9.1
Allowances for Impairment Losses	9.9	(46.6)	(118.1)	>100	(>100)
Share of JV & Associate	7.3	17.5	(3.7)	(>100)	(>100)
Zakat	(0.4)	(0.2)	(2.2)	(>100)	(>100)
<b>Profit Before Tax</b>	<b>185.0</b>	<b>166.2</b>	<b>174.3</b>	<b>4.9</b>	<b>(5.8)</b>

## PBT Contribution by Subsidiaries, JV and Associate Company

Entity	1Q2019 (RM million)	4Q2019 (RM Million)	1Q2020 (RM million)	QoQ (%)	YoY (%)
AFFIN Bank (Bank Level)	103.7	125.5	31.9	(74.6)	(69.2)
AFFIN Islamic	32.0	7.7	19.2	>100	(40.0)
Affin Hwang Investment	45.2	29.2	127.4	>100	181.9
AXA Affin Life Insurance	(1.8)	0.6	(3.7)	(>100)	(>100)
AXA Affin General Insurance	9.1	16.4	(0.1)	(95.7)	(92.3)
Affin Moneybrokers	0.7	0.5	0.9	80.0	28.6
<b>AFFIN Bank Group</b>	<b>185.0</b>	<b>166.2</b>	<b>174.3</b>	<b>4.9</b>	<b>(5.8)</b>

# NIM increased 14bps, as we continue to expand our CASA franchise

## Net Interest Margin (%)



## Quarterly NIM (%)

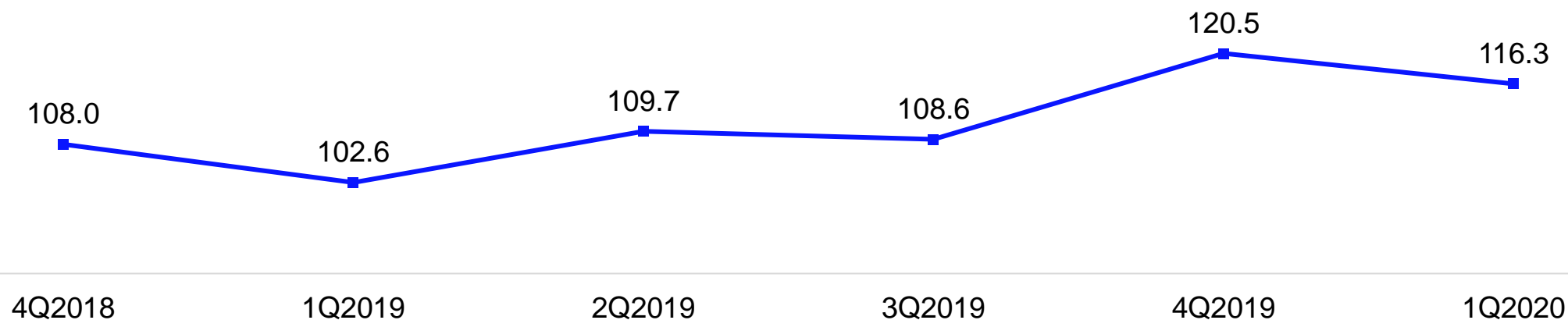
4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
1.83	1.61	1.63	1.65	1.72	1.86

- NIM increased by 14 bps year-to-date to 1.86%, mainly due to lower funding cost.
- The Group will continue to pursue CASA funding to mitigate the impact on the NIM. The NIM for FY2020 is expected to be between 1.6% to 1.8%.

## Net Fee and Commission Income: AHAM continue to sustain its growth, AUM at RM55.3 billion

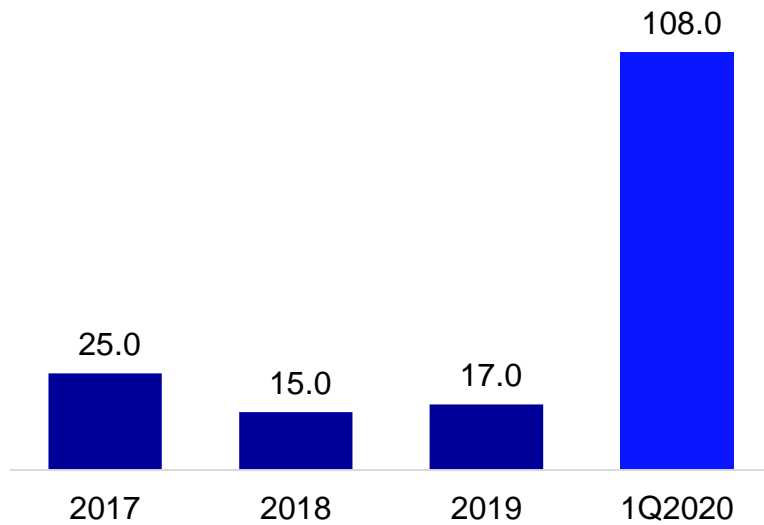
RM Million	1Q2019	4Q2019	1Q2020	QoQ (%)	YoY (%)
Stockbroking	16.9	18.5	24.3	31.4	43.8
Portfolio management fees	70.5	81.7	78.9	(3.4)	11.9
Initial service charges	13.9	24.9	29.7	19.3	113.7
Fee income	12.7	15.5	12.3	(20.6)	(3.1)
Other Commission Income (fx, trade, BG)	19.2	19.2	18.3	(4.7)	(4.7)
Fee and commission expense	(30.6)	(39.3)	(47.2)	(20.1)	(54.2)
<b>NET FEE AND COMMISSION INCOME</b>	<b>102.6</b>	<b>120.5</b>	<b>116.3</b>	<b>(3.5)</b>	<b>13.4</b>

