



NEWS RELEASE

AFFIN Records 4.6% Jump in PAT for Q1 2017

KUALA LUMPUR, May 26, 2017 – AFFIN Holdings Berhad (AFFIN) marked a strong start to its new financial year with an increased profit before tax after zakat (PBT) of RM161.6 million for the quarter ended 31 March 2017, up from RM152.7 million in the same quarter of the previous year. The Group's profit after tax (PAT) grew 4.6% to RM123.2 million for the quarter under review from RM117.8 million in last year's corresponding quarter.

This was achieved on the back of improved operating income, Islamic banking income and net interest income totalling RM82.7 million.

Earnings per share (EPS) for the quarter rose to 6.19 sen, from 5.95 sen in the same quarter in the previous financial year. Net assets per share as at 31 March 2017 was RM4.54 (31 December 2016: RM4.47).

Capital Adequacy

As testament to the Group's solid financial strength and in line with Bank Negara Malaysia's Capital Adequacy Framework, the Total Capital ratio, Common Equity Tier-1 Capital ratio and Tier 1 Capital ratio of all banking entities within AFFIN remained at healthy levels well above minimum regulatory requirements.

Highlights of Key Operating Units within AFFIN

AFFIN Bank Berhad (ABB) Group was a key contributor to AFFIN's overall results, achieving a PBT of RM125.3 million for the first quarter of 2017, compared to RM123.1 million in the previous year's corresponding quarter. The improved performance was primarily due to higher Islamic banking income, net interest income and other operating income. ABB Group's wholly-owned subsidiary, AFFIN Islamic Bank Berhad delivered a higher PBT for the quarter under review, from RM25.5 million in 2016 to RM32.8 million in 2017.

Affin Hwang Investment Bank Berhad (Affin Hwang IB) Group registered a PBT after zakat of RM40.7 million for the quarter, compared to RM24.3 million in the same quarter of the preceding year, as improved market sentiment resulted in higher trading activities in the fixed income and equities markets. Operating income increased by almost 50% with fee income remained as the main income contributor.

Affin Hwang IB's subsidiary, Affin Hwang Asset Management Berhad, contributed to the stronger financial performance with a PBT of RM15.1 million.

In the insurance segment, AXA AFFIN Life Insurance Berhad (AALI) saw improvement in its results, with a lower pre-tax loss of RM5.3 million compared to the pre-tax loss of RM11.6 million in the first quarter of 2016, as a result of higher investment income and lower reserves for future policyholders' liabilities due to movement in Malaysian Government Securities rate.

Meanwhile, AXA AFFIN General Insurance Berhad (AAGI) recorded a pre-tax profit of RM15.5 million for the current quarter. For the corresponding quarter of previous year, pre-tax profit was RM35.7 million. The lower pre-tax profit was mainly due to lower underwriting results as a result of higher claims and increase in expenses for transformation initiatives.

AFFIN Moneybrokers Sdn Bhd's PBT for the quarter under review stood at RM0.5 million.

Economic Outlook and Group Prospects

While challenges still remain for the year ahead, in the form of global headwinds and higher commodity prices, Malaysia's Gross Domestic Product is forecasted to see a growth of 4.3% to 4.8%. Domestic demand is expected to support the ongoing, gradual recovery of our nation's economy, particularly with government measures in place to offset higher inflation encouraging greater levels of private consumption.

Deposit competition among the banks remains healthy and banks are positioned well to comply with Basel III liquidity coverage ratio requirements. As for profitability, over the next 12 to 18 months, profitability will stabilise, as credit costs normalise from elevated levels, owing to stabilising asset risks. Margin pressure will persist, because of keen competition for deposits.

According to BNM, monetary policy in 2017 will continue to ensure that its stance is consistent with sustaining a steady growth path amid price stability. The policy environment is expected to remain challenging, due to higher inflation, volatile capital flows and lingering uncertainties in the global economic and financial environment. Despite some challenges on the potential increase in inflationary expectations, BNM will likely leave its overnight policy rate (OPR) at 3.0% throughout 2017.

AFFIN's commercial banking business will place an emphasis on growing its fee-based income, specifically from its digital banking, unit trust and credit card segments. We are focused on our strategic plan to strengthen our Islamic financing portfolio, in order for it to contribute to 40% of the overall Group by 2020. In terms of loans, household and SME loans will be key drivers for the business, with targeted growth of 6% to 7%.

Our asset quality remains strong and AFFIN is committed to maintaining our proactive measures of prudent underwriting standards, active recovery efforts and effective management of costs and resources. In line with this, we are also looking at increasing our level of deposits in order to strengthen our liquidity and funding profile.

The Group's investment banking business is expected to benefit from improved market sentiment, especially as economic activity is projected to improve in 2017. Despite better market conditions and business opportunities in 2017, we will continue to build resilience across our businesses and drive efficiency to better serve our clientele.

Given that there are still opportunities for the life insurance segment, we continue to seek new avenues for expansion to grow this business, with a focus on the mass affluent market. The Group continues to explore and strengthen our multi-distribution channels, along with enhancing our suite of product and services in order to widen our reach to meet varying consumer needs. Meanwhile, with Motor and Fire tariffs being implemented, the general insurance industry will inevitably be challenging. Nevertheless, strategies and measures have been put in place to prepare the Company for the challenges ahead.

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, asset 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 March 2017, the Group's unaudited paid-up capital stood at RM1.9 billion, while the Group's shareholders' fund was at RM8.9 billion.

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