NEWS RELEASE

AFFIN's FY2016 PAT Surged 51.7% to RM579.8 million

KUALA LUMPUR, February 28, 2017 – AFFIN Holdings Berhad ("AFFIN") closed its financial year on a high note registering a Profit After Tax ("PAT") of RM177.0 million for its fourth quarter ended 31 December 2016. This marks an impressive growth of 75.8% compared to RM100.7 million recorded in the corresponding quarter of the previous financial year. The Group recorded a Profit Before Tax After Zakat ("PBT") of RM216.9 million for the quarter under review against the previous year's RM139.2 million.

For the full-year period, AFFIN's PBT of RM737.7 million signifies a 43.4% growth from RM514.4 million; achieved in FY2015. The Group's PAT for the twelve-month period also improved by 51.7% to RM579.8 million as compared to RM382.2 million recorded in 2015.

Earnings Per Share ("EPS") for 2016 was 29.03 sen while net assets per share stood at RM4.47 as at 31 December 2016. After tax Return On Equity ("ROE") and after tax Return On Assets ("ROA") were 6.65% and 0.83% respectively for 2016.

Asset Quality and Loan Loss Reserve

With its comprehensive credit and risk management, AFFIN stayed on track in its effort to lower its impaired loan, which resulted in a gross impaired loan ratio of 1.67% as at 31 December 2016, a decrease of 23 basis points compared to 1.90% recorded in FY2015. The Group's loan loss coverage ratio, which includes regulatory reserves, stood at 94.3% as at 31 December 2016.

Capital Adequacy

All banking entities within the Group were operating well above regulatory requirements with a healthy Total Capital ratio, Common Equity Tier-1 Capital ratio and Tier-1 Capital ratio, as stipulated by Bank Negara Malaysia's ("BNM") Capital Adequacy Framework.

Highlights of Key Operating Units within the Group

For the financial year under review, AFFIN's commercial banking arm continued to be a key contributor to the Group's overall performance. AFFIN Bank Berhad (ABB) Group successfully registered a higher PBT of RM599.9 million for the fiscal year compared to RM457.5 million recorded in FY2015; driven by lower allowance for loan impairment as well as higher net income. Its wholly owned subsidiary, AFFIN Islamic Bank Berhad's PBT improved by 24.6% to RM143.4 million compared to RM113.6 recorded in FY 2015.

The Bank successfully issued RM1 billion subordinated Medium Term Notes (MTNs) in February 2017, under the Bank's MTNs Programme of RM6.0 billion. The MTNs Programme will give ABB the flexibility to raise funds via issuance of subordinated MTNs and/or Senior MTNs from time to time, to be utilised amongst others, for its general banking, working capital requirements and business purposes.

For the financial year ended 31 December 2016, Affin Hwang Investment Bank Group, also known as Affin Hwang Capital reported an improved Pre-Provision Operating Profit ("PPOP") of RM131.6 million that was mainly due to a 7.9% improvement in Net Income from RM509.1 million to RM549.1 million. This was driven primarily by an 8.2% increase in fee income from RM353.1 million to RM382.2 million. Operating expenses also improved by RM7.7 million led by a 10.9% improvement for personnel costs. Consequently, PBT and PAT came in at a respectable RM129.8 million and RM103.2 million respectively. The after tax ROE climbed up to 5.9% while cost to income ratio similarly improved.

Affin Hwang Capital's PBT is before the amortisation of identifiable intangible assets of RM13.8 million (31 December 2015: RM24.5 million which includes fair value adjustment of RM10.5 million on held-to-maturity securities) at AFFIN Group level arising from the acquisition of HwangDBS Investment Bank Berhad in year 2014.

As Affin Hwang Capital consolidates and rationalises its business operations subsequent to the merger of businesses between Affin Investment Bank Berhad group and HwangDBS Investment Bank Berhad group, it continues to foster and establish strategic partnerships in the region for cross border collaboration; especially in the areas of institutional equities trading and research, which now include partnerships with the Daiwa Securities Group of Japan, Thanachart Securities Plc of Thailand, and recently with PT Bahana Securities of Indonesia.

The efforts have resulted in a number of international and domestic recognitions. Affin Hwang Capital was recognised as the Most Improved Brokerage in Malaysia as well as the third-ranked Best in Sales Trading in Malaysia by the Asiamoney's Brokers Poll 2016; while continuing to be the market leader in terms of both market trading value and volume on Bursa Malaysia for three years running. Two of Affin Hwang Capital's analysts were selected as winners in The Edge's Best Call Awards 2016. Affin Hwang Capital also won the title of Best Asset Manager in Malaysia and the Best Asset Management House of the Year in Malaysia as awarded by Euromoney Private Banking & Wealth Management Survey and The Asset Triple A Islamic Finance Awards respectively in 2016. Affin Hwang Capital received a Notable Mention by The EDGE in the Best M&A Deals, while it also came in second in the Malaysian Borrower Loans league table for 2016 by Bloomberg.

AFFIN's jointly controlled entity, AXA AFFIN Life Insurance Berhad recorded a lower pre-tax loss of RM20.2 million for the financial year under review, an improvement against last year's pre-tax loss of RM28.4 million due to higher investment income and lower expenses.

AXA AFFIN General Insurance Berhad ("AAGI") posted a substantially improved PBT of RM181.2 million as compared to RM114.8 million in the previous financial year. This was mainly as a result of higher earned premiums from the health and motor businesses as well as growth in investment income and increased gains on disposal of investment securities despite higher net claims and net commissions incurred during the financial year.

