

NEWS RELEASE

AFFIN Recorded Profit before Tax and Zakat of RM347.8 million at Half-Year Point

Amidst Stiffer Competition in the Banking Sector

KUALA LUMPUR, August 15, 2014 – AFFIN Holdings Berhad (AFFIN) recorded an improved revenue of RM1,669.3 million for the half year ended 30 June 2014, a 12.0% increase compared with RM1,489.9 million registered in the same period previous year. Profit before tax and zakat (PBT) of the Group for the second quarter of Financial Year 2014 was RM162.0 million while profit after tax (PAT) was RM115.0 million. For the first six months of the financial year, the Group recorded a PBT of RM347.8 million while PAT was RM257.7 million.

Highlights of AFFIN’s financial performance for the half year ended 30 June 2014 were as follows: -

RM’ million	1H 2014	1H2013	%
Revenue	1,669.3	1,489.9	12.0
Net Interest Income	458.3	451.1	1.6
Islamic Banking Income	115.4	109.7	5.2
Other Operating Income	267.7	192.4	39.1
Profit before Tax and Zakat	347.8	422.4	(17.7)
Net Profit after Tax	257.7	310.1	(16.9)
EPS (sen)	17.04	20.75	(17.9)
Net Assets per Share (RM)	4.45	4.27	4.2

For the half year under review, earnings per share was 17.04 sen, while net assets per share increased to RM4.45 as at 30 June 2014 (31 March 2014: RM4.37). The annualised after tax return on equity (ROE) and after tax return on assets (ROA) for the six months ended 30 June 2014 were 7.8% and 0.8% respectively.

Loan Growth and Loan-to-Deposit (LD) ratio

AFFIN registered a moderate annualised loan growth of 4.6% during the quarter under review primarily in the segments of bills receivables, syndicated term loans/financing, margin financing, revolving credit and housing loans/financing.

The Group's Gross Loan / Deposits from Customers (LD) ratio stood sturdy at 81.0% as at 30 June 2014 as compared with 82.8% as at 31 March 2014. The Group registered a healthy growth in its consumer segment during the quarter, hence improving its ratio of consumer to corporate deposits from 29.4% as at 31 March 2014 to 30.2% as at 30 June 2014.

Asset quality

In tandem with stringent credit policies and prudent risk management, the Group's gross impaired loan ratio improved slightly to 1.91% as at 30 June 2014, compared with 1.92% as at 31 March 2014. The net impaired loan ratio also improved slightly from 0.87% as at 31 March 2014 to 0.86% as at 30 June 2014.

Capital adequacy

As at 30 June 2014, all the banking entities in the Group had a healthy Total Capital ratio and Common Equity Tier-1 Capital ratio computed in line with Bank Negara Malaysia's (BNM) Capital Adequacy Framework.

Highlights of key operating units with AFFIN

The key contributor, AFFIN Bank Berhad (ABB) Group registered a PBT of RM130.3 million for the quarter while for the six months period ended 30 June 2014, the Group recorded a PBT of RM305.6 million. ABB Group recorded a lower PBT in the first half year under review mainly due to margin compression as a result of competition both on the loan and deposit front. The ABB Group also recorded a reduction in non-interest income.

The Group's investment banking segment results are attributable to AFFIN Investment Bank Berhad (AIBB) Group as well as the recently acquired HwangDBS Investment Bank Berhad (Hwang IB) Group. The merger of AIBB and Hwang IB is currently on track and is set to be concluded on 22 September 2014, a major milestone for AFFIN Group following a six months integration process.

AIBB Group registered a PBT of RM20.7 million for the quarter under review, while its half year PBT stood at RM34.6 million. Its net income, mainly from the increase in fees income, improved by almost 12% for the first half of this year compared to the same period last year whilst a jump in operating expenses had resulted in a flat operating profit before allowances. The lower PBT recorded in the half year under review when compared to the same period last year was attributed by the higher write-back on losses on loans, advances and financing recorded in the previous period.

