ALLIANCE FINANCIAL GROUP

PRESS RELEASE

6 AUGUST 2013

ALLIANCE FINANCIAL GROUP RECORDS RM137.8 MILLION NET PROFIT IN 1Q FY2014

Highlights of the 1st Quarter ended 30 June 2013 (1Q FY2014):

- **Higher Revenue Growth:** The Group's net income grew 14.0% to RM364.2 million, compared to the corresponding quarter ended 30 June 2012 ("1Q FY2013"), mainly driven by higher net interest and non-interest income.
- **Higher Non-Interest Income:** Non-interest income ratio at 35.4%, up from 27.3% in 1QFY2013.
- **Higher Net Profit after Tax:** On the back of higher revenue, net profit after tax at RM137.8 million, up 10.6% against 1Q FY2013.
- **Return on Equity ("ROE"):** ROE after tax is at 13.5%.
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- **Loans Growth Momentum:** Net loans grew 11.9% year-on-year to RM28.4 billion, driven by expansion in Consumer and Business Banking loans portfolio.
- **Improved Asset Quality:** Net impaired loans improved further to 1.1 % from 1.3% a year ago, with loan loss coverage at 84.7%.
- **Sustained CASA Ratio:** CASA ratio at 35.8%, as CASA deposits expanded by 13.6% year-on-year to RM12.8 billion.
- **Strong Capital Ratios:** The Group's Total Capital Ratio stood at 14.4%, with Common Equity Tier 1 ("CET 1") ratio at 10.3%, well above Basel III regulatory requirements.

Kuala Lumpur, 6 August 2013 - Alliance Financial Group Berhad ("AFG" or "the Group"), comprising Alliance Bank Malaysia Berhad and its subsidiaries, today announced that for the first financial quarter ended 30 June 2013 ("1Q FY2014"), the Group reported a net profit after tax of RM137.8 million, an increase of 10.6% over the corresponding quarter ended 30 June 2012 ("1Q FY2013").

In announcing its results, Group Chief Executive Officer, Sng Seow Wah said, "The Group recorded a return on equity of 13.5% and earnings per share of 9.0 sen for the first quarter. The Group has also paid a higher first interim dividend in respect of the financial year ending 31 March 2014 of 7.5 sen per share, as compared to the first interim dividend of 6.6 sen in the previous year. This payment is in line with the Group's dividend policy to pay up to 50% of its net earnings as dividends, subject to regulatory approvals and maintaining a strong capital adequacy ratio."

The Group continues to enhance its franchise, winning a number of awards including, more recently, The Asian Banking & Finance Retail Banking Awards 2013 for the Alliance OneBank Rewards which was named the “Best Credit Card Initiative of the Year – Malaysia”. In March this year, Alliance Bank was named by the “Best SME Bank" in Asia Pacific, Gulf region and Africa by the Asian Banker; this makes Alliance Bank the first Malaysian bank to win this coveted award.

Improved Financial Performance

"The improved performance compared to the corresponding quarter ended 30 June 2012 was mainly attributed to the growth in interest income and recurring non-interest income," said Sng.

Net interest income grew by 6.1% to RM184.5 million from 1Q FY2013, driven by higher than industry loans expansion particularly in the Consumer and Business Banking segments. Interest margins, however, continued to remain under pressure due to the increased competition in the industry for both loans and deposits.

Non-interest income registered a strong growth to RM125.9 million, driven primarily by recurring non-interest income, particularly from Transaction Banking, Wealth Management, brokerage and Treasury activities, as well as the one-off sign-on fee of RM30 million in respect of the 10-year bancassurance arrangement with Manulife Insurance Berhad.

"The Group's non-interest income ratio has improved further to 35.4% from 27.3% a year ago. Even if we were to exclude the impact of the one-off sign on fee, we are still on track to achieve the 30% target in the medium term," added Sng.

Overhead expenses increased marginally by 8.5% year-on-year as the Group continues to invest in IT infrastructure as well as develop its human capital. The higher overhead expenses also included a one-off provision in relation to the Group’s efforts in consolidating and streamlining operations at the branches and certain departments in the head office.

"The cost-to-income ratio has improved to 48.0% compared to 50.5% a year ago. We expect the cost-to-income ratio to decline further in the next few financial quarters as we continue with the initiatives to improve productivity and efficiency of our business operations," said Sng.

Loans growth momentum driven by core segments

The Group's net loans, including Islamic financing, grew by 11.9% to RM28.4 billion from a year ago. Consumer net loans portfolio grew 19.3% year-on-year, led primarily by residential property mortgage loans, hire purchase and investment lending. Whilst SME lending continued to register a moderate growth of 8.8%, however, corporate lending contracted due to some major loan repayments.

The Business Banking portfolio, comprising lending to SME, commercial and corporate customers, now represents 43.0% of the total loans portfolio, with Consumer Banking making up the balance 57.0%.

"Our two core areas of focus, specifically, 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 slightly more than one year ago," explained Sng.

Asset quality continues to improve

Despite the challenging external environment, the Group achieved further improvement in asset quality with its adoption of a disciplined approach towards credit risk management and collection processes. Impaired loans have reduced to RM559.7 million from RM611.9 million a year ago. The Group’s net impaired loans ratio has also improved to 1.1%, from 1.3% in 1Q FY2013 while loan loss coverage ratio now stands at 84.7%. Concurrently, its gross impaired loans ratio too has improved to 1.9% from 2.4% a year ago.

Healthy loan-to-deposit ratio

As total customer deposits stand at RM35.7 billion at end-June 2013, the Group continues to maintain a liquid balance sheet with a healthy loans-to-deposit ratio of 80.7%. Meanwhile, CASA deposits registered a 13.6% year-on-year growth to RM12.8 billion. The CASA ratio now stands at 35.8%, which is one of the highest in the industry.

Strong capital adequacy levels

“The Group's Common Equity Tier 1 ("CET 1") ratio stood at 10.3%, while Tier 1 Capital and Total Capital ratios were at 11.7% and 14.4% respectively. The Group's capital adequacy ratios remain well above Basel III requirements under Bank Negara Malaysia's revised Capital Adequacy Framework," said Sng.

With the Group’s shareholders' funds standing at RM4.1 billion, the net assets per share has further improved to RM2.68, from RM2.60 as at 31 March 2013.

Looking forward

"With the Malaysian economy expected to register moderate gross domestic product ("GDP") growth of between 5% - 6% in 2013, the Group will continue to capitalise on its strengths to generate sustainable revenue from existing business in Consumer Banking and Business Banking, and expand opportunities in Wealth Management, Transaction Banking, Treasury and Investment Banking. We will also continue to stay focused on key targeted customer and product segments, 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 a 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 and 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.

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