

# **PRESENTATION TO ANALYSTS AND FUND MANAGERS**

**FINANCIAL RESULTS FOR FINANCIAL YEAR  
ENDED 31 DECEMBER 2020**

## **AFFIN BANK BERHAD**

**1 March 2021**



## Key Performance Highlights for Financial Year Ended 31 December 2020

### PROFITABILITY

- Achieved a PBT of RM386.7 million in FY2020 vs RM677.0 million in FY2019 (YoY decline of 42.9%).
- PBT impacted by Modification Loss of approximately RM80.0 million, Pre-Emptive Covid-19 provisioning and higher impairments
- Total Income recorded was RM2.3 billion in FY2020 an increase of 18.3%YoY, supported by fee and commission income of RM549.7 million with treasury and equity gains of RM487.3 million.
- ROE impacted to 2.44% in FY2020 as compared to 5.42% in FY2019.
- Cost to Income Ratio of 59.65% (if excluding modification loss - 57.65%) for FY2020, improved by 3.38% YoY compared to 63.03% for FY2019.

### ASSET QUALITY

- Gross Impaired Loans ratio increased by 52 bps to 3.52% in FY2020 vs 3.00% in FY2019 due to weakness in COVID-19 impacted industries.
- Loan Loss Coverage improved to 50.24% in FY2020 vs 43.77% in FY2019.
- Gross Credit Cost of 114bps in FY2020 vs 18bps in FY2019.

### LIQUIDITY

- Significantly improving the CASA ratio to 22.22% in FY2020 compared to 19.09% in FY2019, CASA increased by 13.64% YoY.
- Considerable reduction in COF of 2.89% in FY2020 vs 3.82% in FY2019.



# Key Performance Highlights for Financial Year Ended 31 December 2020

## LOANS

- Gross Loans increased by 0.7% to RM46.3 billion for FY2020 vs RM46.0 billion for FY2019.

## CAPITAL ADEQUACY

- CET-1 capital ratio increased by 6 bps to 14.52% in FY2020 vs 14.46% in FY2019.
- Tier-1 capital ratio increased by 5 bps to 16.29% compared to 16.24% in FY2019.
- Total capital ratio of 22.24%, a decrease by 95 bps in FY2020 vs 23.19% in FY2019

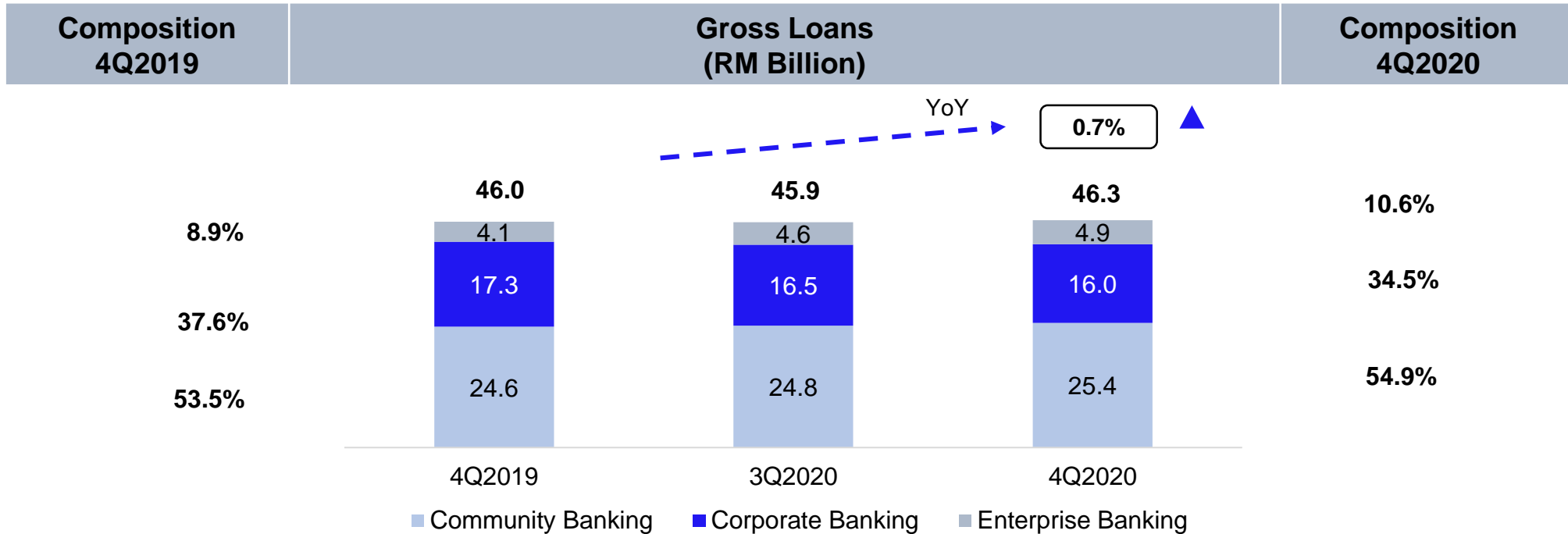


# Balance Sheet Highlights

RM Million	4Q2019	3Q2020	4Q2020	QoQ (%)	YoY (%)
Cash & short-term funds	4,605.4	7,856.8	5,461.4	(30.5)	18.6
Financial assets/investments	13,304.0	12,346.8	13,875.4	12.4	4.3
Gross loans, advances & financing	45,961.9	45,935.9	46,272.6	0.7	0.7
<i>of which : ECL</i>	(574.0)	(803.8)	(779.8)	(3.0)	35.9
Other assets	5,044.0	4,360.5	4,706.9	7.9	(6.7)
<b>TOTAL ASSETS</b>	<b>68,341.3</b>	<b>69,696.2</b>	<b>69,536.5</b>	<b>(0.2)</b>	<b>1.7</b>
Deposits from customers	51,089.0	49,504.9	49,884.4	0.8	(2.4)
<i>of which : (Current Account)</i>	<i>7,417.6</i>	<i>6,777.9</i>	<i>8,070.0</i>	<i>19.1</i>	<i>8.8</i>
<i>(Savings Account)</i>	<i>2,334.7</i>	<i>3,455.3</i>	<i>3,012.3</i>	<i>(12.8)</i>	<i>29.0</i>
<b>Total CASA</b>	<b>9,752.3</b>	<b>10,233.2</b>	<b>11,082.3</b>	<b>8.3</b>	<b>13.6</b>
<i>Fixed Deposits, NIDs, MMD &amp; CMD</i>	<i>41,336.7</i>	<i>39,271.7</i>	<i>38,802.1</i>	<i>(1.2)</i>	<i>(6.1)</i>
Deposits & placement of banks & other FIs	1,763.3	4,048.8	3,720.4	(8.1)	>100.0
Other liabilities	2,485.3	2,919.1	2,949.1	1.0	18.7
Borrowings	3,607.1	3,586.8	3,345.5	(6.7)	(7.3)
Total Equity	9,396.6	9,636.6	9,637.1	0.0	2.6
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>68,341.3</b>	<b>69,696.2</b>	<b>69,536.5</b>	<b>(0.2)</b>	<b>1.7</b>



# Loans Growth driven by Enterprise Banking Segment



Loans by Business Segments (RM Billion)

