



# CREDIT RATING RATIONALE FINANCIAL INSTITUTION RATINGS

December 2015

## Affin Hwang Investment Bank Berhad (formerly known as HwangDBS Investment Bank Berhad) Rating Review

### Ratings

Financial Institution Ratings:

**AA<sub>3</sub>/Stable/P1** [Reaffirmed]

### Last Rating Action

11 May 2015

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### Related Criteria, Methodologies and Publications

- i. Financial Institutions, December 2008
- ii. Group Rating Methodology for Banks, June 2015
- iii. Credit Rating Rationale: AFFIN Bank Berhad, September 2015
- iv. Banking Sector Assessment on Malaysia, June 2015

## Rating Action Basis

- RAM Ratings has reaffirmed AFFIN Hwang Investment Bank Berhad's (AFFIN Hwang or the Bank, formerly known as HwangDBS Investment Bank Berhad) financial institution ratings. The Bank's ratings are closely linked to AFFIN Holdings Berhad's (the Group) credit fundamentals, which are in turn largely anchored by its core subsidiary, AFFIN Bank Berhad (rated AA<sub>3</sub>/Stable/P1 by RAM). As the investment-banking arm of AFFIN Holdings, we believe that AFFIN Hwang will receive extraordinary support from the Group if required. The latter is in turn backed by its major shareholder, Lembaga Tabung Angkatan Tentera (LTAT or the Fund).

## Rating Drivers

- + **Significant support from LTAT.** LTAT holds 47.6% of AFFIN Hwang through AFFIN Holdings, one of the Fund's 2 core investments (with the other being Boustead Holdings Berhad). Given its lineage, the Bank enjoys business referrals from LTAT and is the *de facto* investment banker for the latter's investee companies. We also believe that AFFIN Hwang will receive extraordinary support from its ultimate shareholder, if needed. The Fund most recently demonstrated its support for the AFFIN banking group through its RM435 million subscription of rights shares to finance the acquisition of HwangDBS Investment Bank Berhad in 2014.
- + **Strong franchises in stockbroking and asset management.** AFFIN Hwang is among the top stockbrokers in Malaysia, with a strong retail presence. In 10M 2015, it ranked first by trading volume (14.1%) and second by trading value (11.0%). Given the former AFFIN Investment Bank Berhad's (AFFIN IB) broad institutional customer base and the inclusion of Hwang-DBS (Malaysia) Berhad's<sup>1</sup> asset-management arm in the exercise, the Bank now enjoys a more diversified post-merger clientele and business profile. Notably, AFFIN Hwang stands among the top 5 asset-management companies in Malaysia, with RM31.9 billion of assets under management (AUM) as at end-September 2015.
- + **Sturdy capitalisation.** Thanks to a RM500 million capital injection from AFFIN Holdings, the Bank's capitalisation remained sturdy after the AFFIN-Hwang merger. As at end-June 2015, the Bank's common-equity tier-1 (CET-1) capital ratio stood at 28.9%.
- **Relatively small investment-banking player.** As the investment-banking arm of AFFIN Holdings, the Bank is able to leverage on AFFIN Bank's balance sheet to secure more sizeable capital-market deals, albeit the latter's own underwriting capacity lags its larger peers'. This is evident from the Bank's relatively small shares of the debt and equity capital markets, which came up to a respective 3.8% and 2.8% as at end-September 2015.
- **Inherently volatile earnings.** While AFFIN Hwang's recurring income has been substantially lifted after the merger, its stockbroking and investment-banking earnings are still sizeable but subject to the vagaries of the capital markets. As such, the Bank's profit performance is expected to remain inherently volatile.

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<sup>1</sup> HwangDBS Investment Bank Berhad's parent and a listed financial holding company.

## Rating Outlook: Stable

- The stable rating outlook reflects our expectation that AFFIN Hwang will continue enjoying significant support from AFFIN Holdings and LTAT.
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## Rating Triggers

- Upside potential: As AFFIN Hwang's ratings are anchored by AFFIN Bank, any improvement in the breadth and scale of AFFIN Bank's franchise could trigger a positive rating action. Nonetheless, this is considered a longer-term prospect given AFFIN Bank's small stature at present.
  - Downward pressure: The ratings of AFFIN Hwang may face downward pressure if there is a significant deterioration in AFFIN Bank's credit profile or the likelihood of parental support diminishes, although both are unlikely.
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## Bank Profile

AFFIN Hwang is a wholly owned investment-banking subsidiary of AFFIN Holdings. The Bank is currently in advanced discussion on the sale of as much as a 30% stake to Daiwa Securities Group Inc, the second-largest securities firm in Japan. This is aimed at formalising and strengthening the existing business alliance between the 2 entities.