### QUARTERLY

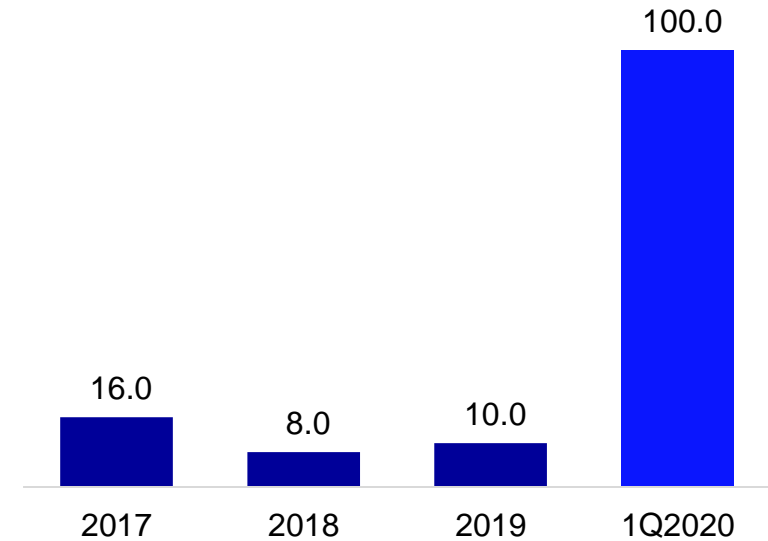


# Credit Cost: Priority to Increase the LLR (excluding Regulatory Reserve)

Gross Credit Cost (bps)



Net Credit Cost (bps)

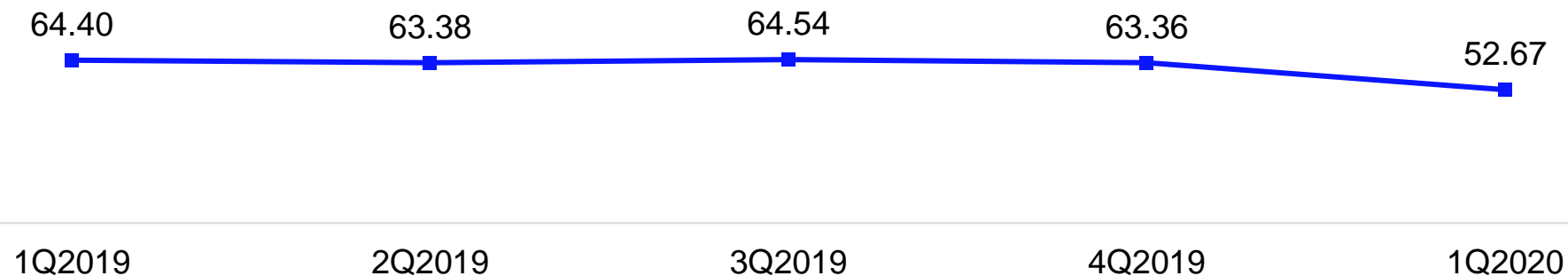


- Increasing credit charges to build up Loan Loss Reserve
- 1Q2020 calculated on annualized basis

- Limited Recoveries due to COVID-19

## Operating Expenses: Increased due to Higher Personnel Cost

RM Million	1Q2019	4Q2019	1Q2020	QoQ (%)	YoY%
Personnel cost	193.1	200.6	214.0	6.7	10.8
Promotion & marketing related expenses	17.0	10.4	12.3	18.3	(27.6)
Establishment-related expenses	67.8	64.1	77.1	20.3	13.7
General & administrative expenses	26.4	16.4	28.6	74.4	8.3
<b>TOTAL</b>	<b>304.3</b>	<b>291.5</b>	<b>332.0</b>	<b>13.9</b>	<b>9.1</b>
<b>Cost to Income ratio (%)</b>	<b>64.40</b>	<b>63.36</b>	<b>52.67</b>	<b>(10.69)</b>	<b>(11.73)</b>