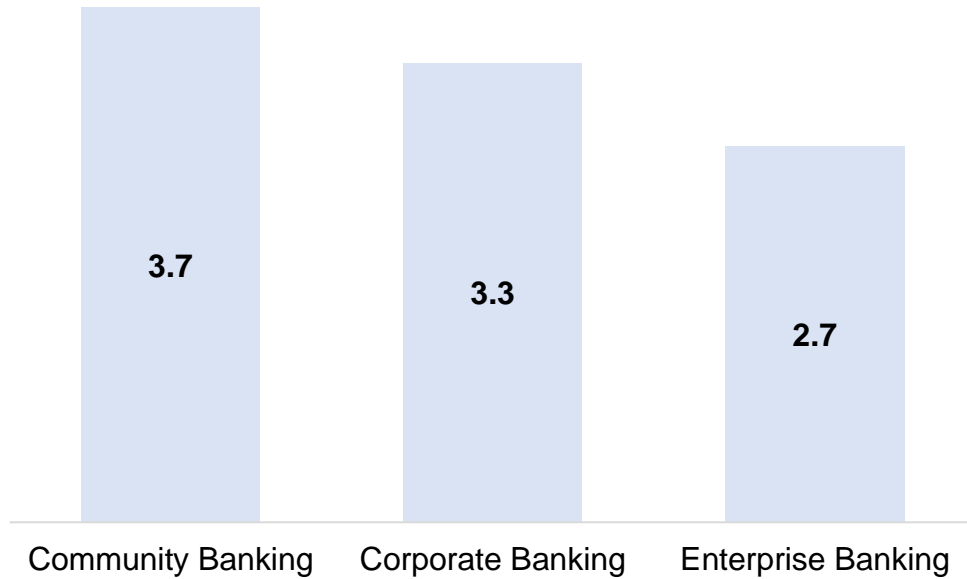
RM Billion	4Q2019	3Q2020	4Q2020	QoQ (%)	YoY (%)
Community Banking	24.6	24.8	25.4	2.4	3.3
Corporate Banking	17.3	16.5	16.0	(3.0)	(7.5)
Enterprise Banking	4.1	4.6	4.9	6.5	19.5
<b>TOTAL</b>	<b>46.0</b>	<b>45.9</b>	<b>46.3</b>	<b>0.7</b>	<b>0.7</b>



# Increasing Momentum for CASA 13.6% YoY

4Q2019

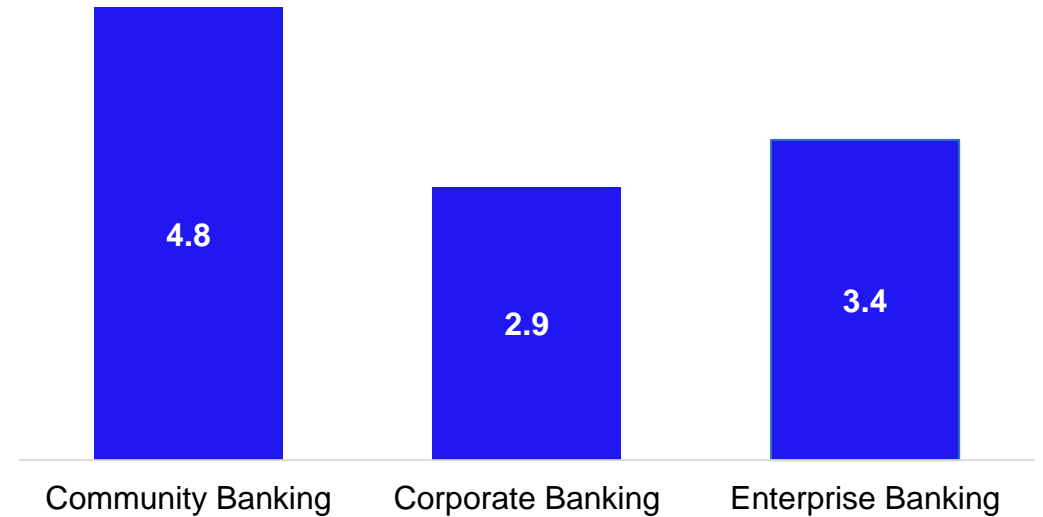
**Total CASA RM9.7 Billion**



%	Community Banking	Corporate Banking	Enterprise Banking	Total
CASA Ratio	15.4	15.3	49.0	19.1

4Q2020

**Total CASA RM11.1 Billion**

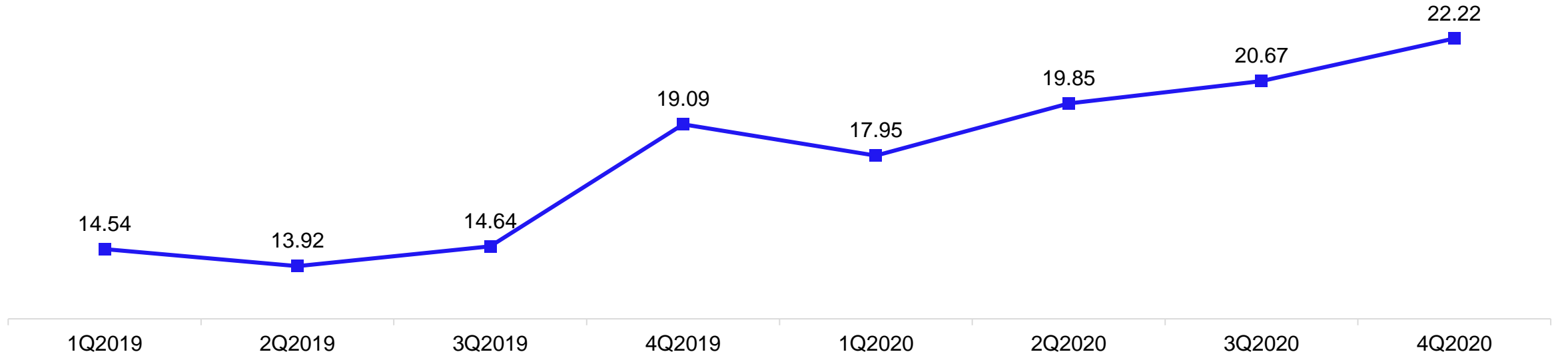


%	Community Banking	Corporate Banking	Enterprise Banking	Total
CASA Ratio	18.6	16.5	52.3	22.2



# CASA Ratio continues to improve

CASA Ratio (%)

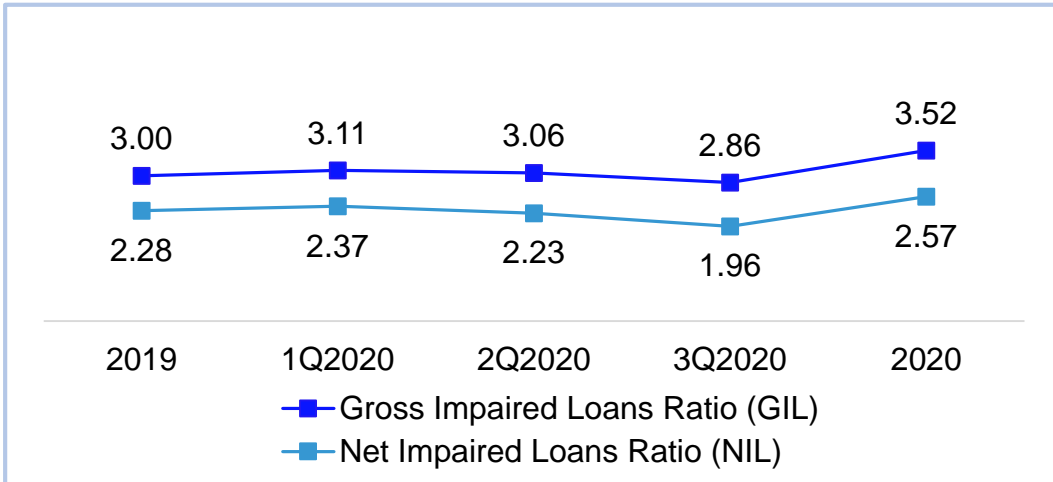


	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020	3Q2020	4Q2020
LCR (%)	146.76	146.79	237.78	171.72	141.68	163.42	159.93	154.91
NSFR(%)	81.19	98.34	121.14	115.60	114.29	115.59	115.28	111.18



