

## **NEWS RELEASE**

### **AFFIN DELIVERS 26% GROWTH IN PROFITS**

**KUALA LUMPUR, 26 November 2010** – AFFIN Holdings Berhad (AFFIN) continues its strong growth registering a record profit before tax of RM480.8 million (2009: RM383.2 million) for the nine months ended 30 September 2010. This represents an increase of 25.5% or RM97.6 million for the same period under review.

For its third quarter ended 30 September 2010, AFFIN registered a profit before tax of RM149.2 million, a 6.6% improvement as compared to its previous year's corresponding quarter. Net profit after tax was up by 8.2% at RM115.0 million as compared to RM106.3 million in the same quarter last year.

The Board has proposed a gross interim dividend of 9 sen (less taxation) for the financial year ending 31 December 2010.

#### **Highlights of AFFIN's financial performance as at 30 September 2010**

The Group's improved performance was attributable to the year-on-year increase of 7.8% in operating income with improvements in net interest income of 6.0%, other operating income of 11.0% and Islamic banking income of 11.1% totaling RM73.4 million. Other factors which contributed to the positive results were lower allowance for impaired loans, advances and financing amounting to RM37.0 million, lower allowance for impairment loss on securities of RM4.9 million, net of higher overhead expenses of RM26.4 million and a notable gain of RM8.0 million on dilution of interest in an associate arising from the acquisition of the entire share capital of BH Insurance (M) Berhad by AXA AFFIN General Insurance Berhad.

	9MTH 2010 (RM)	9MTH 2009(RM)	%
<b>Net Interest Income</b>	<b>630.9m</b>	<b>595.3m</b>	<b>6.0</b>
<b>Operating Income</b>	<b>1,012.0m</b>	<b>938.6m</b>	<b>7.8</b>
<b>Profit Before Tax</b>	<b>480.8m</b>	<b>383.2m</b>	<b>25.5</b>
<b>Net Profit After Tax</b>	<b>362.1m</b>	<b>287.7m</b>	<b>25.9</b>
<b>EPS (sen)</b>	<b>24.23</b>	<b>19.25</b>	<b>25.9</b>
<b>Net Assets Per Share</b>	<b>3.46</b>	<b>3.16</b>	<b>9.5</b>

Earnings per share was 24.23 sen as compared to 19.25 sen for the same period last year while net assets per share was RM3.46 as at 30 September 2010 [30 September 2009: RM 3.16].

The annualised ROE and ROA were 9.8% and 1.1% respectively. These compared favourably against the Group's FY10 targets of 8.4% and 1.0% respectively.

YBhg. Gen (R) Tan Sri Dato' Seri Mohd Zahidi Bin Hj. Zainuddin, Chairman of AFFIN Holdings Berhad, said, "The Group has been registering very positive earnings growth, where most of its business units are consistently delivering strong results. Based on our nine months results, we are very confident of achieving our targets and achieve record profits for 2010."

"We will continue to improve and strengthen our position to remain relevant in this competitive and ever changing financial services landscape."

### **Strong loan and deposit growth**

AFFIN's gross loan outstanding increased by a strong growth rate of 14.5% for the nine month period. With this growth, the annualized growth rate for year 2010 would stand at 19.3%. The Group's customer deposits expanded by 11.9% as compared to the previous financial year. The loan-to-deposit ratio was stable at 69.2% as at 30 September 2010 as compared to 68.2% as at 30 September 2009.

## **Continued improvement in asset quality**

AFFIN's gross impaired loans ratio improved slightly to 3.5% in the third quarter from 3.6% in the second quarter making it comparable to industry average. With the adoption of the FRS 139 accounting standard, annualised credit cost of 33.4 bps was lower as compared to the previous year's corresponding nine-month period annualised credit cost of 61.2 bps. The impaired loan loss coverage stands at 62.1% from 69.6% a year ago.

## **Capital adequacy**

The core capital ratio and risk-weighted capital ratio were healthy at 12.4% and 13.6% respectively as at 30 September 2010.

## **Highlights of key operating units within AFFIN**

AFFIN Bank Berhad (ABB) contributed the most in profit within the Group on a year-on-year basis delivering a profit before tax of RM392.7 million for the nine months ended 30 September 2010 as compared to RM324.0 million last year. This represents a significant growth of 21.2% or RM68.7 million.

For the quarter under review, ABB registered a pre-tax profit of RM120.0 million from the previous year's corresponding quarter of RM118.9 million.

The significant improvement was largely due to the increase in net interest of RM29.6 million, Islamic banking income of RM13.2 million and other operating income of RM10.7 million, totaling RM53.5 million during the nine month period. There was also a reduction in allowance for impaired loans, advances and financing amounting to RM38.1 million. Operational cost increased by RM20.7 million which was in tandem with the Bank's growth.

AFFIN Investment Bank Berhad (AIBB) registered an impressive 29.4% increase in profit before tax of RM68.7 million, compared with RM53.1 million for the corresponding nine-month period last year. The improved performance was attributed to increase in brokerage, fee and investment income.

For the current financial quarter, AIBB recorded an increase of 43.9% in profit before tax of RM28.5 million compared to the preceding year's corresponding quarter's profit before tax of RM19.8 million.

Adding to the Group's improved performance, AFFIN Moneybrokers Sdn Bhd recorded a profit before tax of RM1.3 million for the nine month period as compared to RM0.6 million for the same period last year.

For the nine month period under review, the Group's share of loss in jointly controlled entity of RM0.5 million was mainly attributable to the share of current year's loss in AXA AFFIN Life Insurance Berhad of RM5.3 million and an adjustment of RM4.8 million for under-recognition of financial impact on implementation of Risk-Based Capital framework and reversal of deficits of Life Revenue Accounts in the previous year.

The Group's highest profit increase was contributed by AXA AFFIN General Insurance Berhad (AAGI) with a 34.9% jump in profit before tax to RM28.6 million for the nine months ended 30 September 2010 as compared to RM21.2 million achieved the previous year. For the quarter under review, AAGI posted a profit before tax of RM14.6 million, a RM9.4 million increase from RM5.2 million in the corresponding quarter of the previous year. The exceptional results were primarily due to increase in earned premium, investment income and gains on sale of investment. BH Insurance (M) Berhad (BHI), the newly acquired wholly-owned subsidiary of AAGI contributed a profit before tax of RM16.5 million. However the amount was partially offset by the financing cost of RM6.4 million and other integration costs of RM3.7 million incurred by AAGI in relation to the acquisition and merger with BHI.

### **Group Prospects**

"The Group's recent results showed that our prudent management approach is making headway in the right direction. Most of our business units are registering positive performances and growth amid the challenging environment." YBhg Tan Sri Zahidi said.

“We are also pleased with the recent collaboration between AIBB and The Bank of East Asia, Limited for a RM1billion syndicated debt funding programme for one of the investment bank’s clients. We are confident this will lead to many other potential collaborations between the two financial entities ” he concluded.

**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 September 2010 the Group’s unaudited paid-up capital stood at RM1.5 billion, while the Group’s shareholders’ fund was at RM5.2 billion.**

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