AFFIN Moneybrokers Sdn Bhd delivered a PBT of RM1.6 million for the financial year under review.

Economic Outlook

Malaysia's real GDP growth is projected to recover gradually from 4.1% year on year in 1H16 to around 4.2% estimated for full-year 2016 (5.0% in 2015). Against a backdrop of modest but healthy growth in the global economy, it is expected that the country's real GDP growth will improve to 4.4% in 2017, supported by domestic demand, especially from private consumption and investment. However, as a highly open and trade-dependent economy, Malaysia's real GDP growth and external demand will likely be influenced by the health of the global economy in 2017.

The International Monetary Fund ("IMF") expects some improvement in the global economy, with global GDP growth of 3.4% year on year in 2017, higher than its forecast of 3.1% in 2016 (3.2% in 2015). However, the global economy is still clouded by uncertainty from the Brexit vote and the sustainability of China's economic growth, as well as tensions from the US political scene, with anti-trade sentiment on international trade. There is a possibility of some slowdown in world economic indicators that may prompt IMF to make another round of downward revisions to global GDP growth for 2017, which has already been revised downward three times from the earlier projection of 3.8% a year ago.

The improvement in the government's budget fiscal deficit from -3.1% of GDP in 2016 to -3.0% of GDP projected for 2017 can be achieved, but based on the assumption that the revenue target is attainable. Government revenue is projected to increase from higher collection from direct taxation and oil-related revenue (based on a crude oil price assumption of US$45/barrel in 2017 vs. US$40/barrel in 2016).

Malaysia's headline inflation is expected to average around 2.2% to 2.3% in 2016 (2.1% in 2015) before rising to 2.6% in 2017. BNM has left its policy rate unchanged at the MPC meeting on 23 November 2016. BNM's decision to cut its OPR rate by another 25bps at meetings in 1H2017 would be data-dependent, especially on external uncertainties.

Group Prospects

ABB Group has embarked on a strategic transformation plan ("AFFINITY") since January 2016 and completed Phase 1 (Program Analysis & Planning). Under Affinity Phase 2 (Detail Design/Project Implementation), there are 32 new transformation projects (18 of which have been initiated beginning July 2016) being identified across eight pillars, namely targeted customer segments, delivery channels, products and solutions, operations, technology, people and organization, performance management and risk and compliance governance. The Bank is also currently in the process of enhancing its digital banking positioning to elevate its competitiveness in the industry, in line with its aspiration to become a highly digital & innovative Bank with customer centricity at heart. Upon completion of Affinity in 2020, the 32 new transformation projects will enhance ROE, Operating Income, Fees to total income and lower down Cost-to-income ratio in line with industry standards.

Capital markets have been impacted by both local and global events. In this current challenging environment, we will continue to focus on clients based on sectors and undertake to strengthen the relationships further as there will be more capital market activities in the near term. Notwithstanding the market, strong domestic liquidity, healthy economic fundamentals as well as continuous primary and secondary market fund raising exercises will continue to lend support to the domestic equity market. In the asset management business, Affin Hwang Capital will continue to capitalise on the growth potential in the retail and high net worth business categories as well as continuous efforts on engaging new business partners and expanding to different segments of high potential customer base in the coming year.

Low insurance penetration in the local market, places the Group's life insurance businesses in a favourable position, with much potential for growth. With a wide range of products catering to consumers' many needs and the Group's multi-distribution channels, we are confident that we are able to expand our reach, especially among the mass affluent established families and mass affluent young professionals segment of the market.

AAGI on the other hand is set for a challenging 2017 given the phased liberalisation of Motor and Fire tariffs that are in motion, coupled with the slowdown in automotive sales and private consumption in 2016. Nonetheless, AAGI remains steadfast in growing its key business lines in tandem with the Group's overall mission of becoming a customer-centric organisation.

On 16 February 2017, AFFIN announced that it will be undertaking the following corporate exercises which will essentially entail:-

(i) a reorganisation of AFFIN and its group of companies resulting in ABB becoming the bank holding company;

(ii) an exchange of AFFIN shares with the shares of its wholly-owned subsidiary, ABB on a 1-to-1 basis; and

(iii) a transfer of AFFIN's listing status on the Main Market of Bursa Malaysia Securities Berhad to ABB.

There will be no change to the shareholding structure where an existing shareholder of AFFIN will be 'migrated' to ABB with the above. As AFFIN is the holding company for its major operating entities such as banking, insurance and money broking, the Proposed Reorganisation will allow the simplifying of the shareholding structure and de-layering of the current corporate structure of the AFFIN Group.

The Proposed Reorganisation is undertaken to position ABB to spearhead the banking group's future growth.

In view of the changing dynamics of the economy and industry, it is paramount that we put in place the right strategies centred on efficiency, adaptability and productivity to thrive and differentiate ourselves. The Proposed Reorganisation will enhance the AFFIN Group's synergy and allow us to move forward for the next phase of our growth.

In 2016, the Group has garnered a few awards along the way which include the recent JomPay Award with the highest biller acquired received by ABB beating HSBC, OCBC, Bank Muamalat, Alliance Bank and Citibank. In December 2016, AFFIN also won the Merit Award for Most Improved Annual Report at the Malaysia Asean Corporate Governance Awards 2016.

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 December 2016, the Group's unaudited paid-up capital stood at RM1.9 billion, while the Group's shareholders' fund was at RM8.7 billion.

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