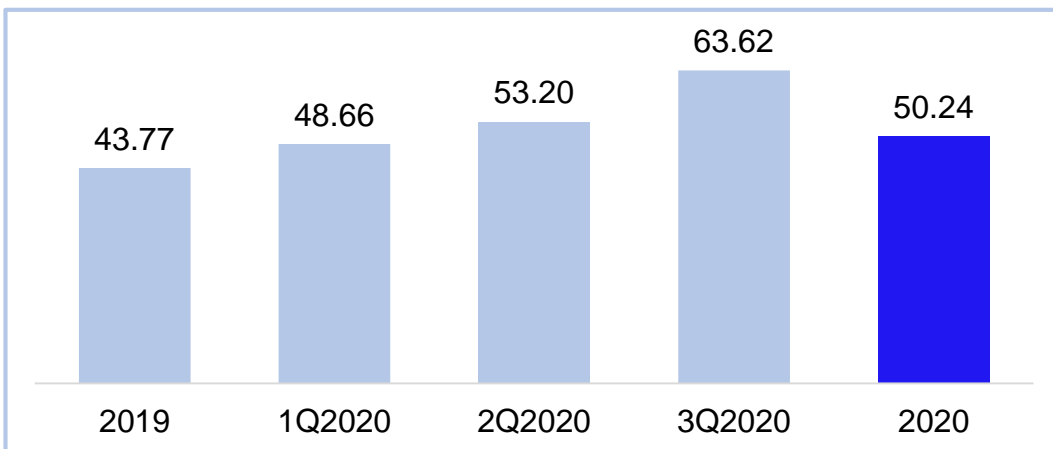
# Enhanced Asset Quality & Priority to increase Loan Loss Coverage

## Impaired Loans Ratios (%)



- *GIL recorded at 3.52% in FY2020 due to COVID-19 impacted industries vs 3.00% FY2019*
- *NIL at 2.57% in FY 2020 vs 2.28% in FY2019.*

## Loan Loss Coverage (%)



*Loan Loss Coverage ratio improved from 43.77% in FY2019 to 50.24% in FY2020.*





# Income Statement

RM Million	3Q2020	4Q2020	QoQ (%)	FY2019	FY2020	YoY (%)
Net Interest Income	192.8	248.6	28.9	743.1	772.1	3.9
Income from Islamic Banking Business	113.1	131.1	15.9	410.6	481.2	17.2
Modification loss	-	1.3	>100	-	(78.4)	(<100)
Other operating Income	250.9	239.8	(38.2)	760.7	1,090.0	43.3
<i>of which :</i>						
<i>Net Gains on Financial Instruments</i>	<i>103.7</i>	<i>44.8</i>	<i>(56.8)</i>	<i>269.8</i>	<i>487.3</i>	<i>80.6</i>
<i>Net Fee &amp; Commissions Income</i>	<i>135.7</i>	<i>179.5</i>	<i>32.3</i>	<i>441.4</i>	<i>549.7</i>	<i>24.5</i>
<i>Other Income</i>	<i>11.5</i>	<i>15.5</i>	<i>34.8</i>	<i>49.5</i>	<i>53.0</i>	<i>6.9</i>
<b>Total Income</b>	<b>556.8</b>	<b>620.8</b>	<b>(10.6)</b>	<b>1,914.4</b>	<b>2,264.9</b>	<b>18.3</b>
Operating Expenses	(338.4)	(353.8)	(25.6)	(1,206.6)	(1,351.0)	12.0
<b>Operating profit before allowances</b>	<b>218.4</b>	<b>267.0</b>	<b>22.3</b>	<b>707.8</b>	<b>913.9</b>	<b>29.1</b>
Allowances for Impairment Losses	(123.6)	(266.0)	>100	(55.5)	(561.6)	>100.0
Share of results of a Joint Venture & an Associate	4.1	23.2	>100	30.2	41.9	38.7
Zakat	(3.6)	(0.7)	(80.5)	(5.5)	(7.5)	36.3
<b>Profit Before Taxation</b>	<b>95.3</b>	<b>23.5</b>	<b>(75.3)</b>	<b>677.0</b>	<b>386.7</b>	<b>(42.9)</b>
<b><i>Normalised PBT (Excluding Modification Loss and COVID-19 Overlay Provisioning )</i></b>				<b>677.0</b>	<b>591.5</b>	<b>(12.6)</b>



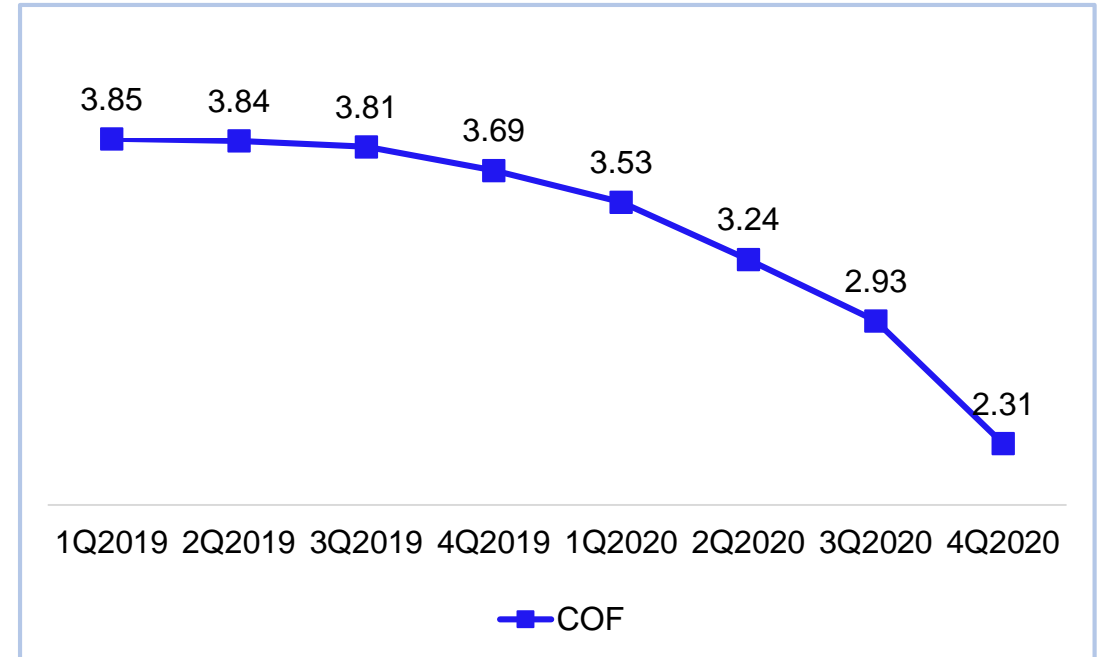
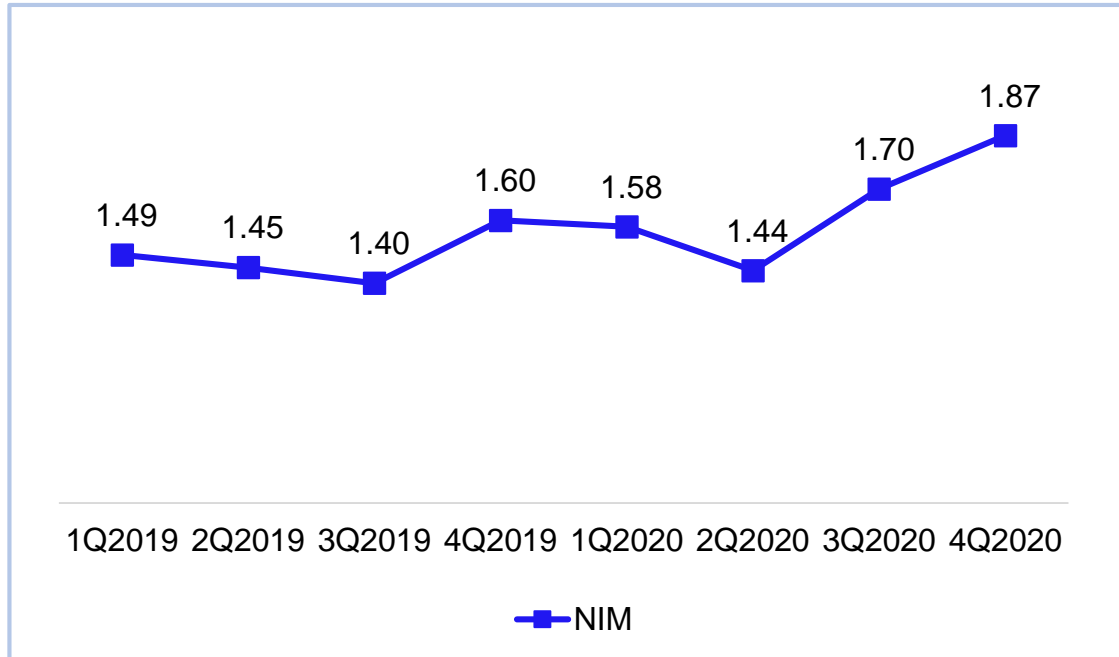
## PBT Contribution by Subsidiaries, JV and Associate

