

ALLIANCE FINANCIAL GROUP RECORDS RM269 MILLION NET PROFIT IN 1H FY2014

Highlights of the 1st Half ended 30 September 2013 (1H FY2014):

- **Higher Revenue Growth:** The Group's net income grew 3.1% to RM678.9 million, compared to the corresponding six-month period ended 30 September 2012 ("1H FY2013"), mainly driven by higher net interest and non-interest income.
- **Higher Non-Interest Income:** Non-interest income ratio at 29.8%, up from 27.2% in 1H FY2013.
- **Higher Net Profit after Tax:** On the back of higher revenue, net profit after tax at RM269.0 million, up from RM266.5 million in 1H FY2013.
- **Improved Cost-to-Income Ratio:** The cost-to-income ratio improved to 47.0% from 47.9% a year ago.
- **Return on Equity ("ROE"):** ROE after tax is at 13.3%.
- **Loans Growth Momentum:** Net loans grew 13.1% year-on-year to RM29.5 billion, driven by expansion in Consumer and Business Banking loans portfolio.
- **Improved Asset Quality:** Net impaired loans improved further to 0.9% from 1.2% a year ago, with loan loss coverage at 86.7%.
- **Sustained CASA Deposits:** CASA ratio at 33.4%, as CASA deposits expanded by 10.8% year-on-year to RM12.3 billion.
- **Strong Capital Ratios:** The Group's Total Capital Ratio stood at 14.79%, with Common Equity Tier 1 ("CET 1") ratio at 10.76%, well above Basel III regulatory requirements.

Kuala Lumpur, 29 November 2013 - Alliance Financial Group Berhad ("AFG" or "the Group"), comprising Alliance Bank Malaysia Berhad and its subsidiaries, today announced that for the six months ended 30 September 2013 ("1H FY2014"), the Group reported a net profit after tax of RM269.0 million, compared to RM266.5 million in the corresponding period ended 30 September 2012 ("1H FY2013").

In announcing its results, Group Chief Executive Officer, Sng Seow Wah said, "The Group recorded a return on equity of 13.3% and earnings per share of 17.7 sen for the first half of FY2014."

Improved financial performance

"The improved financial performance in the first half of FY2014 compared to the corresponding period of FY2013 was mainly attributed to the growth in interest income and recurring non-interest income," said Sng.

Net interest income grew by 3.4% to RM377.1 million for first six months of FY2014, driven by net 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 of 15.9% to RM196.2 million for the first half of FY2014, driven primarily by recurring 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 in the first quarter of FY2014 ("Q1 FY2014"). The Group's non-interest income ratio has improved to 29.8% from 27.2% a year ago.

Overhead expenses increased marginally by 1.2% 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 staff rationalisation cost of RM22.3 million in 1H FY2014, 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 47.0% compared to 47.9% 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. Excluding the impact of one-offs, our cost-to-income ratio has improved to 45.7% in 1H FY2014," said Sng.

Loans growth momentum driven by core segments

The Group's net loans, including Islamic financing, grew by 13.1% to RM29.5 billion from a year ago, driven primarily by residential property financing growth of 17.0% year-on-year. SME lending grew by 6.2% year-on-year to RM6.1 billion. 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 at 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 has 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 RM523.3 million from RM600.3 million a year ago, while the Group's gross impaired loans ratio has improved to 1.7% in 1H FY2014 from 2.3% a year ago, which is better than the industry average. The Group's net impaired loans ratio stood at 0.9%, and loan loss coverage was 86.7% as at 30 September 2013.

Healthy loan-to-deposit ratio

The Group continues to maintain a liquid balance sheet with a healthy loans-to-deposit ratio of 81.6% as at 30 September 2013, as customer deposits grew by 14.3% year-on-year to RM36.7 billion in 1H FY2014. Meanwhile, CASA deposits registered a 10.8% year-on-year growth to RM12.3 billion in 1H FY2014. The Group's CASA ratio is sustained at 33.4%, amongst the highest in the industry.

Strong capital adequacy levels

"The Group's Common Equity Tier 1 ("CET 1") ratio stood at 10.76% in 1H FY2014, while Tier 1 Capital and Total Capital ratios were at 12.17% and 14.79% respectively. The Group's capital adequacy ratios remain well above the Basel III requirements under Bank Negara Malaysia's revised Capital Adequacy Framework," said Sng.

The Group's shareholders' equity strengthened by 5.6% year-on-year to RM4.1 billion in 1H FY2014 while the net assets per share further improved to RM2.67 as at 30 September 2013, from RM2.52 a year ago.

Recent developments

"The Group continues to enhance its franchise, winning a number of awards this year. Most recently, Alliance Bank won the Gold for Best Brand Loyalty Campaign for the Alliance OneBank Rewards at the Promotion Marketing Awards of Malaysia 2013. Also known as the PMAA Dragons of Malaysia, the Award honours the best in marketing communications across Asia," added Sng.

The Group has always been committed to investing time, energy and resources to nurture and support the business community in Malaysia. In recognising that the road to profitability for small businesses and new start-ups can be challenging, Alliance Bank has taken the initiative to help young businesses address this. In August 2013, the Bank introduced the Alliance Bank BizSmart Academy, a first-of-its-kind business academy that was designed as the “go-to” resource for young business owners in Malaysia.

In conjunction with this, Alliance Bank also launched its inaugural annual SME Innovation Challenge 2013, inviting young SMEs to submit their business propositions for consideration. Thirteen high-potential young SMEs were selected to undergo structured business coaching and training to assist them to bring their business to the next level. Of the thirteen participants, the one with the best business idea or proposition will stand a chance to win RM250,000 to implement their new, enhanced business plan. The winner is expected to be announced in December 2013.

“Serving our customers well continues to be our key strategic focus. We will continue with our investments in infrastructure and initiatives to re-engineer our operations to improve our customer service. We will also continue to transform our branches and expand our channels to serve our community better,” added Sng.

Looking forward

"With the Malaysian economy expected to register moderate gross domestic product ("GDP") growth of between 4.5% to 5.0% 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 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.

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