Prior to the acquisition of HwangDBS by AFFIN Holdings, the former had undergone an internal reorganisation, through which it had acquired 3 of its sister companies, i.e. HDM Futures Sdn Bhd,<sup>2</sup> Hwang Investment Management Berhad and Asian Islamic Investment Management Sdn Bhd, at their respective net asset values. At the same time, HwangDBS had disposed of HwangDBS Vickers Research Sdn Bhd and liquidated HwangDBS Custodian Services Sdn Bhd. The re-grouped HwangDBS was then fully acquired by AFFIN Holdings in April 2014, and completed its merger with AFFIN IB on 20 September that same year by the vesting of the latter's assets and liabilities to HwangDBS.

LTAT, the Bank's ultimate shareholder, owns 47.6% (direct and indirect stakes) of AFFIN Holdings. The Fund had been established under the Tabung Angkatan Tentera Act 1973, to provide retirement and welfare benefits to the Malaysian armed forces and to enable officers and volunteers in the armed forces to participate in a savings scheme.

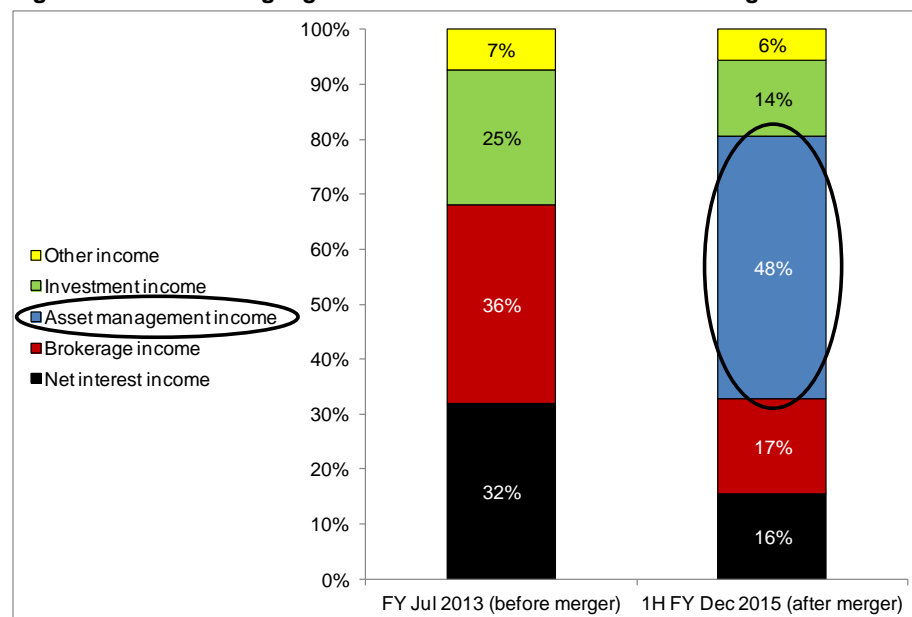
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<sup>2</sup> All of HDM Futures' assets and liabilities were transferred to AFFIN Hwang on 28 February 2015. Following this, HDM Futures has ceased its futures-broking business, which is now undertaken by AFFIN Hwang.

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## Business Profile

Figure 1: AFFIN Hwang's gross income mix before and after merger



Source: AFFIN Hwang

- Strong stockbroking franchise.** AFFIN Hwang is among the top stockbrokers in Malaysia, with a strong retail presence. In 10M 2015, it took the top spot by trading volume (14.1%) and second by trading value (11.0%). The Bank's distribution network includes its 19 securities branches and 842-strong remisier base – one of the largest in Malaysia. Through its merger with AFFIN IB, the Bank has also broadened its institutional clientele, which contributed 35% of the merged entity's brokerage fees in 9M FY Dec 2015 (FY Dec 2014: 23%). AFFIN Hwang will strengthen its distribution channels and product range by collaborating with foreign broking firms in institutional equity trading and research. This form of expansion is cost-effective and bodes well for the Bank's franchise, although income contribution from such alliances will only be visible over the longer term.

Table 1: Top 5 Malaysian stockbrokers in 10M 2015 (by trading volume)

Rank	Broker	Market share (%)
1	<b>Affin Hwang Investment Bank Berhad</b>	<b>14.14</b>
2	Kenanga Investment Bank Berhad	13.76
3	RHB Investment Bank Berhad	12.33
4	CIMB Investment Bank Berhad	9.69
5	Maybank Investment Bank Berhad	7.50

Source: Bursa Malaysia

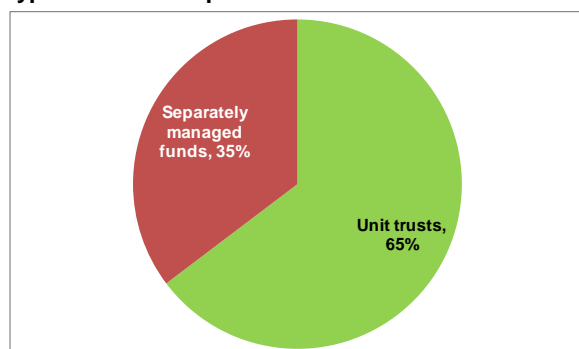
Table 2: Top 5 Malaysian stockbrokers in 10M 2015 (by trading value)