Entity	3Q2020 (RM Million)	4Q2020 (RM Million)	QoQ (%)	FY2019 (RM Million)	FY2020 (RM Million)	YoY (%)
AFFIN Bank (Bank Level)	15.5	38.8	>100.0	460.1	93.1	(79.8)
AFFIN Islamic	11.4	37.8	>100.0	93.2	96.6	3.6
AFFIN Hwang Investment Bank	64.5	78.8	22.2	174.5	351.1	>100
AXA AFFIN Life Insurance	(2.7)	(0.6)	77.8	(3.9)	(0.4)	89.7
AXA AFFIN General Insurance	6.8	22.7	>100.0	34.0	41.9	(27.6)
AFFIN Moneybrokers	0.4	0.4	0.0	2.5	1.9	(24.0)
<b>AFFIN Bank Group</b>	<b>95.3</b>	<b>23.5</b>	<b>(75.3)</b>	<b>677.0</b>	<b>386.7</b>	<b>(42.9)</b>



# NIM improvement as we rebalance our deposits mix to CASA

## Net Interest Margin & Cost of Fund (%)



- *BNM reduced OPR rate by 125 bps (in January, March, May, July) until FY2020.*
- *The Group will continue its deposit strategy to expand CASA franchise whilst reducing dependency on high cost fixed deposits.*



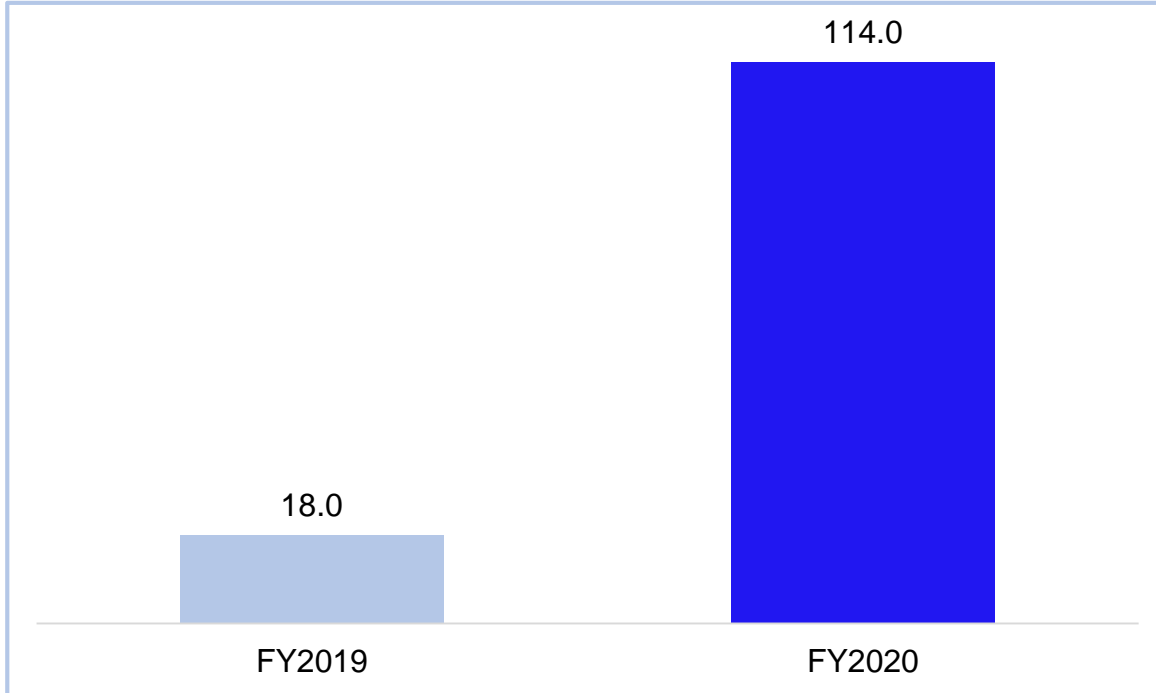
## Increased Net Fee and Commission Income: AHAM continues to grow its AUA to RM73.0 billion

RM 'million	Quarter		Q-o-Q	Q-o-Q	YTD		Y-o-Y	Y-o-Y
	3Q2020	4Q2020	Variance	Variance (%)	FY2019	FY2020	Variance	Variance %
Stockbroking @ net brokerage	32.2	32.3	0.1	0.4	70.5	114.4	43.9	62.3
Portfolio management fees	65.9	71.0	5.1	7.8	222.6	256.5	33.9	15.2
Initial service charges	4.0	1.5	(2.5)	(62.1)	15.7	16.5	0.8	5.1
Fee income @commission	8.8	8.3	(0.5)	(6.1)	24.6	29.2	4.6	18.7
off which:								
Commission Earned - Wealth Management	5.1	4.2	(0.9)	(17.7)	10.3	14.8	4.5	43.0
Commission Earned - Others	3.7	4.1	0.4	9.8	14.3	14.4	0.1	0.6
Other commission income (FX and Commission)	24.8	66.4	41.6	167.6	108.0	133.1	25.1	23.2
<b>NET FEE AND COMMISSION INCOME</b>	<b>135.7</b>	<b>179.5</b>	<b>43.8</b>	<b>32.3</b>	<b>441.4</b>	<b>549.7</b>	<b>108.3</b>	<b>24.5</b>