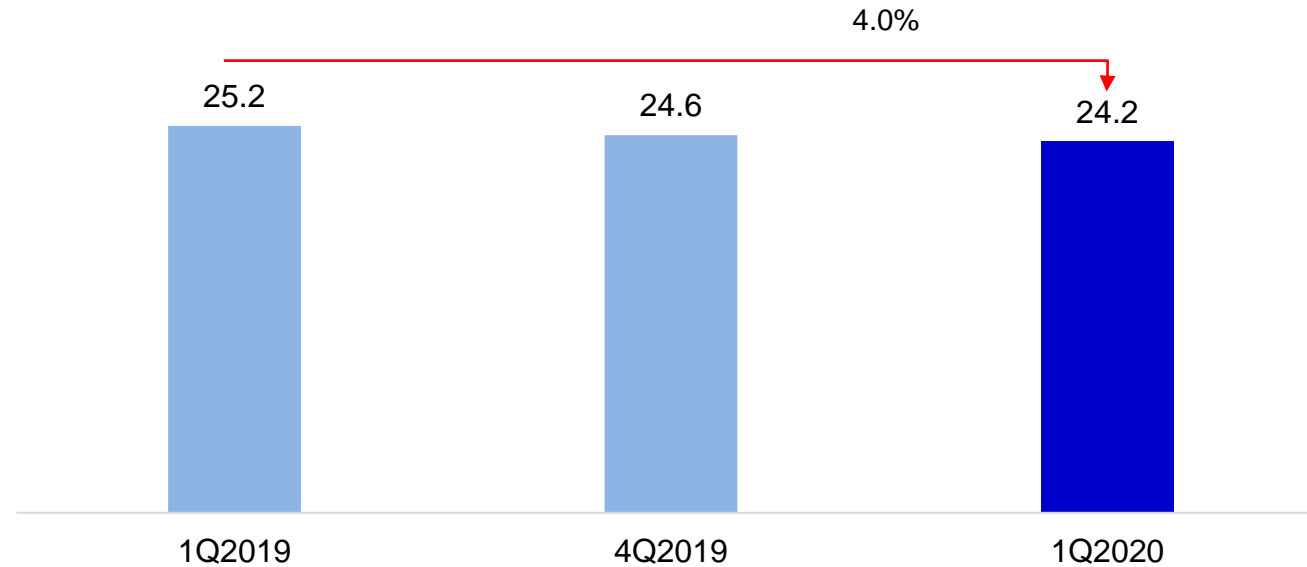




# Key Ratios

		1Q2019 (%)	FY2019 (%)	1Q2020 (%)	QoQ (%)	YoY (%)
Profitability	Return on Equity (After Tax)	5.79	5.42	5.34	▼ (0.08)	▼ (0.45)
	Fee to Income	39.52	40.27	53.50	▼ 13.23	▲ 13.98
	Net Interest Margin	1.61	1.72	1.86	▲ 0.14	▲ 0.25
	Cost to Income	64.40	63.36	52.67	▼ (10.69)	▼ (11.73)
Deposits	CASA Ratio	14.54	19.09	17.95	▼ (1.14)	▲ 3.41
	LTF Ratio	79.43	84.03	82.50	▼ (1.53)	▲ 3.07
	Liquidity Coverage	146.79	171.72	141.68	▼ (30.04)	▼ (5.11)
	Net Stable Funding Ratio	81.19	115.60	114.29	▼ (1.31)	▲ 33.10
Asset Quality	Gross Impaired Loans Ratio	3.31	3.00	3.11	▲ 0.11	▼ (0.20)
	Net Impaired Loans Ratio	2.63	2.28	2.37	▲ 0.09	▼ (0.26)
	LLR (Including RR)	97.39	96.88	96.14	▼ (0.74)	▼ (1.25)
	LLR (Excluding RR)	55.37	60.29	57.45	▼ (2.84)	▲ 19.90
Capital	CET 1 Capital Ratio	12.42	14.46	14.25	▼ (0.21)	▲ 1.83
	Total Capital Ratio	20.76	23.26	23.11	▼ (0.15)	▲ 2.35

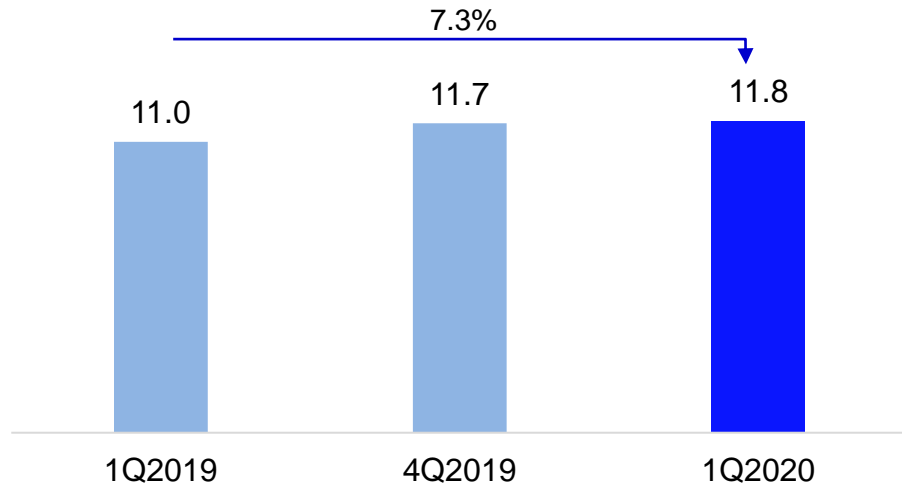
# Consumer Banking: Loans



RM Billion	1Q2019	4Q2019	1Q2020	QoQ (%)	YoY (%)
Mortgage	11.0	11.7	11.8	0.9	7.3
Hire Purchase	12.1	10.7	10.3	(3.7)	(14.9)
Credit Card	0.1	0.2	0.2	0.0	100.0
ASB	0.6	0.6	0.5	(16.7)	(16.7)
Personal Loans/Financing	1.4	1.4	1.4	0.0	0.0
<b>TOTAL</b>	<b>25.2</b>	<b>24.6</b>	<b>24.2</b>	<b>(1.6)</b>	<b>(4.0)</b>