Rank	Broker	Market share (%)
1	CIMB Investment Bank Berhad	10.98
2	<b>Affin Hwang Investment Bank Berhad</b>	<b>10.95</b>
3	Kenanga Investment Bank Berhad	9.18
4	Maybank Investment Bank Berhad	8.80
5	RHB Investment Bank Berhad	8.42

Source: Bursa Malaysia

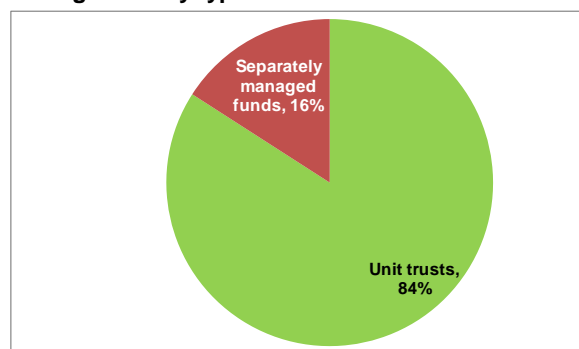
- Among top 5 players in asset management.** Following the inclusion of AFFIN Hwang Asset Management Berhad<sup>3</sup> into the merged investment-banking group, AFFIN Hwang now stands among the top 5 asset-management companies in Malaysia. As at end-September 2015, the value of the Bank's AUM stood at RM31.9 billion (end-December 2014: RM30.1 billion), with a high mix of unit trust funds (65%). In addition to attracting unit trusts, which are stickier and offer higher margins, AFFIN Hwang will also look at acquiring more separately managed funds by tapping its strong government/government-related client base.

**Figure 2: Composition of AFFIN Hwang's AUM by type as at end-September 2015**



Source: AFFIN Hwang

**Figure 3: Revenue contribution from asset management by type in 9M FY December 2015**



- Able to tap AFFIN Bank's balance sheet, but still a small player.** AFFIN Hwang is the *de facto* investment banker for its ultimate shareholder and it enjoys strong relationships with government/government-linked companies. As the investment-banking arm of AFFIN Holdings, AFFIN Hwang is also able to leverage on AFFIN Bank's balance sheet to secure more sizeable capital-market deals, albeit the latter's own underwriting capacity lags its larger peers'. This is evident from the Bank's relatively small shares of the debt and equity markets, which came up to a respective 3.8% and 2.8% in 9M 2015 (2014: 1.0% and 4.8%).

**Table 3: AFFIN Hwang's largest capital-market deals (by fees earned) in 9M 2015**

Clients	Transaction details
Boustead Holding Berhad	Lead arranger, RM1.2 billion perpetual junior sukuk
Boustead Holding Berhad	Lead arranger, RM1 billion MTN
Prasarana Malaysia Berhad	Joint lead manager, RM2 billion MTN
Titisan Modal (M) Sdn Bhd	Lead arranger, RM738 million fixed-rate bonds
PTPTN	Islamic syndicated loan of up to RM1.5 billion
Manfaat Tetap Sdn Bhd	Lead arranger, RM752 million sukuk
Point Zone (M) Sdn Bhd	Lead arranger, RM1.5 billion sukuk
Aemulus Holdings Berhad	Joint underwriter for RM25 million rights issue

Source: AFFIN Hwang

<sup>3</sup> Formerly known as Hwang Investment Management Berhad.