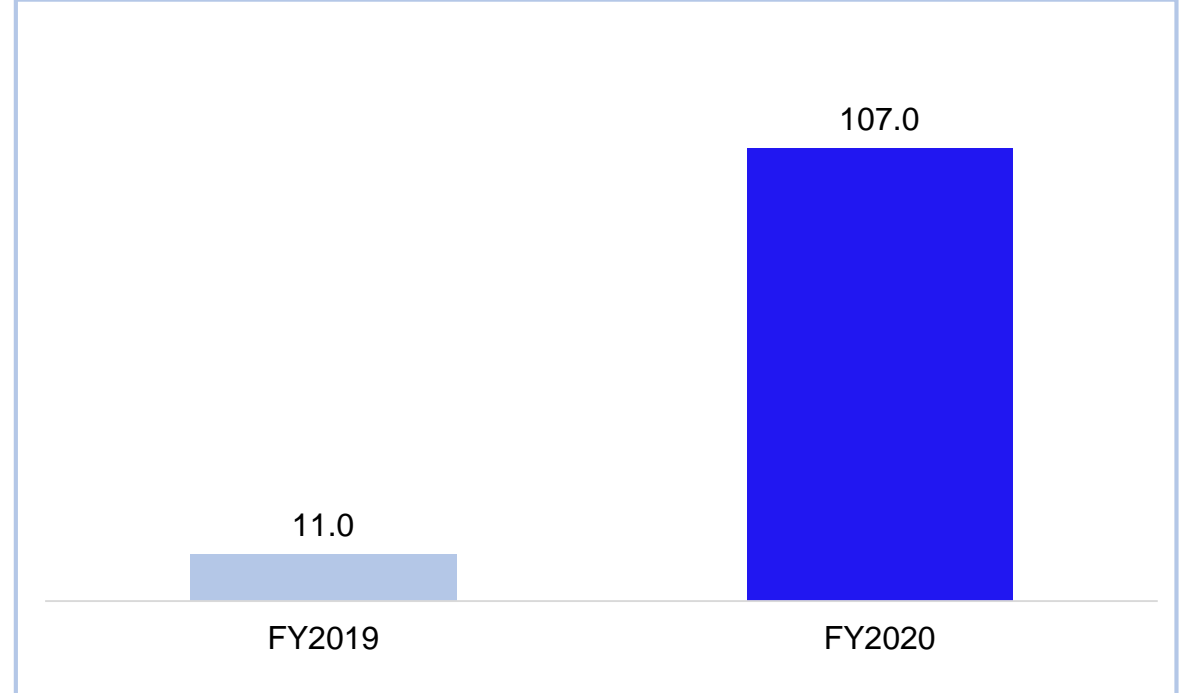


# Increasing credit cost in line with the priority to increase loan loss coverage

Gross Credit Cost (bps)



Net Credit Cost (bps)



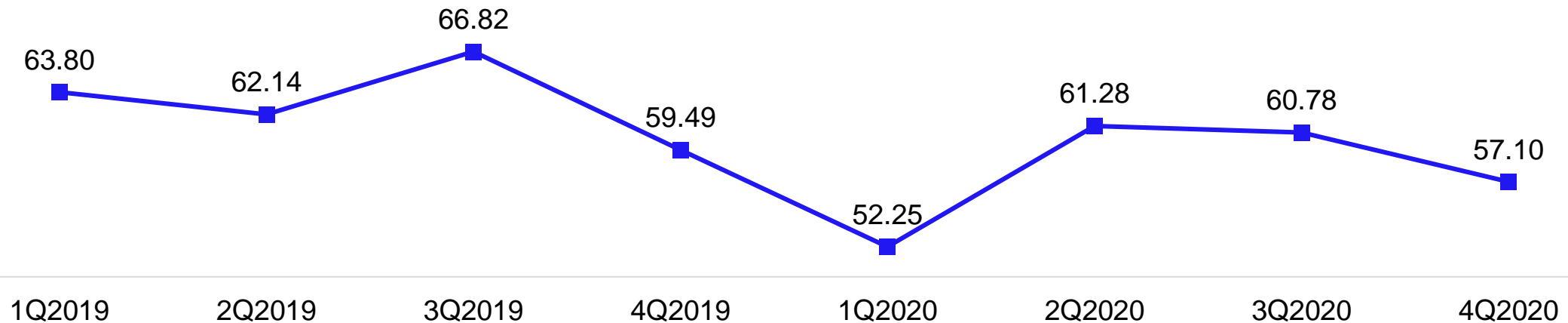
*Increasing credit charges to build up Loan Loss Coverage*

*Limited Recoveries due to COVID-19*



## Operating Expenses higher due to higher personnel costs

RM Million	3Q2020	4Q2020	QoQ (%)	FY2019	FY2020	YoY (%)
Personnel costs	226.9	228.9	0.9	789.7	881.4	11.6
Promotion & marketing related expenses	12.1	20.3	67.8	53.8	53.5	(0.6)
Establishment related expenses	76.4	79.8	4.5	271.0	312.6	15.4
General & administrative expenses	23.0	24.8	7.8	92.1	103.5	12.4
<b>TOTAL</b>	<b>338.4</b>	<b>353.8</b>	<b>(4.6)</b>	<b>1,206.6</b>	<b>1,351.0</b>	<b>12.0</b>
<b>Cost to Income ratio (%)</b>	<b>60.78</b>	<b>57.10</b>	<b>(3.68)</b>	<b>63.03</b>	<b>59.65</b>	<b>(3.38)</b>





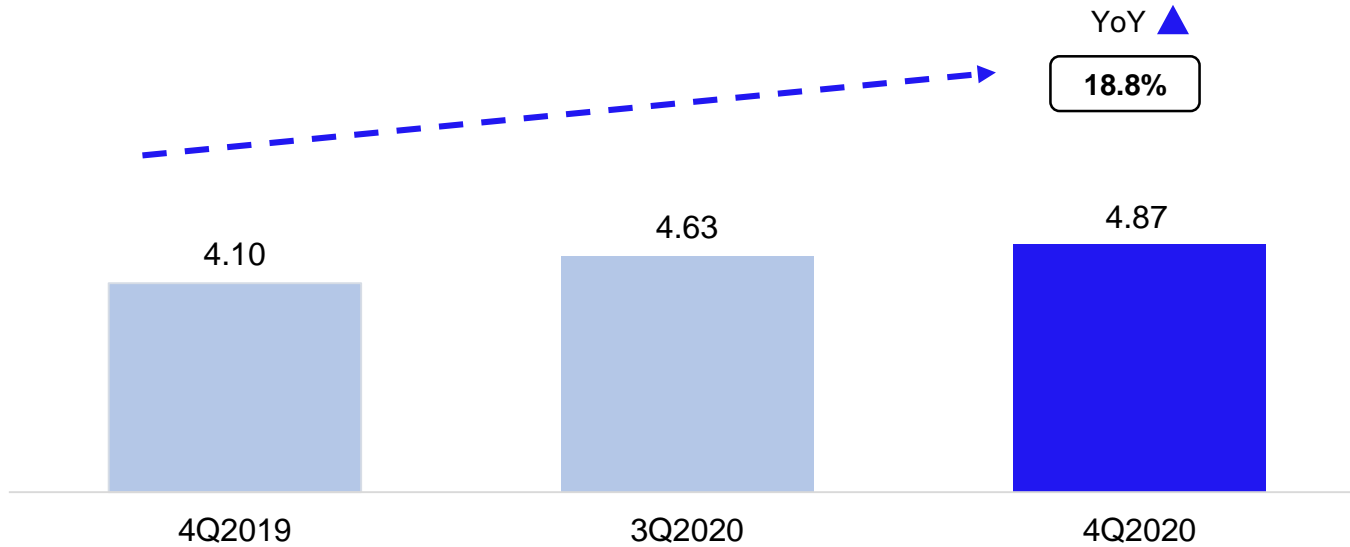
# Key Ratios

		3Q2020 (%)	4Q2020 (%)	QoQ (%)	FY2019 (%)	FY2020 (%)	YoY (%)		
Profitability	Return on Equity (After Tax)	2.06	(0.39)	▼	(2.45)	5.42	2.44	▼	(2.98)
	Fee to Income	55.93	38.70	▼	(17.23)	39.73	46.51	▲	6.78
	Net Interest Margin	1.70	1.87	▲	0.17	1.49	1.66	▲	0.17
	Cost to Income	60.78	57.10	▼	(3.68)	63.03	59.65	▼	(3.38)
Liquidity	Cost of Funds	2.93	2.31	▼	(0.62)	3.82	2.89	▼	(0.93)
	CASA Ratio	20.67	22.22	▲	1.55	19.09	22.22	▲	3.13
	CET 1	15.01	14.51	▼	(0.50)	14.46	14.51	▲	0.05
	Total Capital	23.63	22.23	▼	(1.40)	23.19	22.23	▼	(0.96)
Asset Quality	Gross Credit Cost	0.96	2.08	▲	1.12	0.18	1.14	▲	0.96
	Gross Impaired Loans Ratio	2.86	3.52	▲	0.66	3.00	3.52	▲	0.52
	Loan Loss Coverage Ratio	63.62	50.24	▼	(13.38)	43.77	50.24	▲	6.47



