

## **ALLIANCE FINANCIAL GROUP RECORDS RM132.6 MILLION NET PROFIT IN 2QFY2017**

**Kuala Lumpur, 29 November 2016** – Alliance Financial Group Berhad (“AFG” or “the Group”), comprising Alliance Bank Malaysia Berhad (“the Bank”) and its subsidiaries, today announced its second quarter results for the financial period ended 30 September 2016 (“2QFY2017”).

- *Net profit after tax for the quarter remained flat quarter-on-quarter (“QOQ”) at RM132.6 million.*
- *Better risk adjusted return (“RAR”) loans grew at the annualised rate of 13.8% over the past six months, while lower RAR loans contracted 0.5%.*
- *Net interest margin remained stable at 2.22% quarter-on-quarter (“QOQ”).*
- *SME loans grew strongly at 14.0% YOY, with excellent gross impaired loans ratio of 0.8%.*
- *Overall gross impaired loans ratio stood at 0.9% (industry average: 1.6%).*
- *Loan to deposit ratio and CASA ratio remained strong at 84.6% and 32.9% respectively.*
- *Capital position continued to be healthy with total capital ratio of the Group at 16.8%.*

Commenting on the Group’s results, Chief Executive Officer of the Group, Mr. Joel Kornreich said, “We continue to deliver good financial results because of our strategy of focusing on risk adjusted returns, effective risk management measures and optimisation of balance sheet mix.”

“Our SME loans grew 14.0% and net interest margins improved to 2.22% YOY. Quarter-on-quarter, our loan to deposit ratio and loan to fund ratio improved to 84.6% and 81.5% respectively, while our CASA ratio remains steady at 32.9%.”

The Group’s total capital ratio remains healthy at 16.8% vs. 13.6% a year ago.

The Group’s return on equity for the first half of the year was 10.9%. Net assets per share improved to RM3.27, from RM2.98 a year ago. “We declared an interim dividend of 8.5 sen per

share, representing a dividend payout ratio of 50%,” said Mr. Kornreich. Net profit after tax for the quarter remained flat QOQ at RM132.6 million.

### **Delivering Sustainable Profitability**

**Revenue Growth**: Overall net income for the first-half of the year improved by 1.9% YOY to RM723.5 million, while net interest income for the six month period, inclusive of Islamic Banking, improved by 3.6% YOY to RM554.2 million.

- **Net interest margin (“NIM”)**: NIM was maintained at 2.22% QOQ. However, gross interest margin declined by 4 basis points due to base rate reduction, offset by the yield improvement from higher RAR loans.
- **Non-interest income (“NII”)**: Lower treasury income stemming from derivatives and foreign exchange resulted in non-interest income for the quarter to decline 16.0% YOY.

Client based fee income for the quarter, which includes fees from Islamic Banking, grew 13.7% YOY to RM77.7 million, mainly due to higher trade fees and banking services fees. In the first half of the year, higher wealth management fees, FX sales, trade fees and banking services fees also delivered significantly improved client-based fee income of 14.8% YOY to RM154.6 million.

- **Operating Expenses**: Operating expenses for the six-month period increased only by 0.9% to RM336.4 million, thanks to cost discipline.

The cost-to-income ratio remained healthy at 46.5%, which is below industry average.

- **Impairment Provisions**: Credit cost for the first half of the financial year was RM36.2 million, an annualized 17.9 basis points which is well within the guidance.
- **Return on Equity (“ROE”)**: ROE was at 10.9% for the six-month period ended 30 September 2016.

### **Healthy Loans Growth Supported By Strong Funding Position**

- **Loans Growth**: The Group’s better RAR loans within the consumer, SME, and commercial lending segments grew at the annualized rate of 13.8% for the six-month period, faster than the other segments. The SME sector loans growth remained strong at 14.0% YOY.

- **Stable Asset Quality:** The gross impaired loans ratio improved to 0.9% (industry average: 1.6%). Loan loss coverage including regulatory reserve, increased substantially to 147.0% from 92.7% a year ago.
- **Healthy Funding and Deposit Growth:** Customer deposits grew 4.9% YOY, which is significantly better than industry growth of 1.3%. The Group also continued with its focus on optimising funding mix to minimise cost of funds.

The funding position remains stable and supportive of business growth. The Group's CASA ratio at 32.9% remains among the highest in the industry. Furthermore, the loan to deposit ratio and loan to fund ratio remain healthy at 84.6% and 81.5% respectively.

### Capital Levels Remain Strong

- **Strong Capital Ratios:** The Group's strong capital position with Common Equity Tier 1 ("CET 1") ratio is at 12.2%. After the redemption of RM600 million Tier-2 Subordinated Notes, Total Capital Ratio of the Group stabilised at 16.8%, as compared to 13.6% a year ago, which is among the strongest in the industry.

### Enhancing Shareholder Value

- **Net Assets per Share:** Net assets per share improved to RM3.27, from RM2.98 a year ago. As at 30 September 2016, the Group's shareholders' equity is RM5,066 million.
- **Dividends Payout Ratio:** The Group has declared an interim dividend of 8.5 sen, which represents a dividend payout ratio of 50%.

### Looking Forward

The Malaysian economy registered a gross domestic product ("GDP") growth of 4.3% in the third quarter of this year. Meanwhile, GDP growth for 2016 is expected to be at the lower end of the government's target of between 4.0% and 4.5%.

Given these circumstances, the Group will continue to leverage on its franchise strength to deliver the best counsel and service to serve the needs of its customers. The Group will also continue to optimise and streamline its operations for enhanced efficiency, and roll out new, innovative solutions in the coming months to help customers improve their lives.

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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, SME banking, corporate and commercial 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.

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