## Peer Comparison

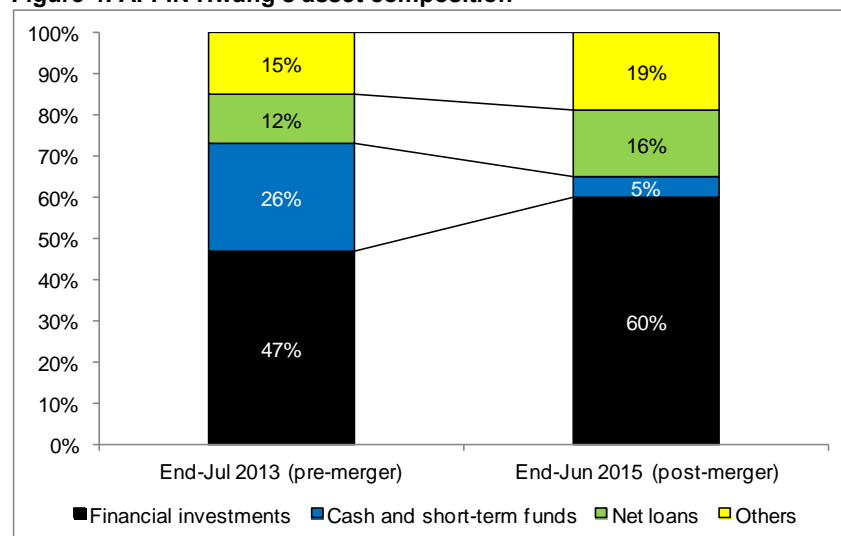
Table 4: Peer comparison

Ratings	AFFIN Hwang		RHB Investment Bank Berhad		AmInvestment Bank Berhad	
	AA <sub>3</sub> /Stable/P1		AA <sub>2</sub> /Stable/P1		AA <sub>2</sub> /Stable/P1	
	Dec 2014 (17 m)	Jun 2015 (6 m)	Dec 2014 (12 m)	Jun 2015 (6 m)	Mar 2015 (12 m)	Sep 2015 (6 m)
<b>FY</b>						
Total assets (MYR mil)	6,790.2	7,307.3	12,388.7	12,625.6	2,047.9	1,659.4
Gross financing (MYR mil)	1,069.1	1,172.6	2,304.3	2,109.5	323.3	317.5
Pre-tax profit/(loss) (MYR mil)	149.4	57.1	345.9	57.0	50.1	29.9
Gross impaired financing ratio (%)	3.2	2.9	7.1	5.2	0.7	0.7
Financing credit cost ratio (%)	(0.1)	0.2 <sup>^</sup>	(2.0)	(0.1) <sup>^</sup>	(1.0)	(0.0) <sup>^</sup>
Gross impaired financing coverage ratio (%)	97.3	99.2	11.3	16.5	157.2	162.8
Net interest/Financing margin (%)	1.3	1.8 <sup>^</sup>	1.8	1.6 <sup>^</sup>	1.0	1.1 <sup>^</sup>
Non-financing income/Gross income (%)	82.9	84.4	87.4	86.3	87.8	90.5
Return on risk-weighted assets (%)	3.6	4.0 <sup>^</sup>	6.4	2.0 <sup>^</sup>	2.6	3.7 <sup>^</sup>
Customer deposits/Profit bearing funds (%)	80.7	89.2	35.3	22.5	0.0	0.0
Financing to deposits ratio (%)	28.7	25.5	85.3	127.3	n.a.	n.a.
Common equity tier 1 capital ratio (%)	30.2	28.9	31.3	25.2	27.5	29.0
Total capital ratio (%)	30.7	29.4	40.2	33.9	27.5	29.0

<sup>^</sup> Annualised

## Risk Profile

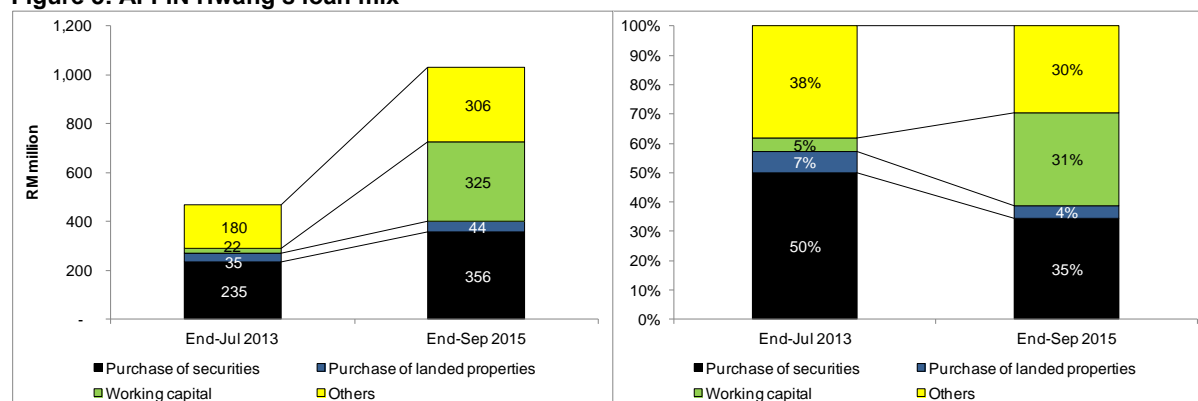
Figure 4: AFFIN Hwang's asset composition



Source: AFFIN Hwang

- Generally healthy securities portfolio.** AFFIN Hwang's post-merger securities portfolio constituted 60% of its total assets as at end-June 2015 (end-July 2013: 47%). Almost two-thirds of this portfolio comprised private debt securities (PDS) while low-risk government/government-related instruments contributed close to 20%. The bulk (87%) of its PDS is rated at least AA or government guaranteed. Meanwhile, 4% of the Bank's PDS (or RM127 million) was on its monitoring list as a result of rating/outlook changes.