# Enterprise Banking: Loans

## Loans (RM Billion)



*Loan growth steady at 18.8% YoY with RM0.8 billion loan stocks on the book for SME segment*

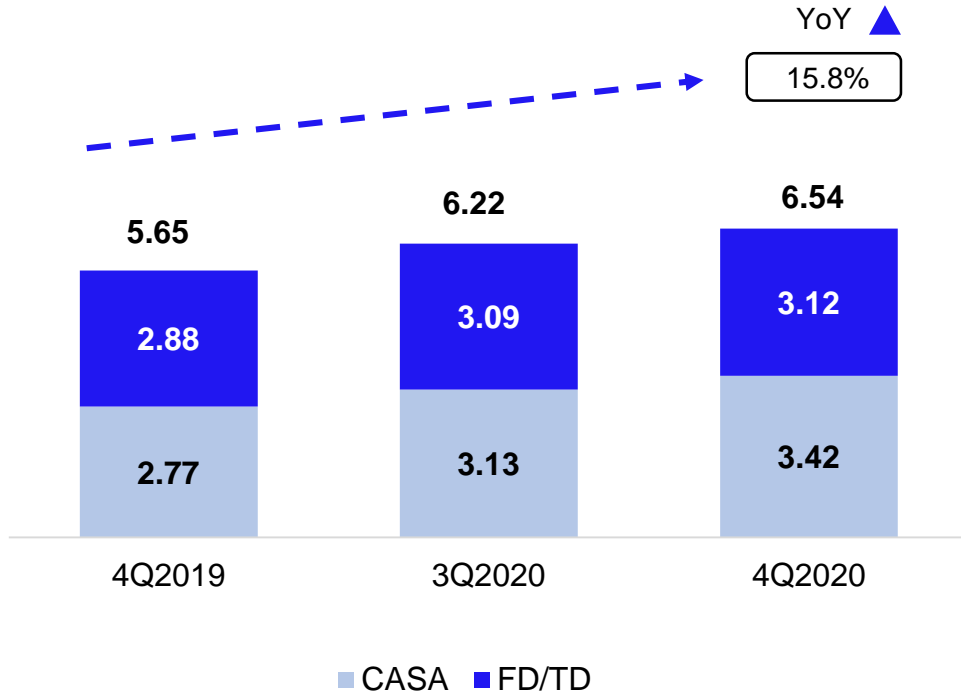
	4Q2019	3Q2020	4Q2020	QoQ (%)	YoY (%)
Working capital	1.38	1.52	1.52	0.0	10.1
Term Loans	2.72	3.11	3.35	7.7	23.2
<b>Total</b>	<b>4.10</b>	<b>4.63</b>	<b>4.87</b>	<b>5.2</b>	<b>18.8</b>





# Enterprise Banking: Deposits

Deposits (RM Billion)



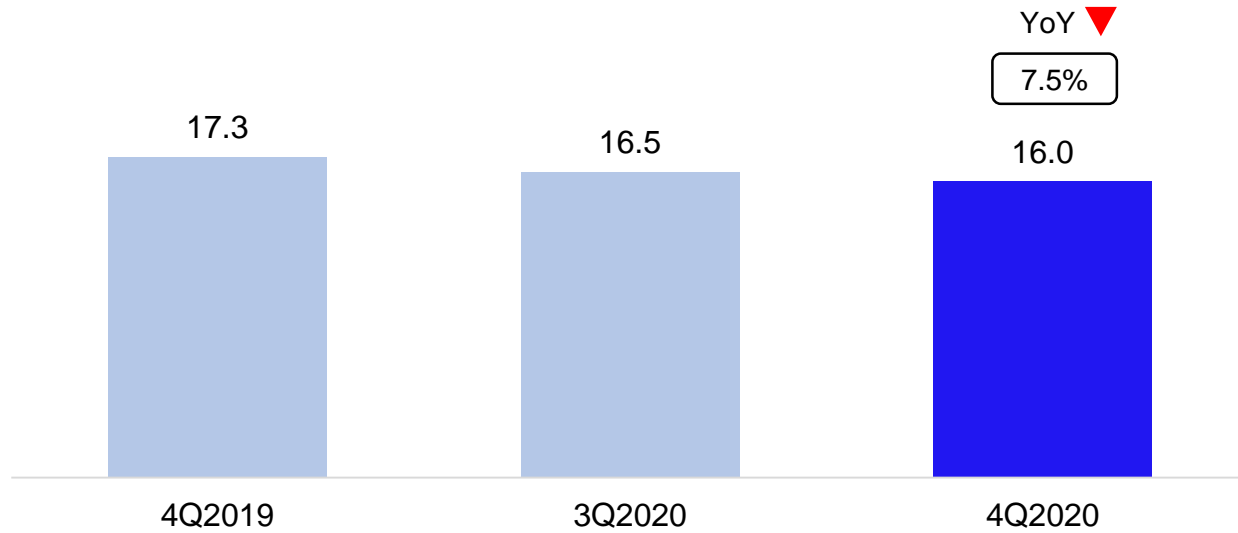
- Total deposits registered steady growth at 15.8% (+RM890m) of which CASA grew 18.8% (+RM650m)
- CASA ratio improved to 52.3% in 4Q2020
- Improvement in CASA was driven by targeted campaigns at high net worth entities and SMEEdge series of CASA products