Hwang IB Group's PBT for the three months ended 30 June 2014 of RM25.4 million was mainly contributed by its fees, brokerage and trading income as well as from net interest income net of operating expenses. Hwang IB's 70% owned subsidiary, Hwang Investment Management Berhad, recorded a PBT of RM12.2 million for the quarter mainly due to higher net management and incentive fees income net of operating expenses.

The results of the Group's insurance segment are attributed to the results of jointly controlled entity, AXA AFFIN Life Insurance Berhad (AALI) as well as the 33.6% associate, AXA AFFIN General Insurance Berhad (AAGI).

AALI registered a pre-tax loss of RM0.9 million for the quarter under review while for the six month period ended 30 June 2014, AALI recorded a pre-tax loss of RM2.5 million. For the six months ended 30 June 2014, there was a RM2.3 million deficit of the Life Fund Revenue Account as compared to a surplus of RM0.4 million attained in the previous year. The deficit was attributable to higher reserves for future policyholders' liabilities stemming from the downward shift in Malaysian Government Securities yield curve, net of lower claims incurred.

AAGI on the other hand reported an improved PBT of RM35.0 million for the second quarter of 2014 while PBT at the half year mark also improved to RM49.7 million. The increase was attributed to the growth in motor and health businesses as well as higher investment income.

The results of other business segment is attributable to AFFIN Moneybrokers Sdn Bhd (AMB) which recorded a PBT of RM0.6 million for the quarter under review. As for the first six months of the year, AMB recorded a lower PBT of RM1.0 million as a result of a reduction in net brokerage income and higher overhead expenses.

Economic Outlook and Group Prospects

The Malaysian economy shows sound domestic economic fundamentals with its 15th consecutive year of current account surpluses since 1998 as well as rising international reserves. Projections indicate that the 2015 fiscal year will see the Federal Government's budget deficit improve from -3.5% of gross domestic product (GDP) in 2014 to -3% of GDP in 2015.

Malaysia outperformed most of its regional peers with significant real GDP growth of 6.2% on a year-on-year (yoy) basis in the first quarter of 2014, its highest since the second quarter of 2010 owing mainly to the strong recovery in exports as well as solid growth in domestic demand. The Group expects real GDP to expand at a gradual pace from 5.9% yoy in the first half of the year to 5.2% in the second half, averaging at around 5.5% for the 2014 fiscal year. For 2015, it is expected that real GDP will expand by 5.3% where the downside risks to the GDP growth projection will likely be caused by external economic conditions.

The Malaysian market has been experiencing heightened competition for deposits amidst rising loan-to-deposit ratios, a trend which is expected to continue into the second half of 2014. Malaysia's improving asset quality trend is expected to come under pressure while margin compression continues in the second half of 2014. Potential for capital outflows arising from global events and rising inflationary pressures may impact the yield curve. While Malaysia's present operating environment remains challenging, the nation continues to offer good growth opportunities for the AFFIN Group's banking businesses.

With corporate and consumer banking now contributing about 80% of AFFIN's PBT, the Group is focused on optimising its balance sheet by deploying its newly enlarged capital base and managing its margins and operating costs. The Group looks to continue with its balanced approach strategy in delivering growth, improving delivery capabilities and investing to strengthen its long term value.

The proposed rights issue to raise gross proceeds to partly finance the acquisition of the Hwang-DBS businesses was completed on 10 July 2014 with the listing of and quotation for 448.4 million rights shares. The merger integration process between AIBB and Hwang IB will soon conclude with the unveiling of an exciting new brand to reflect the joint heritage of both AIBB and Hwang IB as it works towards its vision of becoming a leading independent bank-backed investment banking group in Malaysia. The Group sees bright prospects for the future of the merged entity.

AFFIN Holdings Group is a major home-grown financial services conglomerate. The Group's activities focus on commercial, Islamic and investment banking services, money broking, fund management and underwriting of life and general insurance business. The prominent shareholder of AFFIN Holdings is Lembaga Tabung Angkatan Tentera, the nation's premier superannuation fund manager for the Armed Forces. As at 30 June 2014, the Group's unaudited paid-up capital stood at RM1.5 billion while the Group's shareholders' funds was at RM6.7 billion.

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