

ALLIANCE FINANCIAL GROUP RECORDS NET PROFIT GROWTH FOR THIRD CONSECUTIVE QUARTER

Kuala Lumpur, 22 February 2016 - Alliance Financial Group Berhad (“AFG” or “the Group”), comprising Alliance Bank Malaysia Berhad (“the Bank”) and its subsidiaries, today announced its results for the third quarter ended 31 December 2015 (“3QFY2016”).

- ***Net profit after tax of RM135.6 million improved 0.7% quarter-on-quarter.***
- ***Better risk adjusted return loans grew at an 11.5% annualized rate, over twice as fast as lower risk adjusted return loans.***
- ***Loans growth in the SME sector remained strong at 17.2% year-on-year.***
- ***Gross impaired loans ratio remained stable at 1.1% compared to an industry average of 1.6%.***
- ***Current and Savings Accounts (“CASA”) deposits were 5.7% higher year-on-year at RM15.2 billion. The Group’s CASA ratio stood at 35.0%.***
- ***Strong capital position with Total Capital Ratio of the Group improving to 17.1%. This is among the strongest in the industry.***

In announcing its results, Chief Executive Officer of the Group, Mr. Joel Kornreich said, “We continue to strengthen our balance sheet by growing our best performing segments and optimising our deposit and loan mix.”

“By doing so, we have limited the net interest margin contraction to 5 bps year-on-year. Stable margins, SME loans growth at 17.2% and a strong CASA ratio at 35.0% all contributed to the sequential net profit growth.”

“We have also strengthened our capital position. Our total capital ratio for the Group has improved to 17.1%, which is among the highest in the industry.”

“Reflecting our continuous efforts to enhance shareholder value, the return on equity for the third quarter of financial year 2016 (“3QFY2016”) was 11.6%, while the net assets per share improved to RM3.02, from RM2.80 a year ago.”

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 RM392.2 million for the nine months ended 31 December 2015 ("9MFY2016") was 6.3% lower year-on-year ("y-o-y") mainly due to fewer write backs of loan loss provisions.

Delivering Sustainable Profitability

- **Revenue Growth:** Net income declined marginally by 1.3% quarter-on-quarter ("q-o-q") and 0.4% y-o-y mainly due to weakening in non-client based income and one-off non-recurring gains last year. However, client-based net income continues to improve by 8.0% q-o-q. Net interest income also grew by 1.3% q-o-q, driven by higher risk adjusted return loans and better pricing discipline.
- **Net interest margin ("NIM"):** NIM reduced 4 bps q-o-q and 5 bps y-o-y to 2.15% mainly due to higher cost of funds arising from the new Tier-2 Subordinated Medium Term Notes issuance. Excluding impact from new Tier-2 Subordinated Medium Term Notes issuance, NIM reduced marginally by 1 bps q-o-q to 2.18%.
- **Non-interest income ("NII"):** Client-based fee income, namely wealth management, commission and other fee income, grew by 8.0% q-o-q. However, due to weakening in non-client based income and one-off recurring gains last year, overall NII declined 10.5% q-o-q or 8.1% y-o-y. Non-interest income ratio was 23.8% for the quarter and 24.4% for the nine-month period ended 31 December 2015.
- **Operating Expenses:** The cost-to-income ratio stayed healthy at 48.4% for the quarter or 47.4% for the nine-month period. The Group continues to maintain cost discipline while investing in enhancing customer experience.
- **Impairment Provisions:** Credit cost for the first nine months was RM40.4 million when compared to RM15.4 million for the corresponding period last year due primarily to higher recoveries last year.
- **Return on Equity ("ROE"):** ROE was at 11.6% for the quarter and 11.4% for the nine-month period ended 31 December 2015.

Healthy Loans Growth Supported By Strong Funding Position

- **Loans Growth:** Net loans and advances grew 8.5% y-o-y to RM38.3 billion. The Group's loan origination efforts were focused on the better risk adjusted return loans, namely in SME, commercial, and consumer unsecured lending, which grew twice as fast as the other segments.

Loans growth in the SME sector remained strong, expanding 17.2% y-o-y, while corporate and commercial lending grew moderately at 7.8%. Growth in consumer lending moderated to 5.6% y-o-y, as lending for mortgages slowed to 6.7% y-o-y.

- **Stable Asset Quality:** Gross impaired loans ratio remained stable at 1.1% (industry 1.6%). Loan loss coverage improved to 125.4%.
- **Healthy Funding and Deposit Growth:** Customer deposits registered a strong y-o-y growth of 5.0% to RM43.5 billion.

“The funding position remains stable and supportive of business growth. Despite market liquidity tightening, CASA deposits were 5.7% higher year-on-year at RM15.2 billion. The Group’s CASA ratio at 35.0% remains among the highest in the industry. Furthermore, the loan-to-deposit ratio remains healthy at 88.8%,” said Mr. Kornreich.

Capital Levels Remain Strong

- **Strong Capital Ratios:** The Group's capital position remains strong with Common Equity Tier 1 ("CET 1") ratio at 11.3%. Total Capital Ratio of the Group improved to 17.1% after completing the RM1.2 billion Tier-2 Subordinated Medium Term Notes issuance in 3QFY2016. This is among the strongest in the industry. The Group continues to undertake proactive capital management to maintain healthy capital levels that are supportive of future business expansion.

Enhancing Shareholder Value

- **Net Assets per Share:** With Group’s shareholders' equity of RM4,671 million as at 31 December 2015, the net assets per share improved to RM3.02, from RM2.80 a year ago.
- **Return on Assets:** Return on assets is well-maintained at 1.0%.

Looking Forward

The current environment is expected to remain challenging and volatile. The Group will continue to focus on its business strategy of delivering sound loans growth, optimising the funding mix and increasing client based income while maintaining discipline over its costs.

“To do this, 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.

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