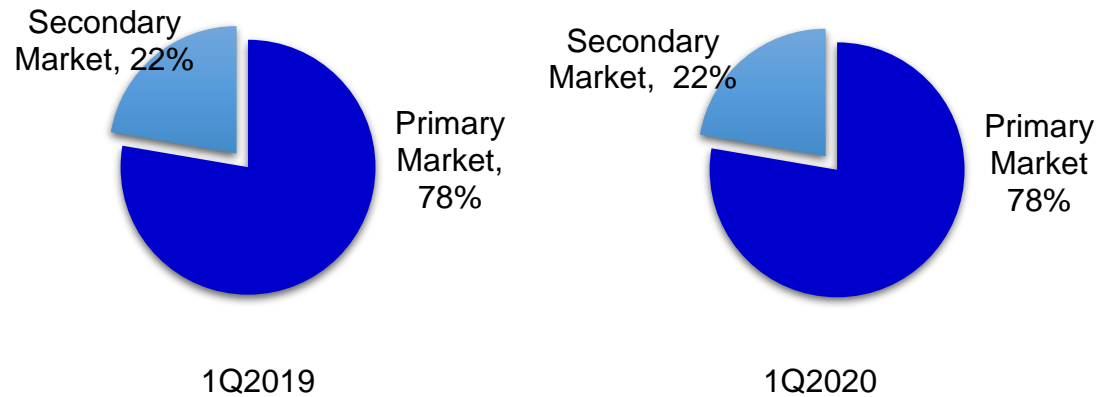
# Consumer Banking: Mortgage

## Mortgage Loans (RM Billions)



- Mortgage Loans improved 7.3% YoY to RM11.8 billion as at 1Q2020.

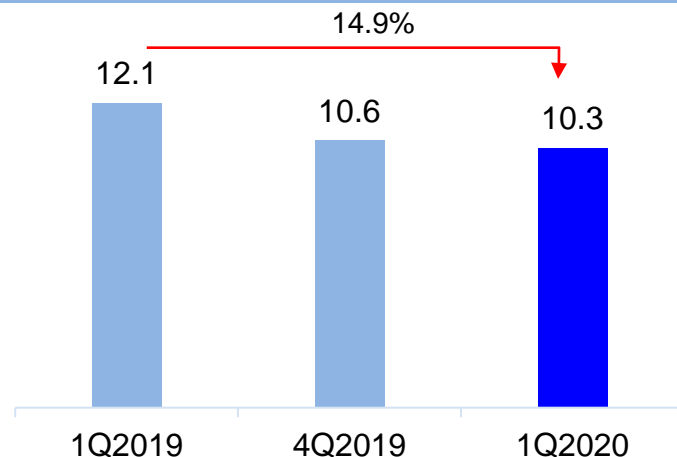
## Total Loan Composition (%)



- No change in composition mix YoY

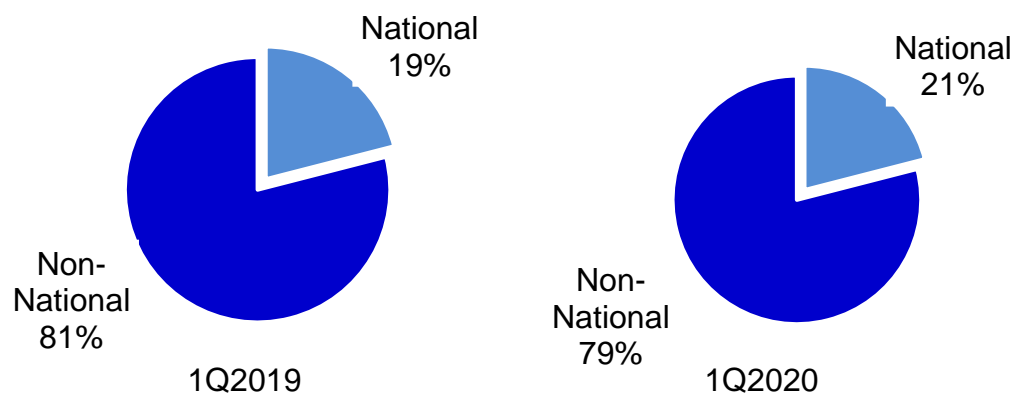
# Consumer Banking: Hire Purchase

## Hire Purchase (HP) Loans (RM Billions)



- Repayment in HP loan base to RM10.3 billion in March 2020
- HP asset quality remains resilient as reflected in the impaired loan ratio of 0.70%.