	4Q2019	3Q2020	4Q2020
CASA Ratio	49.0%	50.3%	52.3%



# Corporate Banking: Loans

## Loans (RM Billion)



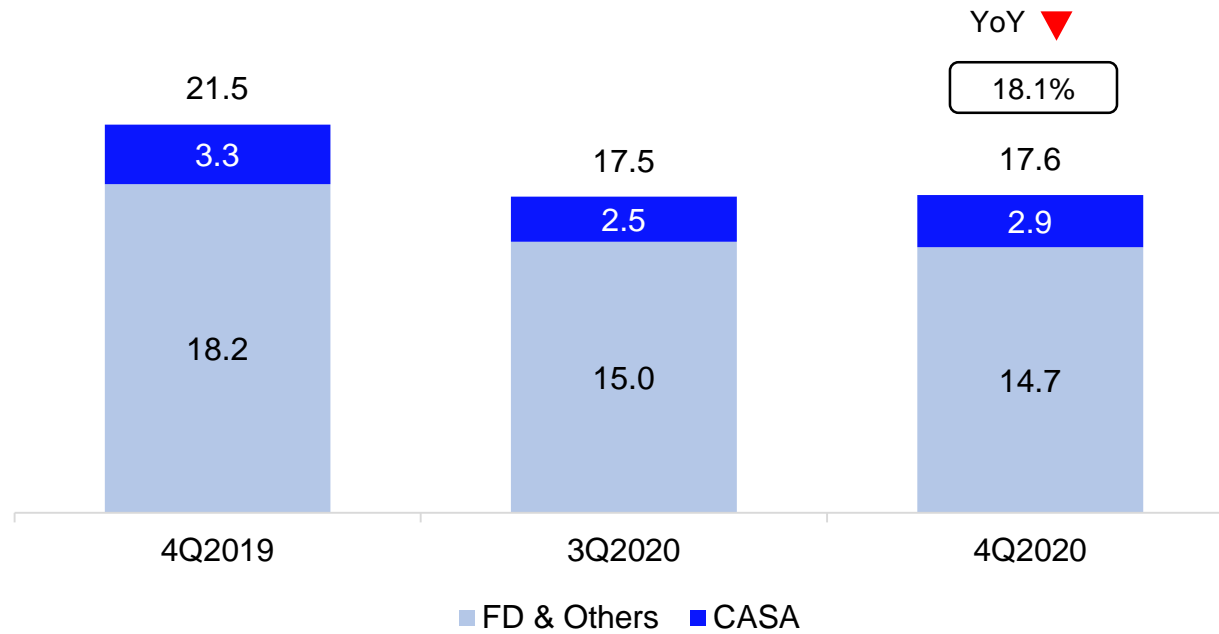
*Marginal decline in loans as we focus on credit quality*

	4Q2019	3Q2020	4Q2020	QoQ (%)	YoY (%)
Working capital	6.3	6.9	6.3	(8.7)	0.0
Term Loans	11.0	9.6	9.7	1.0	(11.8)
<b>Total</b>	<b>17.3</b>	<b>16.5</b>	<b>16.0</b>	<b>(3.0)</b>	<b>(7.5)</b>



# Corporate Banking: Deposits

Deposits (RM Billion)



	4Q2019	3Q2020	4Q2020
CASA Ratio	15.3%	14.3%	16.5%

**ADVANCE INTO A NEW DIMENSION**

**AFFINMAX**

**AFFINMAX** - A new Corporate Internet Banking Platform for micro, small and medium-sized enterprises (MSME's) and Corporate customers which provides innovative and secured solution that enables you to perform your day-to-day operations efficiently. Thus, giving you the edge to elevate your business to new frontiers.

- One Stop Account Management
- Integrated Payment Solution
- Advance Collection Solution
- New Digital Token
- Dedicated Mobile Application

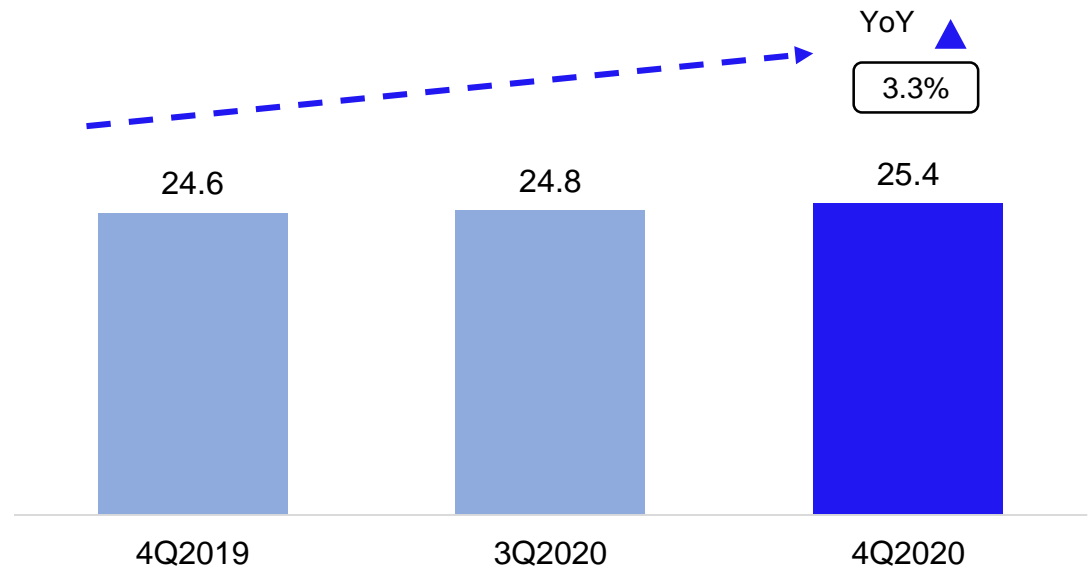
POWERED WITH DIRECT DEBIT, FPX & JomPAY

*Corporate Banking unveiled a new Corporate Internet Banking, known as AffinMax in December 2020.*



# Community Banking: Loans

Loans (RM Billion)



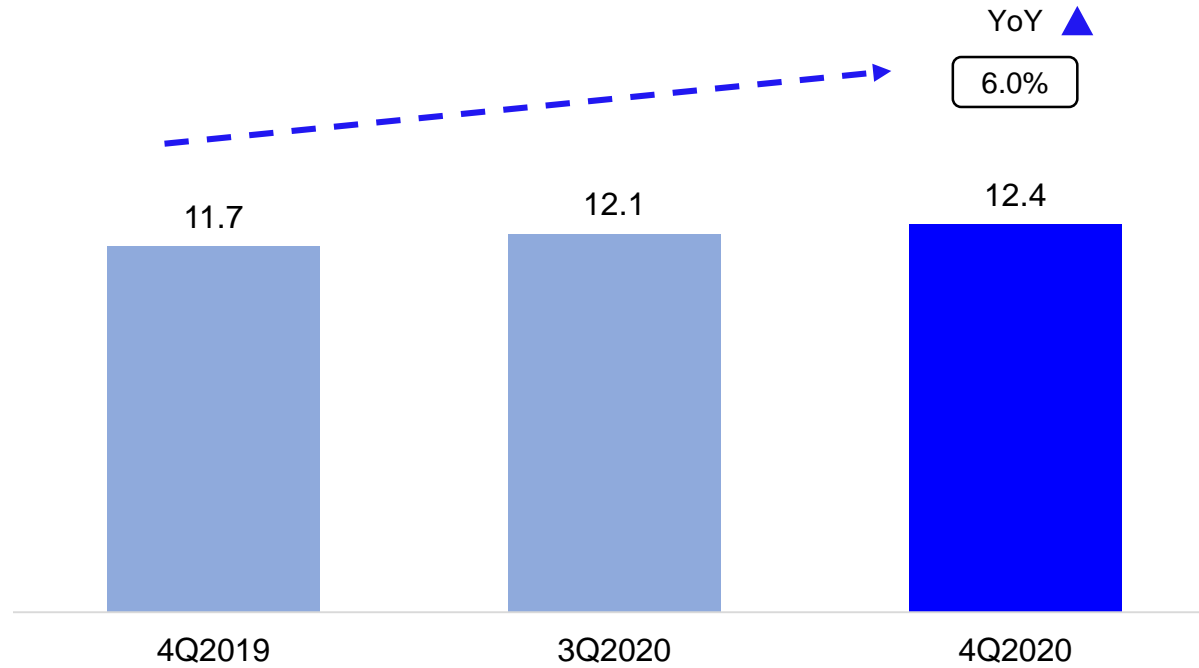
**AFFIN INVIKTA  
LAUNCHED IN JANUARY 2021,  
NEW UNCHARTERED PRIVILEGES**

RM Billion	4Q2019	3Q2020	4Q2020	QoQ (%)	YoY (%)
Mortgage	11.7	12.1	12.4	2.5	6.0
Hire Purchase	10.7	10.5	10.7	1.9	0.0
Credit Card	0.2	0.2	0.2	0.0	0.0
ASB	0.6	0.6	0.6	0.0	0.0
Personal Loans/Financing	1.4	1.4	1.5	7.1	7.1
<b>TOTAL</b>	<b>24.6</b>	<b>24.8</b>	<b>25.4</b>	<b>2.4</b>	<b>3.3</b>