Figure 5: AFFIN Hwang's loan mix



Source: AFFIN Hwang

- Healthy margin and non-margin accounts.** Financing for the purchase of securities make up slightly more than a third of AFFIN Hwang's loan book. This portfolio is deemed healthy given that none of the accounts is impaired and almost the entire portfolio has more than 150% equity coverage. Meanwhile, the Bank's non-margin accounts are sound; debtors in the "T+4 days and longer" bracket stood at a minimal RM1 million as at end-September 2015 (or 0.2% of its total non-margin receivables).
- Decline in corporate loans.** AFFIN Hwang keeps a relatively small loan portfolio (16% of its assets) to support its investment-banking activities through the provision of bridging loans and syndicated loans. In 3Q FY Dec 2015, the Bank impaired 2 lumpy legacy accounts worth RM33 million, which more than doubled its GIL ratio to 6.5% as at end-September 2015 (end-June 2015: 2.9%). Nonetheless, we do not expect provisioning needs for these accounts as their collateral coverage exceeds 200% each. Meanwhile, the more vulnerable SME segment accounted for RM99 million, representing only 10% of AFFIN Hwang's loan book (or 7% of its equity); we are also comforted by the Bank's strong loss-absorption buffer.
- Proprietary trading can be volatile.** AFFIN Hwang supplements its income through proprietary trading, which contributed 6% of its gross income in 9M FY Dec 2015. Proprietary traders typically share their gains with the Bank and bear all the losses from their trades, although the Bank is still exposed to losses if the traders' collateral cannot cover their loss positions. As part of its risk management, AFFIN Hwang withholds part of the traders' profits and cash collateral so as to be able to cover any loss position. Even so, these activities are highly dependent on market sentiment and can be volatile.

## Funding & Liquidity

- Depositor-concentration risk moderated by robust liquidity.** AFFIN Hwang is predominantly funded by customer deposits, which accounted for 89% of its total interest-bearing funds as at end-June 2015. Given that its customer deposits are chiefly sourced from institutional clients, the Bank inevitably faces some depositor-concentration risk; its top 5 depositors made up a sizeable 27% of its deposit base as at the same date. On the other hand, AFFIN Hwang enjoys robust liquidity; its Basel III liquidity coverage ratio came in at 181% as at end-September 2015.



## Financial Performance

**Table 5: AFFIN Hwang's income profile and selected profitability indicators**

	FY Jul 2013 (before merger)	1H FY Dec 2015 (after merger)
Gross income (RM mil)	154	264
Net interest income (RM mil)	49	41
Brokerage income (RM mil)	55	46
Asset management income (RM mil)	-	126
Investment income (RM mil)	38	36
Other income (RM mil)	11	15
Pre-tax profit (RM mil)*	59	57
Cost-to-income ratio*	68%	79%
RORWA*	2.62%	3.95%

Source: AFFIN Hwang

\* Based on HwangDBS's 3-year average between FY Jul 2011 and FY Jul 2013

- More diversified income profile.** The inclusion of AFFIN Hwang Asset Management Berhad into the merged investment-banking group has diversified the Bank's income profile and strengthened its profit performance. In 1H FY Dec 2015, the Bank's RORWA came in at 3.95% (HwangDBS's 3 year average between FY Jul 2011 and FY Jul 2013: 2.62%), thanks to its asset-management income. Nonetheless, the Bank's stockbroking and investment-banking incomes are still sizeable, albeit subject to the vagaries of the capital markets. As such, its profit performance is expected to remain inherently volatile.
- Cost-to-income ratio to fall amid rationalisation measures.** The cost-to-income ratio of the merged investment-banking group was noticeably higher at 79% in 1H FY Dec 2015, compared to HwangDBS's 3-year average of 68%. In view of the Bank's ongoing cost-reduction measures, including branch and staff rationalisation, this ratio is expected to fall below 70% in fiscal 2016, albeit still deemed high.

## Capitalisation

- Sturdy post-merger capitalisation.** AFFIN Hwang's post-merger capital buffer remained sturdy as at end-June 2015, thanks to the RM500 million capital injection from AFFIN Holdings. The Bank's CET-1 capital ratio and total capital ratio stood at a respective 28.9% and 29.4% as at the same date.

## Bank Information

<b>Date of Incorporation</b>	26 April 1973
<b>Commencement of Business</b>	1973
<b>Major Shareholders</b>	AFFIN Holdings Berhad (100%)
<b>Directors</b>	<p>Gen Tan Sri Yaacob bin Mohd Zain (R) (Chairman, Non-Executive Director)</p> <p>Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad (Independent Non Executive Director)</p> <p>Encik Ariffin bin Alias (Independent Non Executive Director)</p> <p>Tan Sri Dato' Seri Lodin bin Wok Kamaruddin (Non Executive Director)</p> <p>Mr Stephen Charles Li (Non Executive Director)</p> <p>Mr Lee Chor Kee (Alternate Director to Mr Stephen Charles Li)</p> <p>Encik Abd Malik bin A Rahman (Independent Non Executive Director)</p> <p>Mr Lim Hun Soon @ David Lim (Independent Non Executive Director)</p>
<b>Auditor</b>	PricewaterhouseCoopers
<b>Listing</b>	Not listed
<b>Key Management</b>	<p>Maimoonah Hussain (Group Managing Director &amp; Managing Director of Investment Banking)</p> <p>Keong Si Hark (Managing Director of Securities)</p> <p>Teng Chee Wai (Managing Director of Asset Management)</p> <p>Wong Yoke Weng (Deputy Managing Director of Securities)</p> <p>Teng Chean Choy (Senior Director/Head of Treasury &amp; Markets)</p> <p>Chua Bee Chin (Group Chief Operating Officer)</p> <p>Samad Majid Zain (Group Chief Financial Officer)</p> <p>Johan Rozali Wathooth (Group Chief Corporate Strategy Officer)</p> <p>Rasidah Kasim (Group Chief Human Resource Officer)</p> <p>Kelvin Tan Peng Onn (Chief Risk Officer)</p> <p>Gordon Gan Seng Chee (Chief Credit Officer)</p> <p>Lim Jit Jee (Chief Information Technology Officer)</p> <p>Lim Weng Chun (Chief Internal Audit)</p>
<b>Major Subsidiary</b>	AFFIN Hwang Asset Management Berhad (70%)

