

ALLIANCE FINANCIAL GROUP RECORDS 10.4% GROWTH Q-o-Q IN NET PROFIT

Kuala Lumpur, 27 November 2015 - Alliance Financial Group Berhad (“AFG” or “the Group”), comprising Alliance Bank Malaysia Berhad (“the Bank”) and its subsidiaries, today announced its results for the second quarter ended 30 September 2015 (“2QFY2016”). The Group reported a net profit after tax of RM134.7 million, a 10.4% improvement compared to the preceding quarter ended 30 June 2015.

In announcing its results, Chief Executive Officer of the Group, Mr. Joel Kornreich said, “We are very encouraged with the results of our FY2016 business strategy: sustainable revenue, profitability driven by effective risk management and the focus on asset efficiency. We made significant progress in reshaping the balance sheet to more effectively defend our margins, with the shift in loan origination strategy, and the optimisation of funding mix and cost of funds. We are also improving our client based fee income activities and are strengthening our capital ratios. Despite the challenging operating environment, business momentum remains strong in our core areas of focus in Consumer and Business Banking, and we continue to sustain excellent asset quality.”

“Reflecting our continuous efforts to enhance shareholder value, the return on equity for the first half of financial year 2016 (“1HFY2016”) is 11.5%, and we have declared an interim dividend of 8 sen per share, representing a dividend payout ratio of 48.3%.”

Excluding the one-off non-recurring gains of RM31.6 million from the sale of land and bancassurance fees last year, net profit after tax at RM256.6 million for 1HFY2016 was 12.2% lower year-on-year (“y-o-y”) due to fewer write backs of loan loss provisions. However, the credit cost excluding recoveries remained stable.

Delivering Sustainable Profitability: Highlights of the Business Performance

- **Revenue Growth**: +6.3% q-o-q and +2.4% y-o-y. Net income for the quarter at RM365.9 million and RM710.3 million for 1HFY2016 driven by improvement in net interest margins, loans growth and higher non-interest income.
- **Net interest margin (“NIM”)**: Net interest margin improved by 3 bps q-o-q to 2.19%, with focus on better risk-adjusted return loans, despite the rise in cost of funds from intensified competition for deposits. NIMs contracted 7 bps y-o-y.



ALLIANCE FINANCIAL GROUP

- **Non-interest income ("NII"):** +17.6% q-o-q and 3.3% y-o-y driven by the growth in client based transaction fees and treasury trading. The non-interest income ratio improved to 25.9% for the quarter and 24.7% for 1HFY2016.
- **Operating Expenses:** Operating expenses were well contained, declining 0.8% q-o-q, but rising marginally 2.6% y-o-y. The cost to income ratio stood at 46.9% for 1HFY2016.
- **Pre-Provision Profit:** Pre-provision profit grew 12.9% q-o-q, but was 0.7% lower against 1HFY2015.
- **Impairment Provisions:** Impairment provisions increased marginally q-o-q by RM2.9 million. However, in 1HFY2016, there was a net charge of RM35.6 million in impairment provisions due to fewer recoveries. In 1HFY2015, there was a net write back of impairment provisions of RM9.8 million, due to recoveries of RM46.5 million from a few large legacy loans.
- **Return on Equity ("ROE"):** Return on Equity rose to 11.7% for the quarter, up from 10.9% in the preceding quarter. Return on equity for 1HFY2016 was 11.5%.

Effective Risk Management

- **Loans Growth:** Net loans and advances stood at RM37.6 billion, growing 10.2% y-o-y and 5.8% on an annualised basis. The Group's loan origination efforts were focused on the better risk adjusted return loans, namely in SME, commercial, and consumer unsecured lending.

Loans growth in the SME sector has remained strong, growing 20.3% y-o-y, while corporate and commercial lending grew moderately at 8.8%. Growth in consumer lending moderated to 7.3% y-o-y, as lending for mortgages slowed to 8.7% y-o-y.

- **Stable Asset Quality:** The gross impaired loans ratio remains stable at 1.1% (industry 1.6%) with loan loss coverage at 92.7%.
- **Healthy Funding and Deposit Growth:** Customer deposits registered a strong y-o-y growth of 8.1% to RM44.1 billion, driven mainly by stronger deposit growth of 7.3% in Consumer Banking and 14.1% in Business Banking.

"The funding position remains stable and supportive of business growth. Despite an overall market contraction, Current and Savings Accounts ("CASA") deposits were 3.3% higher year-on-year at RM14.8 billion. The Group's CASA ratio at 33.6% remains among the highest in the industry. Further, the loans to deposits ratio remains healthy at 86.2%, well below the industry average of 90.1%," said Mr. Kornreich.

- **Strong Capital Ratios:** The Group's capital position remains strong with Common Equity Tier 1 ("CET 1") ratio at 11.7%, and the Total Capital Ratio at 13.6% at end-September 2015. The Group continues to undertake proactive capital management to maintain healthy capital levels that are supportive of future business expansion. Accordingly, the Group completed the issue of RM900 million of subordinated tier two capital bonds in October 2015. Consequently, the Total Capital Ratio has further risen to 16.3%, among the strongest in the industry.

Enhancing Shareholder Value

- **Dividends Payout Ratio:** The Group has declared an interim dividend of 8 sen, which represents a dividend payout ratio of 48.3%.
- **Net Assets per Share:** With Group's shareholders' equity of RM4,521 million as at 30 September 2015, the net assets per share have improved to RM2.98, from RM2.82 a year ago.
- **Return on Assets:** Improved by 10 bps to 1.0%

Looking forward

"Given the more challenging operating environment, the Group will remain focused on effective risk management and executing the business strategies of efficient loans growth, optimisation of funding mix, improving client based fee income and containing expense growth.

In this regard, the Group will continue to leverage on its franchise strength to fulfil the financial needs of business owners, their employees, and their customers. We will also be accelerating our investments in brand building, human capital and infrastructure, as well as initiatives to re-engineer our business operations for greater efficiency to enhance customer experience and shareholder value," said Mr Kornreich.

**** END ****



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