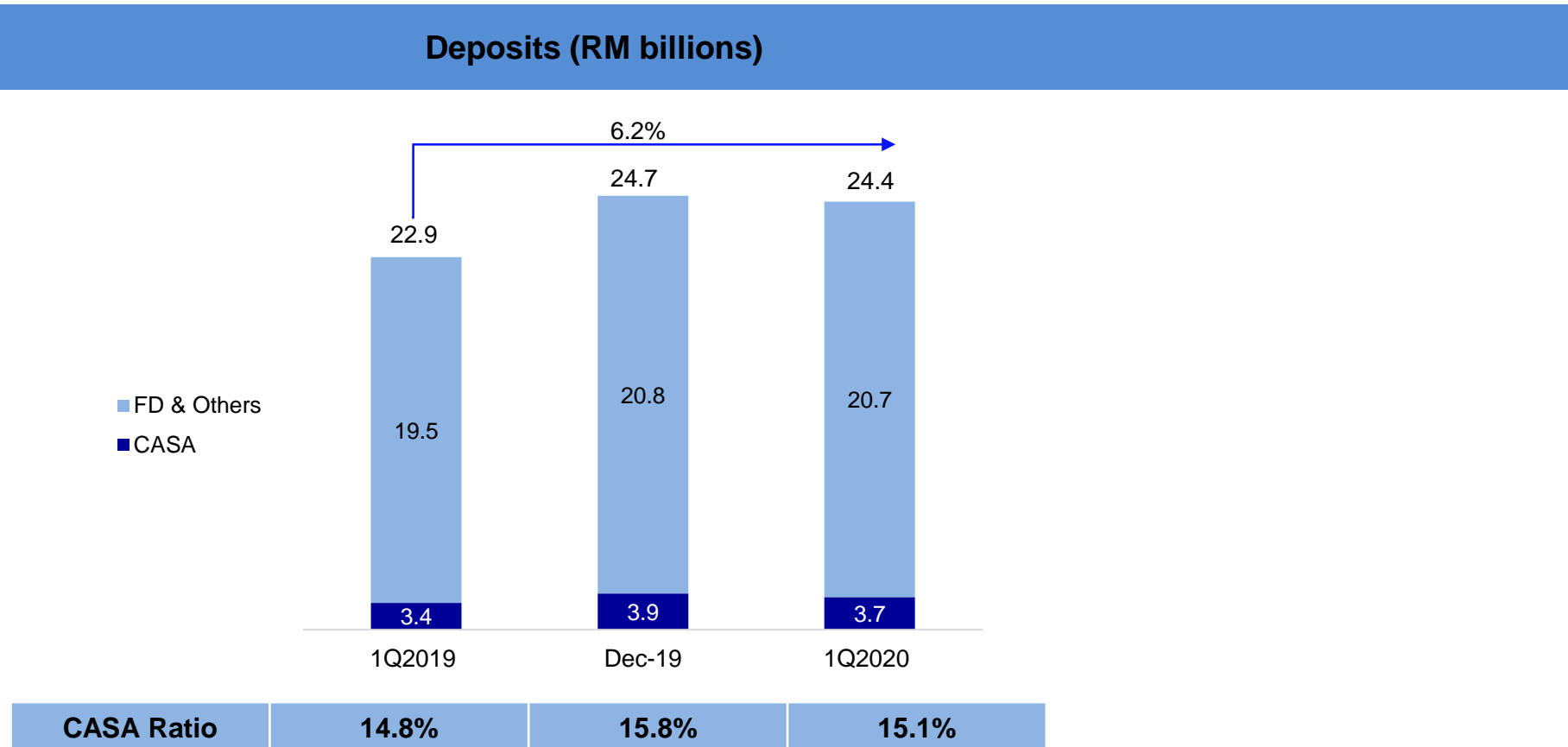
## HP Portfolio Composition (%)



