ALLIANCE FINANCIAL GROUP

PRESS RELEASE

21 May 2013

ALLIANCE FINANCIAL GROUP RECORDS 7.0% INCREASE IN NET PROFIT TO RM538.1 MILLION

Highlights of the financial year ended 31 March 2013:

- **Higher Net Profit After Tax:** Net profit after tax rose by 7.0% to RM538.1 million for the financial year ended 31 March 2013, driven by an increase in revenue and lower impairment charges.
- **Higher Non-Interest Income Ratio:** Non-interest income ratio improved to 28.7%, from 27.0% a year ago.
- **Return on Equity ("ROE"):** ROE after tax stood at 13.8%.
- **Total Assets:** Total assets expanded 10.0% to RM43.7 billion.
- **Loans Growth Accelerated:** Net loans growth increased 13.4%, higher than industry growth rate, driven by expansion in Consumer and Business Banking loans portfolio.
- **Improvements in Asset Quality:** Net impaired loans improved further to 1.1% from 1.4 % a year ago, significantly better than industry average.
- **Customer Deposits:** Increased by 11.9% to RM36.0 billion, with CASA ratio sustained at 33.6%, and loan to deposits ratio at 78.4%.
- **Strong Capital Ratios:** The Group's Risk Weighted Capital Ratio stood at 14.8%, with Common Equity Tier 1 ("CET 1") ratio at 10.6%, well above BASEL III regulatory requirements.

Kuala Lumpur, 21 May 2013 – Alliance Financial Group Berhad ("AFG" or "the Group"), reported a net profit after tax of RM538.1 million, an increase of 7.0% compared with RM503.1 million for the financial year ended 31 March 2012.

In announcing the results, Group Chief Executive Officer of Alliance Bank Malaysia Berhad, Sng Seow Wah said, "The Group registered a return on equity of 13.8% and earnings per share of 35.3 sen for the financial year ended 31 March 2013. In view of the Group's improved financial performance, the Group had paid a higher dividend of 16.6 sen during the financial year, as compared with 13.3 sen in FY2012. This translated into a dividend payout ratio of 46.9%, in line with our policy to pay up to 50% of net profit after tax as dividends."

"During the year, the Group enhanced its franchise, winning a number of awards, including The Asian Banker's "Best SME Bank" in the Asia-Pacific, Gulf and Africa region, making it the first Malaysian bank to win this coveted award," added Sng.

Improved Financial Performance

For the financial year ended 31 March 2013, net interest and Islamic Banking income had risen by 5.2% to RM972.6 million, as interest margins continued to remain under pressure due to the increased competition in the industry for both loans and deposits.

"The Group's non-interest income ratio improved to 28.7% from 27.0% a year ago. Non-interest income had registered growth of RM40.2 million or 12.6% to RM360.4 million, driven mainly from the Group's continued focus on expanding its treasury sales, net gains from trading and investment securities, transaction banking and wealth management services," said Sng.

The Group's cost-to-income ratio has risen marginally from 47.6% to 47.9%, as the Group continued its investments to upgrade its technology capabilities, and further enhance productivity and efficiency of the operations. Amongst the major technology investments implemented recently were the upgrade of the Internet banking platform.

Momentum in loans growth sustained

Total assets of the Group expanded by 10.0% to RM43.7 billion, mainly due to the growth in net loans. The Group's net loans, including Islamic financing, registered a 13.4% year-on-year increase to RM27.8 billion. The Business Banking portfolio, comprising lending to SME and corporate customers, now represents 44.3% of the total loans portfolio, with Consumer Banking making up the balance 55.7%.

"Our two core areas of focus, that is, the financing of residential properties and SME lending, continue to register above industry growth rates. Growth has also been encouraging in the hire purchase financing portfolio since we re-entered the market a few months ago," explained Sng.

Asset quality continues to improve

Despite the challenging external environment, the Group improved its asset quality with the adoption of a disciplined approach towards credit risk management and collection processes. The net impaired loans ratio dropped to 1.1%, from 1.4% as at 31 March 2012, and the loan loss coverage under MFRS 139 now stands at 82.5%. Similarly, the gross impaired loans ratio too had declined to 2.1% as at 31 March 2013, from 2.5% a year earlier.

Healthy loans-to-deposit ratio

The Group has a liquid balance sheet with a healthy loans-to-deposit ratio of 78.4%. Customer deposits expanded 11.9% year-on-year to RM36.0 billion. The Group also continues to see growth in its CASA deposits to RM12.1 billion (+11.6%); CASA ratio now stands at 33.6% amongst the highest in the industry.

Capital levels positioned for Basel III guidelines

"With effect from 1 January 2013, the Group complies with Bank Negara Malaysia's revised Capital Adequacy Framework. The Framework sets out the approach for computing regulatory capital adequacy ratios for Basel III. The Group's Common Equity Tier 1 ("CET 1") ratio stood at 10.6%, with Tier 1 ratio at 12.1% and Total Capital Ratio at 14.8%. The Group's capital adequacy ratios are well above Basel III requirements due to strong profit generation and by maintaining stable asset quality from Consumer and Business Banking activities," said Sng.

Shareholders' equity strengthened by 7.0% to RM4.0 billion, with net assets per share improving to RM2.60, against RM2.43 as at 31 March 2012.

Looking Forward

"Against the background of projected gross domestic product ("GDP") growth of 5.5% in 2013, the Group will continue to capitalise on its strengths to generate sustainable revenue from existing business in Consumer Banking and Business Banking, while exploring opportunities in Wealth Management, Transaction Banking, Treasury, Islamic Banking and Investment Banking. We will also continue to stay focused on targeted customer and product segments, to build strong customer relationships, as well as leverage on the Group's infrastructure and multiple distribution networks for business growth," said Sng.

Barring unforeseen circumstances, the Group expects to deliver satisfactory performance for the financial year ending 31 March 2014.

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About Alliance Financial Group

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 solutions through its consumer banking, business banking, Islamic banking, investment banking as well as stockbroking businesses.

It provides easy access to its broad base of customers throughout the country via multi-pronged 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.

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