

NEWS RELEASE

AFFIN Registers Y-o-Y growth of 26% for Q4FY2014 Amidst A Challenging Operating Environment

KUALA LUMPUR, February 26, 2015 – AFFIN Holdings Berhad (AFFIN) ended its final quarter of the year with a commendable profit after tax (PAT) of RM210.3 million as compared to RM166.9 million in the same quarter of preceding year, marking a 26.0% improvement. The Group's profit before tax and zakat (PBT) for the quarter under review stood at RM287.6 million, a 30.8% increase when compared against RM219.8 million registered in the previous year's corresponding quarter. PBT for the full year stood at RM825.3 million, while PAT stood at RM612.4 million.

While the Group fared well in its final quarter of the year, the Group's performance for the financial year ended 31 December 2014 was impacted by the squeeze in margin along with the integration and merger costs of the businesses of AFFIN Hwang Investment Bank Group and AFFIN Investment Bank Group.

Earnings per share (EPS) for the year was 35.25 sen while net assets per share was at RM4.09 as at 31 December 2014. The Group's after tax return on equity (ROE) and after tax return on assets (ROA) were 8.4% and 1.0% respectively for the financial year under review.

Loan Growth

AFFIN recorded a loan growth of 8.5% during the fiscal year, particularly in business term loans/financing, bills receivables, revolving credit and hire purchase. The Group's Loan to Deposits from Customers (LD) ratio stood at 82.6% as at 31 December 2014 while the ratio of consumer deposits to total deposits stood at 29%.

Asset Quality

Asset quality improved during the year as the Group recorded a gross impaired loan ratio of 1.82% as at 31 December 2014, a reduction of 16 basis points as compared to 1.98% recorded at the end of 2013.

Capital Adequacy

The Group's Total Capital ratio and Common Equity Tier-1 Capital ratio of all its banking entities remained healthy and well above the regulatory requirements, as per Bank Negara Malaysia's (BNM) Capital Adequacy Framework.

Highlights Of Key Operating Units Within AFFIN

AFFIN Bank Berhad (ABB) Group, was the biggest contributor to the Group's bottom line with an increased PBT of RM253.9 million in the quarter under review as compared to RM198.1 million recorded in Q4 2013, signifying a substantial 28.2% jump. For the fiscal year under review, ABB Group registered a lower PBT at RM720.1 million compared to the preceding year's RM762.2 million mainly due to margin compression given stiff competition on the loans and deposits.

The Group's investment banking segment including the acquired businesses of AFFIN Hwang Investment Bank Berhad (formely known as HwangDBS Investment Bank Berhad) (AFFIN Hwang IB) reported a PBT of RM107.4 million for the year ended 31 December 2014. The mergers between AFFIN Investment Bank Berhad and AFFIN Hwang IB as well as AFFIN Fund Management Berhad and AFFIN Hwang Asset Management Berhad (formerly known as Hwang Investment Management Berhad) were completed on 20 September 2014 and the businesses are branded as Affin Hwang Capital. The PBT has taken into consideration the net integration cost incurred during the merger process. A significant portion of the investment banking segment's PBT contribution came from the asset management arm of Affin Hwang Capital amounting to RM44.2 million.

AFFIN Moneybrokers Sdn Bhd registered a PBT of RM2.5 million, a slight increase from the RM2.2 million registered in the previous year mainly as a result of increased net brokerage income net of higher overhead expenses.

AFFIN's 51% owned joint venture company, AXA AFFIN Life Insurance Berhad (AALI)'s PBT stood at RM8.9 million for the financial year which was lower than the previous year's PBT of RM11.2 million. This was due to higher reserves for future policyholders' liabilities, partially offset by higher gains on disposal of equities and higher contribution from underwriting results of the life insurance business.

AXA AFFIN General Insurance Berhad (AAGI), a 34.5% associate of the Group achieved a higher PBT of RM120.4 million, indicating a 38.1% increase from 2013's PBT of RM87.2 million attributable to a higher earned premium from the health and motor businesses along with a higher investment income. AAGI recorded a PBT of RM43.1 million for the quarter under review.

Economic Outlook and Group Prospects

The World Bank had cut its 2015 growth forecast for Malaysia's gross domestic product (GDP) growth to 4.7% from an earlier estimate of 4.9% on expectations of slower export growth and investments in the oil and gas industry, as well as moderate private consumption.

The Group is cognisant that 2015 will be a challenging year for the local economy and the banking sector in particular, especially with the decline in global oil prices, the depreciation of the Ringgit, subsidy rationalisation and the implementation of the Goods and Services Tax on 1 April 2015.

While there are challenges, the Group believes there is much potential to be harnessed. Thus, on the commercial banking front, AFFIN will be focussing on further improving efficiency and productivity in delivering its products and services.

Mortgage financing remains an area of interest for the Group and particular focus will be given to the secondary market as well as the Government's affordable housing scheme. In the auto-financing segment, the Group sees growth opportunities in the national car segment as well as in the financing of commercial vehicles, where yield is expected to be better.

The Group is looking forward to further unlock the potential of its investment banking, securities and asset management businesses, which will commence its first full year of operations as a merged entity. Through the Group's network, asset management business is expected to derive more business from GLCs and the retail segment. This together with the collaboration with Daiwa Securities Group Inc of Japan to expand the institutional equities trading reach regionally bodes well for the Group.

For the life and general insurance businesses, the Group will continue to leverage on its network and client base for sustainable growth despite the challenging and competitive operating environment.

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 31 December 2014, the Group's unaudited paid-up capital stood at RM1.9 billion, while the Group's shareholders' fund was at RM8.0 billion.

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