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

PORTFOLIO	NET OUTSTANDING (RM Million)
National cars	2.1
Non-National cars	8.2

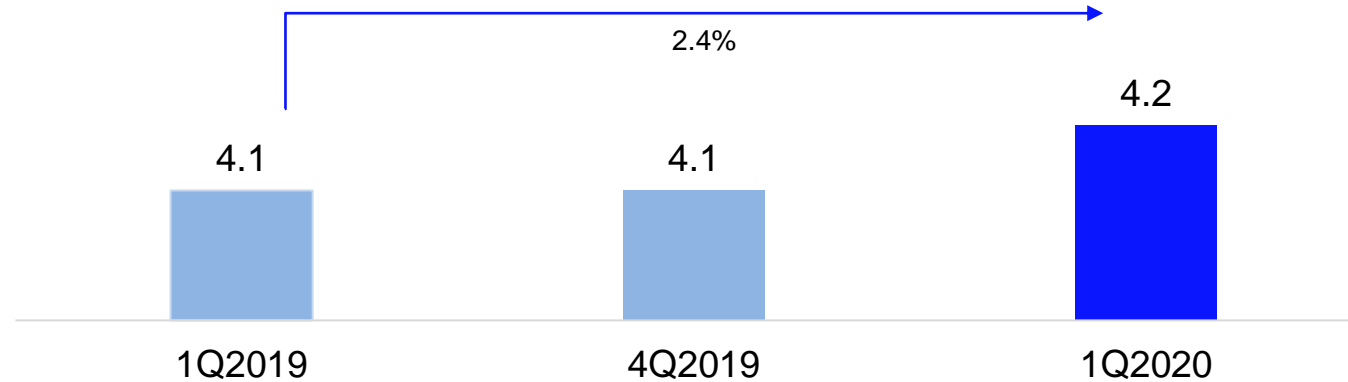
# Consumer Banking: Deposits



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

# SME Banking: Loans

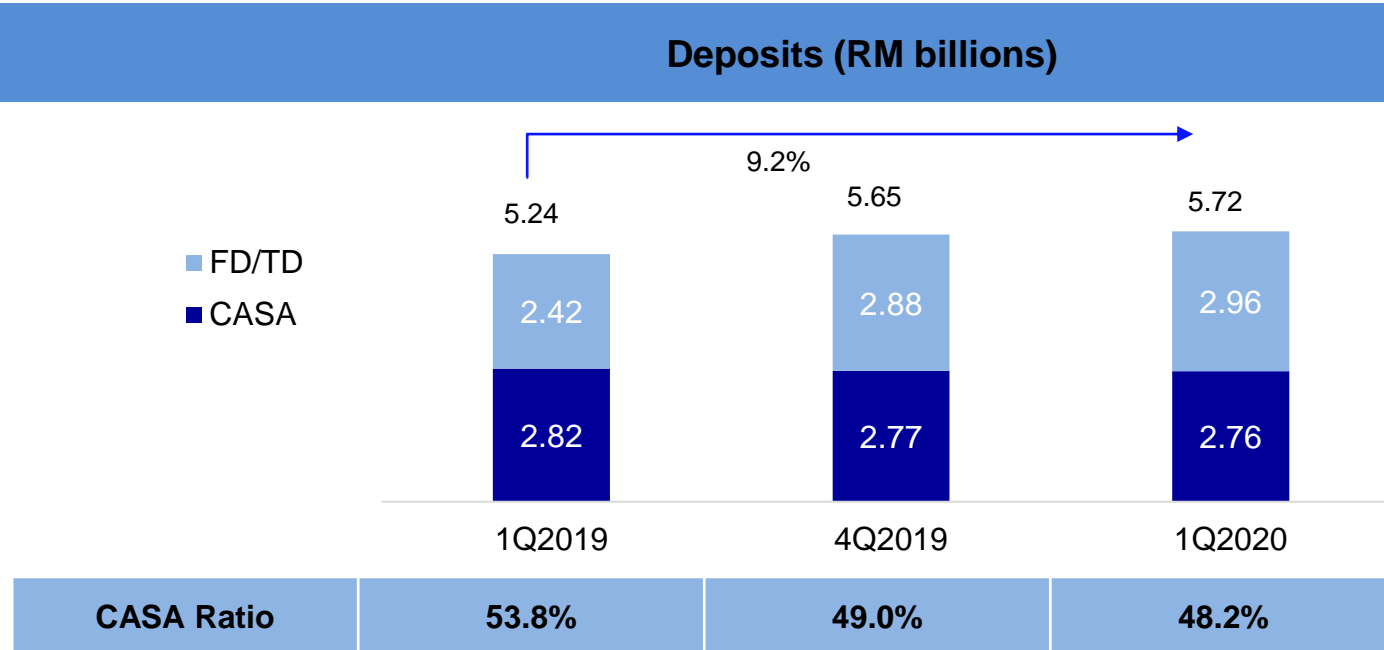
Loans (RM billion)



- Loan growth steady at 2.4% YoY with RM1.0 billion loan stocks on the book for SME segment

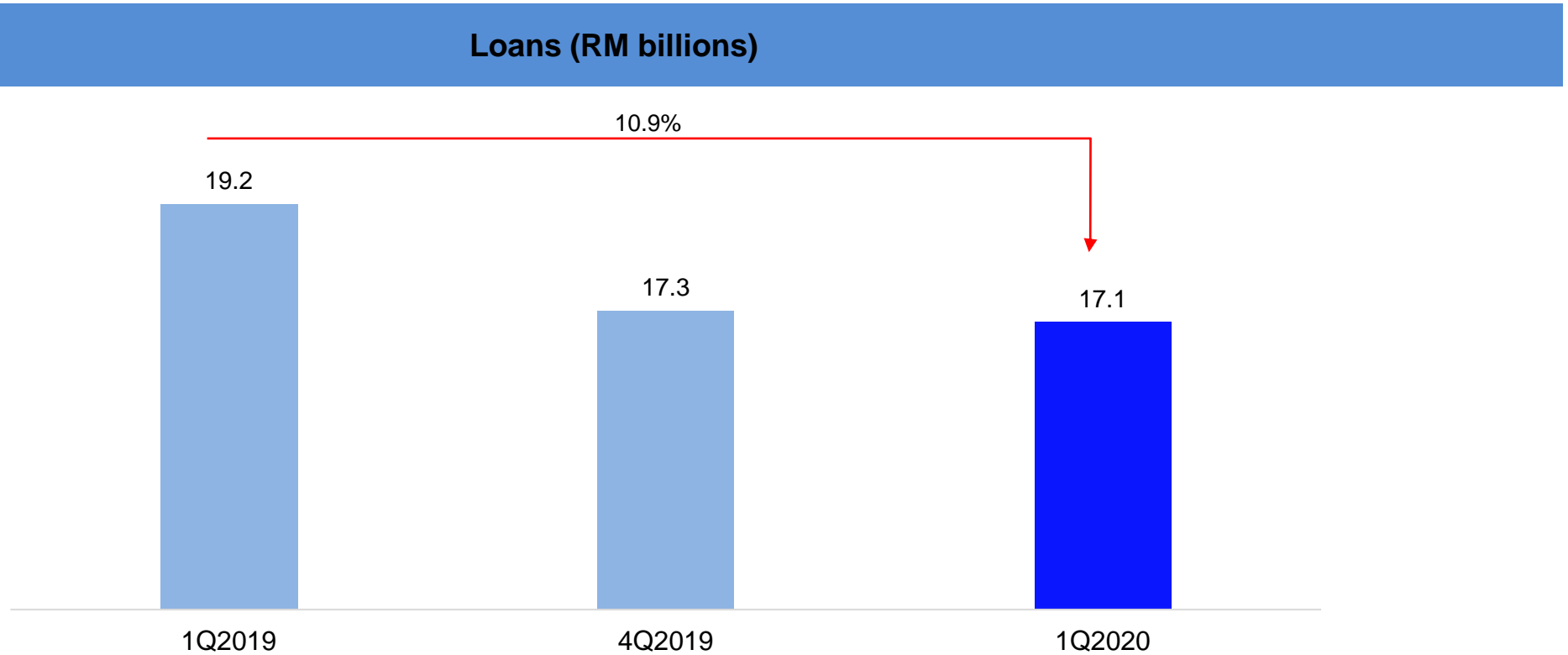
	1Q2019	4Q2019	1Q2020	QoQ	YoY
Term Loans	2.8	2.7	2.8	3.6%	0.0%
OD	0.7	0.7	0.8	12.5%	12.5%
Trade & others	0.6	0.7	0.6	-16.7%	0.0%
<b>Total</b>	<b>4.1</b>	<b>4.1</b>	<b>4.2</b>	<b>2.4%</b>	<b>2.4%</b>

