

Press Release

Affin to acquire the investment banking, asset management and futures businesses of Hwang-DBS

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Kuala Lumpur, Malaysia – Transformational acquisition for Affin Investment to establish leadership positions in Malaysia, across its investment banking franchise and drive its strategic plan to become the leading independent bank-backed investment bank.

Affin Holdings Berhad (“Affin”) and Hwang-DBS (Malaysia) Berhad (“HwangDBS”) today signed a conditional share sale and purchase agreement whereby Affin has agreed to acquire 100% of Hwang-DBS Investment Bank Berhad (“Hwang IB”), 70% of Hwang Investment Management Berhad¹ (“Hwang IM”), 49% of Asian Islamic Investment Management Sendirian Berhad (“AIIM”) and 100% of HDM Futures Sendirian Berhad (“HDM Futures”) (the “Hwang-DBS businesses”) for an aggregate purchase consideration of RM 1,363.00 million (the “Proposed Acquisition”) to be paid in cash. Prior to the closing of the Proposed Acquisition, Hwang-DBS will complete a pre-closing reorganisation, such that the respective stakes owned by Hwang-DBS in Hwang IM (53%), AIIM (49%) and HDM Futures (100%) will become subsidiaries of Hwang IB and Affin will acquire 100% of Hwang IB post the pre-closing reorganisation (the “Hwang IB Shares”) and 17% in Hwang IM² (the “Minority Shares”).

The purchase consideration for 100% of Hwang IB is RM 1,088.00 million and implies a 1.28x on Hwang IB’s book value of RM 849.26 million as of 31 January 2013. The purchase consideration for 70% of Hwang IM and 49% of AIIM is RM 262.00 million and implies a 1.81x on Hwang IM and AIIM combined assets under management of RM 20.86 billion as of 31 January 2013. The purchase consideration for 100% of HDM Futures is RM 13.00 million and implies a 1.03x multiple on HDM Futures’ book value of RM 12.59 million as of 31 January 2013. The agreement includes customary post-closing valuation adjustments in relation to change in the net asset value of the Hwang-DBS businesses for the period from 31 January 2013 to closing.

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Affin has secured bridge loans of RM 1,400.00 million to fund the Proposed Acquisition. For the long-term funding plan, Affin plans to undertake a fund raising exercise including a rights issue of new Affin shares (the “Proposed Rights Issue”), to raise gross proceeds of up to approximately RM 1,250.00 million. Further details of the fund raising exercise will be announced at a later date. The Proposed Rights Issue will be subject to Affin shareholders’ approval and the proceeds of the Proposed Rights Issue are intended to be used for partial repayment of the bridge loans and capital injection into Affin Bank Berhad to fund future growth. The remaining bridge loans are intended to be repaid by cash proceeds from the Proposed Merger and internally generated cash.

Affin’s major shareholders, Lembaga Tabung Angkatan Tentera, Boustead Holdings Berhad and Bank of East Asia Limited, have provided their support for the Proposed Rights Issue and will each provide irrevocable undertakings to subscribe to their respective entitlements under the Proposed Rights Issue.

After closing the Proposed Acquisition, Affin will undertake the merger of the businesses of Affin Investment Bank Berhad (“Affin Investment”) and Hwang IB (the “Proposed Merger”), through the transfer of Affin Investment’s businesses to Hwang IB by way of a vesting order.

In addition, as part of the agreement, Affin will enter into a trademark license agreement in relation to the “Hwang” trademark, for a period of up to three years.

The Proposed Acquisition will transform Affin’s investment banking franchise, adding a suite of complementary strengths and capabilities to drive its strategic plan to become the leading independent bank-backed investment bank in Malaysia. The combination will substantially strengthen Affin’s competitive position in Malaysia, creating a top two brokerage house (based on combined traded value and traded volume), quadrupling its distribution network, as well as creating a top five asset manager in Malaysia (based on assets under management).

¹ 70% of Hwang IM, includes the 53% owned by Hwang-DBS and the 17% owned by Y.A.M. Tunku Dato’ Seri Nadzaruddin Ibni Almarhum Tuanku Ja’afar.

