

ALLIANCE FINANCIAL GROUP RECORDS RM121.9 MILLION NET PROFIT IN 1QFY2016

Kuala Lumpur, 18 August 2015 - Alliance Financial Group Berhad (“AFG” or “the Group”), comprising Alliance Bank Malaysia Berhad (“the Bank”) and its subsidiaries, today announced that for the first quarter ended 30 June 2015 (“1Q FY2016”), the Group reported a net profit after tax of RM121.9 million, a 30.7% improvement compared to the preceding quarter ended 31 March 2015. Accordingly, the return on equity stood at 10.9%.

In announcing its results, Chief Executive Officer of the Group, Mr. Joel Kornreich said, “We are pleased with the early results of the roll-out of our FY2016 strategy to improve the risk adjusted return on assets, and the focus on quality of deposits and fee income.”

Highlights of the Business Performance quarter-on-quarter (1Q FY2016 vs 4Q FY2015)

- **Net Profit after Tax (“NPAT”)**: For 1Q FY2016, the Group recorded NPAT of RM121.9 million, a strong growth of RM28.6 million or 30.7% compared to the preceding quarter mainly driven by revenue growth of RM38.3 million or 12.5%.
- **Pre-Provision Profit**: Pre-provision profits at RM177.0 million, grew 25.9%.
- **Net interest margin (“NIM”)**: Net interest margin improved to 2.16%, with focus on higher risk-adjusted return loans, despite the rise in cost of funds as competition for deposits continues to intensify.
- **Non-interest income (“NII”)**: Non-interest income was higher by RM16.3 million or 26.4% higher, driven by the growth in brokerage and wealth management. The non-interest income ratio stood at 23.4%.
- **Cost-to-Income Ratio**: Operating expenses rose 1.1% during the quarter and the cost-to-income ratio was sustained at 48.6%.
- **Return on Equity (“ROE”)**: Return on Equity at 10.9% for the quarter.
- **Loans Growth Momentum**: Net loans and advances stood at RM37.0 billion, expanding by RM418.4 million during the quarter.

- **Asset Quality:** The gross impaired loans ratio remains stable at 1.0%, from 1.4% a year ago, with loan loss coverage at 105.4%.
- **Deposit growth:** Customer deposits stood at RM43.9 billion, with the CASA ratio further improving to 34.5% during the quarter ended June 2015, from 33.6%.
- **Capital Ratios:** Total capital ratio remained sound at 13.0%, with a Common Equity Tier 1 Capital ratio of 11.1%.

Year-on-year, the net profit after tax was 6.8% lower, despite the revenue growth, owing to the normalization of credit costs.

Executing on Three Key Strategies

In conjunction with the release of the FY2015 results, the Group had earlier outlined that its focus in FY2016 will be to further improve asset efficiency as measured by risk adjusted returns, ensure deposits growth exceeds loans growth and continue to grow customer based non-interest income.

First Priority: Improve risk adjusted return. To do this, the Group's loan origination efforts were focused on higher risk adjusted return loans, namely in SME, commercial, and consumer unsecured loans.

Accordingly, the overall year-on-year loans growth had moderated to 12.7% (FY2015: 14.9%), while gross interest margin improved by 9 basis points during the quarter.

With the loans to the SME sector expanding by 21.4% year-on-year, the Business Banking portfolio, comprising lending to SME, commercial and corporate customers, now represents 43.3% of the total customer loan portfolio, up from 42.4% a year ago.

Second Priority: Grow deposits economically faster than loans. Customer deposits grew 10.8% year-on-year to RM43.9 billion (industry: +7.3%), and the loans to deposits ratio remains healthy at 85.1%. Despite an overall market contraction, Current and Savings Accounts ("CASA") deposits rose during the quarter, and ended 10.1% higher year-on-year to RM15.1 billion.

"The Group's CASA ratio further improved to 34.5% and remains among the highest in the industry," said Mr. Kornreich.

Third Priority: Grow Client based Fee Income. Non-interest income rose by RM16.3 million or 26.4%, and the Group's non-interest income ratio stood at 23.4%.

“We have identified the key areas of focus to be wealth management in Consumer Banking, and trade finance, brokerage, treasury sales and transaction banking services in Business Banking.”

Stable Asset Quality

On asset quality, Mr. Kornreich added, “Despite the challenging economic environment, the Group maintained excellent asset quality with a disciplined credit risk management and collections approach. The net impaired loans ratio remained stable quarter-on-quarter at 0.6%, and the loan loss coverage rose to 105.4% as at end-June 2015.”

The impairment provision charge at RM16.4 million, was at a similar level as 4Q FY2015 (RM16.0 million). However, on a year-on-year basis, it was RM14.6 million higher, due to lower recoveries, since most of the legacy loans have been recovered in the last three years. The Group will continue to keep a close watch on asset quality to assess how borrowers cope with economic shocks, particularly currency volatility and tighter cash flows.

Strong capital adequacy levels

The Group's capital position remains strong with Common Equity Tier 1 ("CET 1") ratio at 11.1%, and the Total Capital Ratio at 13.0%. With Group's shareholders' equity of RM4,521 million as at 30 June 2015, the net assets per share has improved to RM2.92, from RM2.68 a year ago.

Looking forward

The Malaysian economy is expected to grow at a slower rate with gross domestic product ("GDP") growth of 4.7% in 2015. The Group will continue to leverage on its franchise strength to deliver sustainable profitability and to fulfil the financial needs of the business owners, their employees and their customers.

In this regard, the Group will continue with its investments in brand building, human capital and infrastructure, as well as initiatives to re-engineer operations and expand delivery channels to enhance customer service.

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About Alliance Financial Group

The Alliance Financial Group, comprising Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad, and Alliance Islamic Bank Berhad, is a dynamic, integrated financial services group offering banking and financial services through its consumer banking, business banking, Islamic banking, investment banking and stockbroking.

It provides easy access to its broad base of customers throughout the country via multi-delivery channels which include retail branches, Privilege Banking Centres, Islamic Banking Centres, Business Centres, Investment Bank branches and direct marketing offices located nationwide, as well as mobile and Internet banking.

With over five decades of proud history in contributing to the financial community in Malaysia with its innovative and entrepreneurial business spirit through its principal subsidiaries, the Group is committed to delivering the best customer experience and creating long-term shareholder value.

For more information on this press release, please contact Agnes Ong, Tel: (03) 2604 3378/(012) 672 4245, Fax: 03-2604 3399 or e-mail: agnesong@alliancefg.com