# Community Banking: Mortgage

Mortgage Loans (RM Billion)

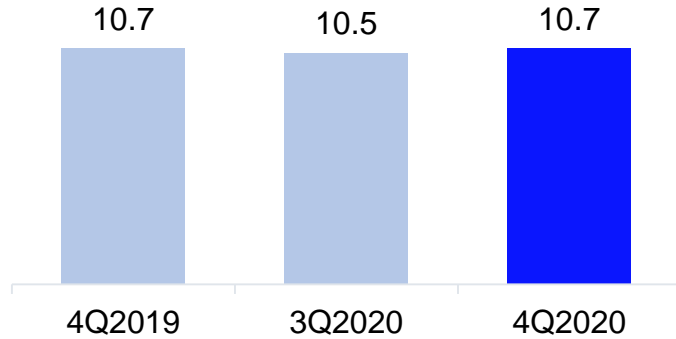


*Mortgage loans improved 6.0% YoY to RM12.4 billion as at 4Q2020.*



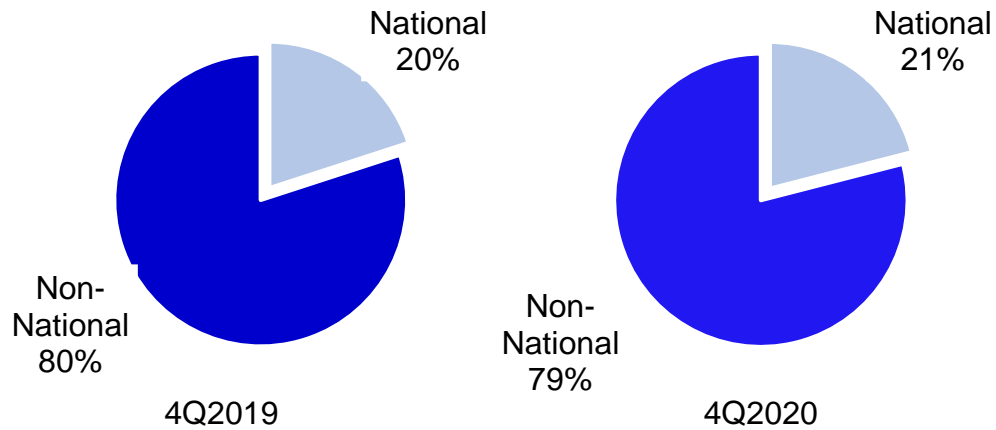
# Community Banking: Hire Purchase

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



*HP loans base stood at RM10.7 billion as at December 2020*

## HP Portfolio Composition (%)



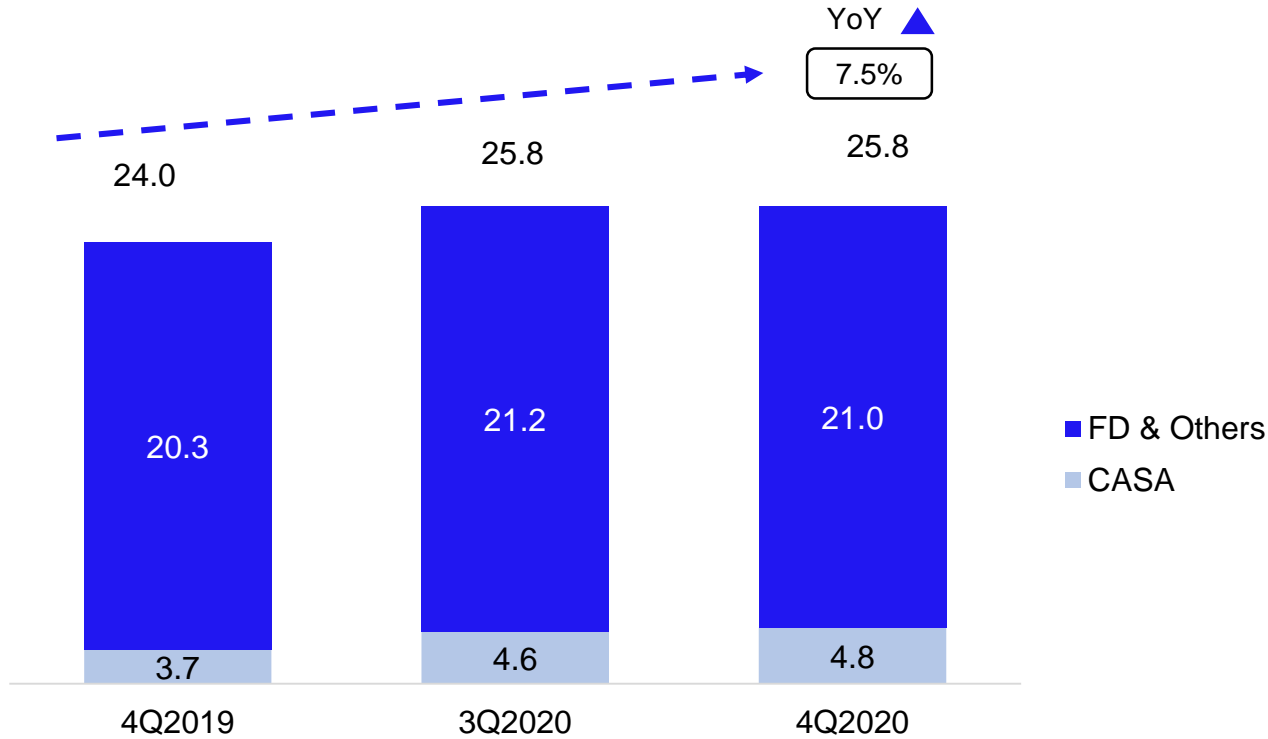
PORTFOLIO	NET OUTSTANDING (RM Billion)
National cars	2.2
Non-National cars	8.5
<b>Total</b>	<b>10.7</b>

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



# Community Banking: Deposits

Deposits (RM Billion)



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

	4Q2019	3Q2020	4Q2020
CASA Ratio	15.4%	17.8%	18.6%



## Dividend Reinvestment Plan

- A Dividend Reinvestment Plan (DRP) had been established by the Bank following the approval of the Shareholders at the EGM held on 15 May 2018. The DRP gives the shareholders of the Company the option to reinvest their whole or portion of the Dividend for which the reinvestment option applies in new Affin Bank shares.
- Affin Bank has proposed a single tier interim dividend of 3.50 sen per share amounting to approximately RM72.8 million for the FYE 2020. The DRP will be applied to the proposed dividend.
- The DRP will also be made available for any dividend to be declared in future, which the Board may in its absolute discretion, determine whether the DRP will be applied to the dividend and the portion of the dividend that can be reinvested into new Affin Bank shares.





## Closing Remarks – Key Takeaways

	FY2021 Forecasts
Loan Growth	6% (depending on COVID-19 Recoveries)
Deposit Growth	6.0%
NIM	1.9%
CIR	60%
Credit Cost	~40bps
ROE	6.0%
Gross Impaired Loans	3.0%

### Key Strategies Moving Forward

- *Focus on growing CASA*
- *Rapid digital transformation and Metamorphosis Plan (AIM22)*
- *Rebuilding momentum for business with new product offerings.*
- *Launching a number of Digital App offerings.*
- *Re-engineering the balance sheet to manage NIM*

# THANK YOU.

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