## Financials (formerly known as HwangDBS Investment Bank Berhad)

	unaudited				
STATEMENT OF FINANCIAL POSITION (RM million)	31-Jul-11	31-Jul-12	31-Jul-13	31-Dec-14	30-Jun-15
Cash & Short-Term Funds	724.76	510.80	1,029.18	654.87	374.49
Deposits & Placements with Financial Institutions	152.32	0.00	0.00	245.57	145.44
Securities Purchased Under Resale Agreements	0.00	0.00	0.00	0.00	0.00
Financial Investments at Fair Value Through Profit or Loss	323.63	157.88	43.64	32.88	188.44
Financial Investments Available-For-Sale	1,188.62	1,579.62	1,402.75	3,577.75	4,108.61
Financial Investments Held-To-Maturity	388.34	399.92	370.27	176.35	91.01
Gross Loans & Advances	439.98	379.47	470.33	1,069.07	1,172.61
<i>Collective Impairment Provisions</i>	(6.55)	(4.51)	(5.48)	(8.98)	(9.55)
<i>Individual Impairment Provisions</i>	(3.55)	(3.55)	0.00	(24.24)	(24.12)
Net Loans & Advances	429.88	371.41	464.85	1,035.84	1,138.94
Statutory Deposits	51.14	56.62	65.75	135.00	178.85
Investments in Associates/Jointly-Controlled Entities	0.00	0.00	0.00	0.00	0.00
Goodwill & Intangibles	162.50	162.50	162.50	320.81	320.65
Property, Plant & Equipment	7.71	6.20	5.23	14.02	12.65
Other Assets	273.43	268.92	344.60	597.07	748.22
<b>Total Assets</b>	<b>3,702.32</b>	<b>3,513.86</b>	<b>3,888.77</b>	<b>6,790.15</b>	<b>7,307.31</b>
Customer Deposits	2,297.45	2,135.33	2,248.80	3,604.16	4,468.65
<i>Current Account Deposits</i>	0.00	0.00	0.00	0.00	0.00
<i>Savings Account Deposits</i>	0.00	0.00	0.00	0.00	0.00
<i>Fixed Deposits</i>	2,291.96	2,127.19	2,140.78	2,578.95	3,229.90
<i>Negotiable Instruments of Deposits</i>	3.87	2.94	103.86	865.16	1,092.15
<i>Other Deposits</i>	1.62	5.20	4.16	160.06	146.59
Interbank Deposits	104.74	275.74	459.74	861.62	539.98
Bills & Acceptances Payable	0.00	0.00	0.00	0.00	0.00
Securities Sold Under Repurchase Agreements	0.00	0.00	0.00	0.00	0.00
Senior Debt Securities	0.00	0.00	0.00	0.00	0.00
Subordinated Debt Securities	0.00	0.00	0.00	0.00	0.00
Hybrid Capital Securities	0.00	0.00	0.00	0.00	0.00
Other Borrowings	0.00	0.00	0.00	0.00	0.00
Other Liabilities	457.38	237.66	310.58	878.97	809.63
<b>Total Liabilities</b>	<b>2,859.57</b>	<b>2,648.73</b>	<b>3,019.11</b>	<b>5,344.75</b>	<b>5,818.25</b>
Equity Share Capital	500.00	500.00	500.00	780.00	780.00
Share Premium	0.00	0.00	0.00	219.80	219.80
Treasury Shares	0.00	0.00	0.00	0.00	0.00
Statutory Reserve	108.38	133.84	148.86	199.07	199.07
Revaluation Reserve	0.00	0.00	0.00	0.00	0.00
Available-For-Sale Reserve	4.86	6.01	3.56	5.48	6.09
Other Reserves	0.00	0.00	0.00	3.56	4.23
Retained Profits/(Accumulated Losses)	229.07	224.92	216.85	207.17	240.79
Non-Controlling Interests	0.44	0.37	0.38	30.33	39.07
<b>Total Equity</b>	<b>842.75</b>	<b>865.13</b>	<b>869.66</b>	<b>1,445.40</b>	<b>1,489.06</b>
<b>Total Liabilities + Total Equity</b>	<b>3,702.32</b>	<b>3,513.86</b>	<b>3,888.77</b>	<b>6,790.15</b>	<b>7,307.31</b>
Additional Disclosure:					
Commitments & Contingencies	6,269.66	4,599.75	3,159.25	4,172.29	4,197.58
Risk-Weighted Assets	2,050.39	2,074.85	2,344.23	3,562.99	3,725.39
Common Equity Tier-1 Capital	n.a.	n.a.	704.35	1,076.86	1,077.06
Tier-1 Capital	686.03	720.01	704.56	1,079.86	1,080.06
Total Capital	689.14	721.19	710.09	1,092.42	1,093.85