² 17% owned by Y.A.M. Tunku Dato’ Seri Nadzaruddin Ibni Almarhum Tuanku Ja’afar.

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The investment bank's end-to-end value proposition will be strengthened as it will be able to capitalise on the synergy that can be created by the enlarged platform of the merged businesses, enhanced distribution through the broader remisier network, leading asset management business and a wider customer reach. The complementary strengths and capabilities of the Hwang-DBS businesses will provide synergistic potential through cross-selling opportunities, knowledge sharing of best practices and improved efficiency resulting from scale optimisation. Affin will be able to further grow its investment banking franchise through the addition of the collective experience and expertise of the management team and employees of the Hwang-DBS businesses.

Hwang-DBS is a leading, integrated financial services group in Malaysia providing a wide range of products and services namely, stockbroking, wholesale banking, sales and management of unit trust and institutional funds, and derivatives trading. Hwang IB has significant brokerage market share, ranking in Malaysia's top three by trading volume over the last three years and has a broad customer reach with over 500 remisiers across 19 branches in Malaysia. Hwang IB also provides treasury, capital markets and corporate advisory services. Hwang IM is a top five asset management house in Malaysia, with accounts comprising both corporate and retail investors. AIIM, also operated by the Hwang IM management team, focuses on Shariah-compliant investment solutions. HDM Futures is involved in the dealing of futures and options and offers both execution and clearing services.

Affin Investment provides comprehensive investment banking services offering including corporate finance advisory, debt and equity capital markets, structured lending, stockbroking, market trading and research, as well as asset management services. Recently, Affin Investment signed a business collaboration with Daiwa Securities Group Inc., which will open up opportunities for Affin Investment to grow further and venture into regional markets.

Affin Holdings Berhad's Chairman YBhg Gen. (R) Tan Sri Dato' Seri Mohd Zahidi Haji Zainuddin said, "The Hwang-DBS businesses will help transform Affin's investment banking franchise by creating leading market positions of scale. In addition, the combination of complementary businesses means we will improve and expand our capabilities to better serve our enlarged client base. Having grown the business steadily over the last few years, we believe the Proposed Acquisition comes at the right time and has huge potential to accelerate Affin's growth and trajectory once the integration process is completed."

The Proposed Acquisition is expected to complete in the second quarter of 2014, upon the receipt of Hwang-DBS shareholders' approval as well as other regulatory approvals.

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Affin Investment is the principal adviser and Credit Suisse is the financial adviser to Affin on this transaction. Additionally, PricewaterhouseCoopers provided accounting advisory services and Adnan Sundra & Low provided legal advice to Affin on this transaction.

Disclaimer

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This media announcement contains "forward-looking" statements that are based on numerous assumptions regarding Affin's present and future business strategies and the environment in which Affin will operate in the future and are not a guarantee of future performance. The future events referred to in this media announcement involve known and unknown risks, uncertainties and other factors, some of which are beyond Affin's control, which may cause the actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such forward-looking statements speak only as of the date on which they are made and Affin does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Forward-looking statements are not guarantees of future performance. Affin and Affin Investment, and their affiliates, advisers and representatives do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Accordingly, no undue reliance should be placed on any forward-looking statements.

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About Affin Hwang Capital

Affin Hwang Capital is a specialist investment banking group. From both our primary offices in Kuala Lumpur and Penang, our multi-product teams cover both retail and institutional clients.

GLCs and mid- to large-cap corporations form the core of our institutional client business. To these organisations, Affin Hwang Capital offers high quality advisory and execution services across investment banking, institutional securities and asset management.

For individuals, we focus on proactively growing wealth through our unique asset management approach. Our retail securities team deliver convenience, value and premium service.

We value long-term relationships with our clients, emphasising trust, flexibility, collaboration and independent thinking. As one of Malaysia's leading, bank-backed investment banking groups, we use our expertise to continually tackle the most compelling financial challenges and deliver pioneering solutions to our clients.

Affin Hwang Capital is part of the Affin Banking Group. To learn more visit www.affinhwang.com