# SME Banking: Deposits



- CASA ratio above 48% 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

# Corporate Banking: Loans

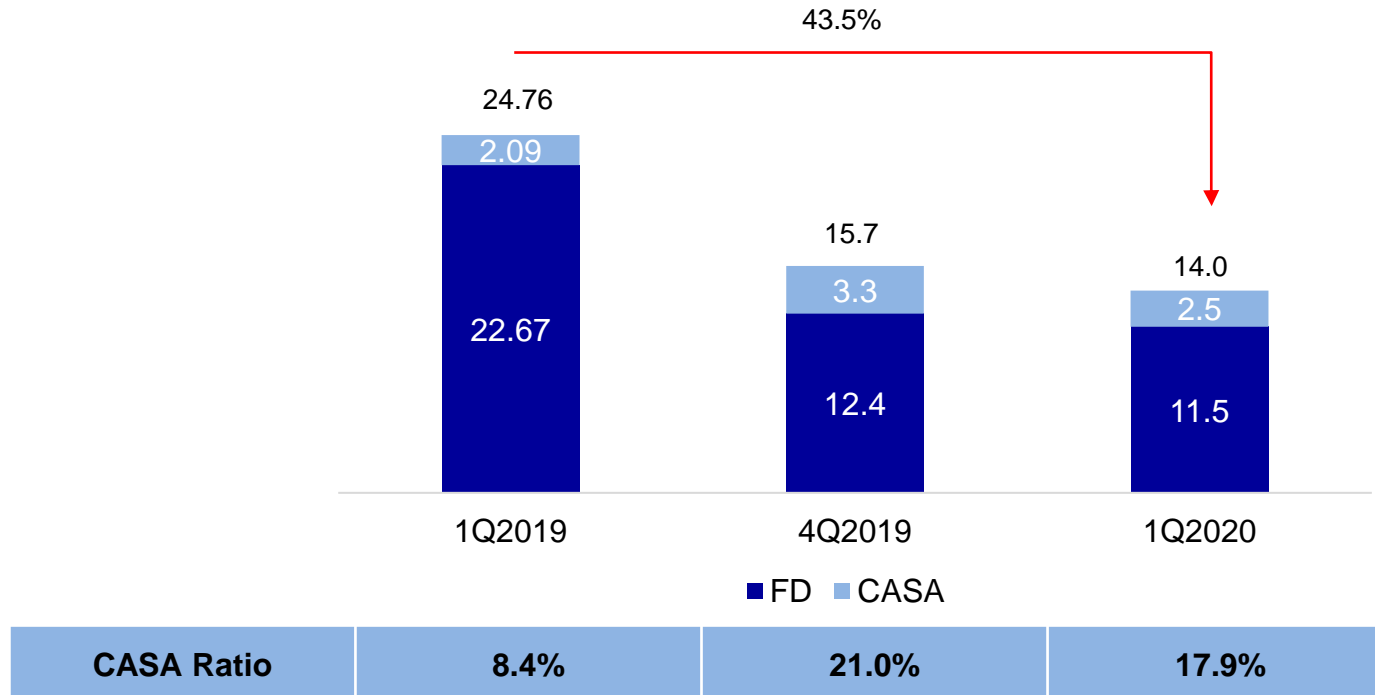


- Corporate Banking experienced a decline in asset growth in the 1Q2020 owing to repayments in term loans versus a lower growth in new disbursements.



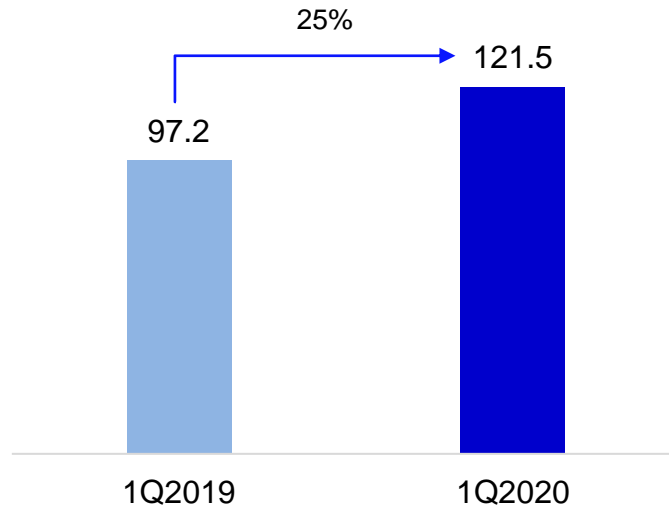
# Corporate Banking: Deposits

Deposits (RM billions)