## Financials (formerly known as HwangDBS Investment Bank Berhad)

	unaudited				
STATEMENT OF COMPREHENSIVE INCOME (RM million)	31-Jul-11	31-Jul-12	31-Jul-13	31-Dec-14 17 months	30-Jun-15 6 months
Interest Income	132.27	131.42	136.23	220.48	127.07
Interest Expense	(75.24)	(81.39)	(86.90)	(136.03)	(85.94)
<b>Net Interest Income</b>	<b>57.03</b>	<b>50.03</b>	<b>49.33</b>	<b>84.45</b>	<b>41.13</b>
Fee Income	104.08	67.03	62.60	285.96	186.10
Investment Income	28.30	42.97	21.48	81.42	26.78
Other Income	9.55	15.22	20.55	41.08	10.36
<b>Gross Income</b>	<b>198.96</b>	<b>175.25</b>	<b>153.96</b>	<b>492.91</b>	<b>264.37</b>
Personnel Expenses	(72.32)	(72.87)	(66.71)	(168.37)	(107.60)
Other Operating Expenses	(55.92)	(41.67)	(48.01)	(176.74)	(100.58)
<b>Operating Income before Impairment Charges</b>	<b>70.73</b>	<b>60.71</b>	<b>39.24</b>	<b>147.80</b>	<b>56.19</b>
Net Impairment Charges on Loans	4.26	0.73	(0.97)	0.76	(0.62)
Net Impairment Charges on Financial Investments	0.00	0.00	0.00	0.00	0.00
Net Impairment Charges on Commitments, Contingencies & OI	0.87	0.48	0.09	(0.05)	1.52
<b>Operating Income after Impairment Charges</b>	<b>75.86</b>	<b>61.92</b>	<b>38.36</b>	<b>148.51</b>	<b>57.10</b>
Non-Recurring Items	0.00	0.00	0.00	0.00	0.00
Share of Associates/Jointly-Controlled Entities Profits/(Losses)	0.00	0.00	0.00	0.92	0.00
<b>Pre-Tax Profit/(Loss)</b>	<b>75.86</b>	<b>61.92</b>	<b>38.36</b>	<b>149.42</b>	<b>57.10</b>
Taxation	(18.68)	(15.46)	(8.89)	(31.20)	(14.13)
<b>Net Profit/(Loss)</b>	<b>57.18</b>	<b>46.46</b>	<b>29.47</b>	<b>118.22</b>	<b>42.97</b>
Gain/(Loss) on Available-For-Sale Financial Investments	4.14	1.52	(3.25)	2.55	14.51
Changes in Cash Flow & Net Investment Hedges	0.00	0.00	0.00	0.00	0.00
Foreign Currency Translation Differences	0.00	0.00	0.00	0.00	0.00
Share of Other Comprehensive Income/(Loss) of Associates/	0.00	0.00	0.00	0.00	0.00
Income Tax Relating to Other Comprehensive Income/(Loss)	(1.03)	(0.38)	0.81	0.00	0.00
Other Components of Comprehensive Income/(Loss)	0.00	0.00	0.00	(0.60)	(13.82)
<b>Total Comprehensive Income/(Loss)</b>	<b>60.28</b>	<b>47.60</b>	<b>27.03</b>	<b>120.17</b>	<b>43.66</b>
Additional Disclosure:					
Net Profit/(Loss) Attributable to Non-Controlling Interests	0.01	(0.07)	0.01	7.09	8.67
Dividends Paid	18.75	26.25	22.50	0.00	0.00

## Financials (formerly known as HwangDBS Investment Bank Berhad)

	unaudited				
KEY RATIOS	31-Jul-11	31-Jul-12	31-Jul-13	31-Dec-14	30-Jun-15
<b>PROFITABILITY (%)</b>					
Net Interest Margin	1.87%	1.61%	1.56%	1.32%	1.77% *
Non-Interest Income to Gross Income	71.34%	71.45%	67.96%	82.87%	84.44%
Cost to Income	64.45%	65.36%	74.51%	70.02%	78.75%
Return on Assets	2.15%	1.72%	1.04%	1.98%	2.09% *
Return on Risk-Weighted Assets	3.62%	3.00%	1.74%	3.57%	3.95% *
Return on Equity	9.23%	7.25%	4.42%	9.11%	10.72% *
<b>ASSET QUALITY (%)</b>					
Gross Impaired Loan Ratio	0.81%	0.94%	0.00%	3.19%	2.90%
Net Newly Classified Impaired Loan Ratio	(1.20%)	0.00%	0.00%	3.13%	(0.01%) *
Loan Credit Cost Ratio	(1.02%)	(0.18%)	0.23%	(0.07%)	0.17% *
Impairment Charge Ratio	(0.21%)	(0.03%)	0.04%	(0.02%)	0.03% *
Gross Impaired Loan Coverage Ratio	284.39%	227.07%	n.a.	97.34%	99.16%
<b>LIQUIDITY &amp; FUNDING (%)</b>					
Liquid Asset Ratio	65.50%	58.36%	63.86%	51.90%	37.77%
Interbank Deposits to Total Interest Bearing Funds	4.36%	11.44%	16.97%	19.29%	10.78%
Customer Deposits to Total Interest Bearing Funds	95.64%	88.56%	83.03%	80.71%	89.22%
CASA Deposits to Total Deposits	n.a.	n.a.	n.a.	n.a.	n.a.
Loans to Deposits Ratio	18.71%	17.39%	20.67%	28.74%	25.49%
<b>CAPITALISATION (%)</b>					
Internal Rate of Capital Generation	4.68%	2.37%	0.80%	7.21%	n.a.
Common Equity Tier-1 Capital Ratio	n.a.	n.a.	30.05%	30.22%	28.91%
Tier-1 Capital Ratio	33.46%	34.70%	30.06%	30.31%	28.99%
Total Capital Ratio	33.61%	34.76%	30.29%	30.66%	29.36%

Notes:

\* annualised

n.a. = not available / not applicable

## Financials

KEY RATIOS	FORMULAE
<b>PROFITABILITY (%)</b>	
Net Interest Margin	Net Interest Income / Average Interest Earning Assets
Non-Interest Income to Gross Income	Non-Interest Income / Gross Income
Cost to Income	(Personnel Expenses + Other Operating Expenses) / Gross Income
Return on Assets	Pre-Tax Profit/(Loss) / Average Total Assets
Return on Risk-Weighted Assets	Pre-Tax Profit/(Loss) / Average Total Risk-Weighted Assets
Return on Equity	Pre-Tax Profit/(Loss) / Average Total Equity
Non-Interest Income	Fee Income + Investment Income + Other Income
Interest Earning Assets	Cash & Short-Term Funds + Deposits & Placements with Financial Institutions + Securities Purchased Under Resale Agreements + Total Financial Investments + Net Loans & Advances
Total Financial Investments	Financial Investments at Fair Value Through Profit or Loss + Financial Investments Available-For-Sale + Financial Investments Held-To-Maturity
<b>ASSET QUALITY (%)</b>	
Gross Impaired Loan Ratio	Total Impaired Loans / Gross Loans & Advances
Net Newly Classified Impaired Loan Ratio	Net Newly Classified Impaired Loans / Average Gross Loans & Advances
Loan Credit Cost Ratio	Net Impairment Charges on Loans / Average Gross Loans & Advances
Impairment Charge Ratio	(Net Impairment Charges on Loans + Net Impairment Charges on Financial Investments) / (Average Gross Loans & Advances + Average Total Financial Investments)
Gross Impaired Loan Coverage Ratio	Total Provisions / Gross Impaired Loans
Total Provisions	Collective Impairment Provisions + Individual Impairment Provisions
Net Newly Classified Impaired Loans	Newly Classified Impaired Loans - Recoveries on Impaired Loans - Impaired Loans Reclassified As Performing
<b>LIQUIDITY &amp; FUNDING (%)</b>	
Liquid Asset Ratio	Liquid Assets / (Customer Deposits + Short-Term Funds)
Interbank Deposits to Total Interest Bearing Funds	Interbank Deposits / Interest Bearing Funds
Customer Deposits to Total Interest Bearing Funds	Customer Deposits / Interest Bearing Funds
CASA Deposits to Total Deposits	(Current Account + Savings Account Deposits) / Customer Deposits
Loans to Deposits Ratio	Net Loans & Advances / Customer Deposits
Liquid Assets	Cash & Short-Term Funds + Deposits & Placements with Financial Institutions + Securities Purchased Under Resale Agreements + Quoted Financial Investments (excluding Financial Investments Held-To-Maturity)
Short-Term Funds	Interbank Deposits + Bills & Acceptances Payable + Securities Sold Under Repurchase Agreements
Interest Bearing Funds	Customer Deposits + Interbank Deposits + Bills & Acceptances Payable + Securities Sold Under Repurchase Agreements + Total Borrowings
Total Borrowings	Senior Debt Securities + Subordinated Debt Securities Hybrid Capital Securities + Other Borrowings
<b>CAPITALISATION (%)</b>	
Internal Rate of Capital Generation	(Net Profit/(Loss) - Dividends) / Average Total Equity
Common Equity Tier-1 Capital Ratio	Common Equity Tier-1 Capital / Total Risk-Weighted Assets
Tier-1 Capital Ratio	Tier-1 Capital / Total Risk-Weighted Assets
Total Capital Ratio	Total Capital / Total Risk-Weighted Assets



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