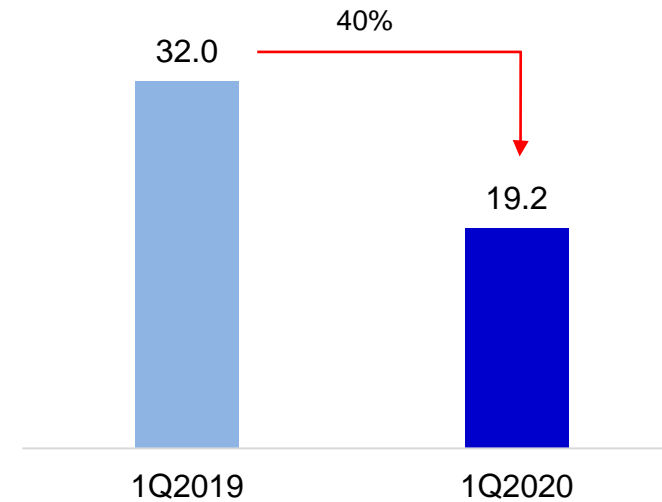
- Corporate Banking will unveil a new Corporate Internet Banking, now known as AffinMax in October 2020.

## NET INCOME (RM Million)



- Net Income grew by 25.0% to RM121.5 million was primarily driven by growth in net fee income by 103.7% to RM43.8 million.

## PBT ( RM Million)



- PBT declined by 40.0% to RM19.2 million compared to 1Q2019 mainly attributed by higher allowances for impairment.

# Comprehensive Digital Ecosystem a Key Digital Enabler

TaPay

2017

SME Colony App

2019



New Retail Internet Banking

2019

AffinPay

2019

AffinMax

October 2020



# Final Remarks

- Focusing on Consumer Banking business in particular mortgage financing and unsecured financing.
- SME Banking focusing on targeted customer selection and cross selling into Consumer Banking.
- Building a stronger CASA franchise in Corporate Banking with our new AffinMax Internet Banking Proposition.
- Proactively managing asset quality by focusing on restructuring of corporate accounts and implementing early warning framework to ensure timely detection and rehabilitation.
- Implemented fast-track transformation journey to provide our customers an elevated digital platform and improved Customer Experience.

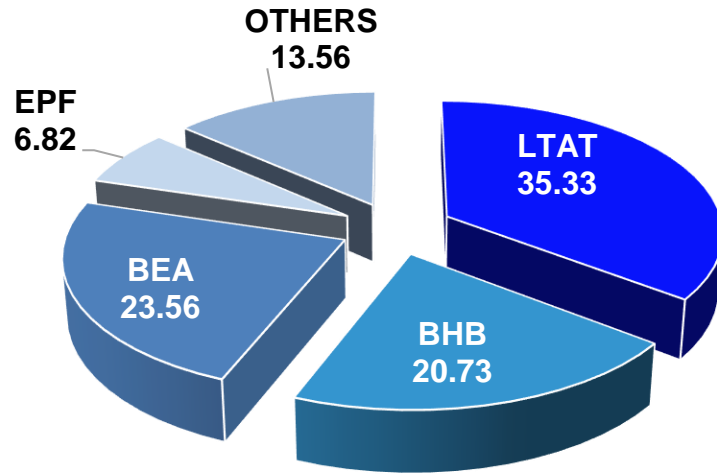
## 2020 GUIDANCE

Loans Growth	Flat
Deposits Growth	2-3%
Cost to Income Ratio	<60%
Gross Credit Cost	~50bps

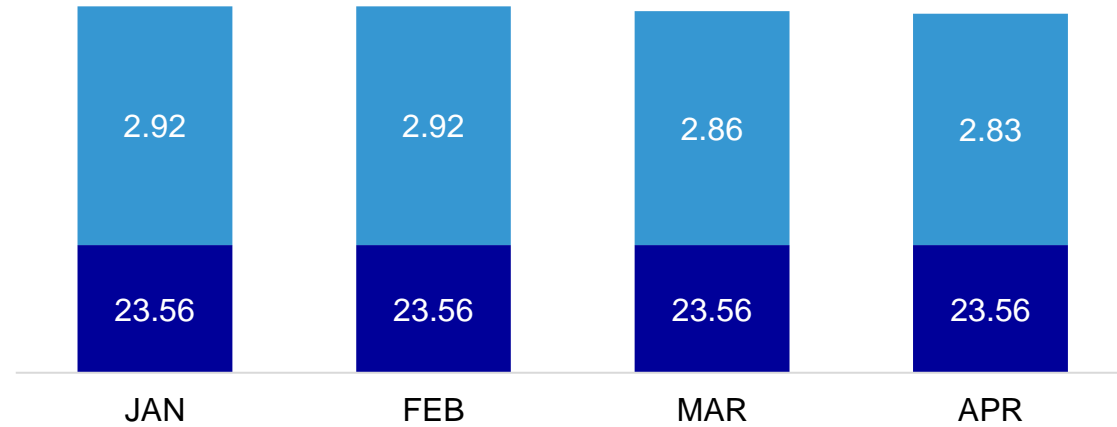
# Appendix

# Shareholding Statistics January 2020 – April 2020

Substantial Shareholders (%)



Foreign Shareholdings (%)



■ BEA ■ Others

JAN 2020	FEB 2020	MAR 2020	APRIL 2020
26.48	26.48	26.42	26.39

# THANK YOU

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