

## **ALLIANCE FINANCIAL GROUP RECORDS RM406 MILLION NET PROFIT IN 9M FY2014**

### **Highlights of the nine months results ended 31 December 2013 (9M FY2014):**

- **Higher Revenue Growth**: The Group's net income grew 3% to RM1,007.6 million, compared to the corresponding nine month period ended 31 December 2012 ("9M FY2013"), mainly driven by higher net interest and non-interest income.
- **Higher Non-Interest Income**: Non-interest income ratio at 28.0%, up from 27.2% in 9M FY2013.
- **Higher Net Profit after Tax**: On the back of higher revenue, net profit after tax at RM405.5 million, up from RM399.3 million in 9M FY2013.
- **Improved Cost-to-Income Ratio**: The cost-to-income ratio improved to 45.9% from 47.8% a year ago.
- **Return on Equity ("ROE")**: ROE after tax is at 13.4%.
- **Loans Growth Momentum**: Net loans grew 13.2% year-on-year to RM30.3 billion, driven by expansion in Consumer and Business Banking loans portfolio.
- **Improved Asset Quality**: Gross impaired loans ratio improved further to 1.5% from 2.1% a year ago, with loan loss coverage at 91.2%.
- **Sustained CASA Deposits**: CASA ratio at 35.2%, as CASA deposits expanded by 7.5% year-on-year to RM12.9 billion.
- **Strong Capital Ratios**: The Group's Total Capital Ratio stood at 14.38%, with Common Equity Tier 1 ("CET 1") ratio at 10.44%, well above Basel III regulatory requirements.

**Kuala Lumpur, 13 February 2014** - Alliance Financial Group Berhad ("AFG" or "the Group"), comprising Alliance Bank Malaysia Berhad and its subsidiaries, today announced that for the nine months ended 31 December 2013 ("9M FY2014"), the Group reported a net profit after tax of RM405.5 million, compared to RM399.3 million in the corresponding period ended 31 December 2012 ("9M FY2013").

In announcing its results, Group Chief Executive Officer, Sng Seow Wah said, "The Group recorded a return on equity of 13.4% and earnings per share of 26.7 sen for the first nine months of FY2014."

### **Improved financial performance**

"The improved financial performance in the first nine months 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 6.4% to RM577.6 million for first nine 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 moderate growth of 8.6% to RM271.6 million for the first nine month of FY2014, driven primarily by recurring income, particularly from transaction banking, wealth management and brokerage activities. Accordingly, the Group's non-interest income ratio has improved to 28.0% from 27.2% a year ago.

Overhead expenses decreased marginally by 1.0% year-on-year contributed by effective cost management, as the Group continues to invest in IT infrastructure as well as develop its human capital.

"The cost-to-income ratio has improved to 45.9% compared to 47.8% 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 13.2% to RM30.3 billion from a year ago, driven primarily by residential property and non-residential property financing growth of 15.9% and 22.2% year-on-year. SME lending grew by 8.3% year-on-year to RM6.2 billion. The Business Banking portfolio, comprising lending to SME, commercial and corporate customers, now represents 42.2% of the total loans portfolio, with Consumer Banking making up the balance at 57.8%. "The financing of residential properties and non-residential property, continue to register above industry growth rates. Growth has also been encouraging in the hire purchase financing and the share margin financing segments as part of our initiative to rebalance our portfolio to higher yielding loans," 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.

Gross impaired loans have reduced to RM469.0 million from RM572.7 million a year ago, while the Group's gross impaired loans ratio has improved to 1.5% in 9M FY2014 from 2.1% a year ago, which is better than the industry average. The Group's net impaired loans ratio stood at 0.8%, and loan loss coverage was 91.2% as at 31 December 2013.

### **Healthy loan-to-deposit ratio**

The Group continues to maintain a liquid balance sheet with a healthy loans-to-deposit ratio of 83.6% as at 31 December 2013, as customer deposits grew by 17.1% year-on-year to RM36.7 billion in 9MFY2014. Meanwhile, CASA deposits registered a 7.5% year-on-year growth to RM12.9 billion in 9MFY2014. The Group's CASA ratio is sustained at 35.2%, amongst the highest in the industry.

### **Strong capital adequacy levels**

"The Group's Common Equity Tier 1 ("CET 1") ratio stood at 10.44% in 9M FY2014, while Tier 1 Capital and Total Capital ratios were at 11.81% and 14.38% 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 remains strong at RM4.0 billion for the nine months in FY2014 while the net assets per share is RM2.60 as at 31 December 2013.

### **Recent developments**

"The Group continues to enhance its franchise, winning a number of awards. Most recently, Alliance Bank was honoured with the Sahabat Negara SME Award at the recent 12th SME Recognition Award Ceremony 2013. The Bank was recognised as a true "friend" of small-and-medium enterprises (SMEs) by the SMI Association of Malaysia for the fourth consecutive year for its initiatives in nurturing the development of the SME market through innovative financial solutions and services," said Sng.

The Group has always been committed to investing time, energy and resources to nurture and support the business community in Malaysia. Alliance Bank recognises that the road to profitability for small businesses and new start-ups are challenging, hence has taken the initiative to help young businesses address this. In conjunction with the launch of the Alliance BizSmart Academy in August 2013, the Bank also launched its inaugural SME Innovation Challenge 2013. 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 would stand a chance to win the grand prize of RM250,000 to implement their new, enhanced business plan. The Bank also gave an additional runners-up prize of RM100,000. Both the winner and runner-up were announced in December 2013.

To strengthen its customer service proposition, the Bank officially launched a new branch in Putrajaya today. The Alliance Bank Putrajaya branch offers the full suite of consumer, business and Islamic banking and financial solutions, complete with a 24-hour e-banking lobby equipped with Automated Teller Machines (ATMs), Cash Deposit Machine, and Cheque Express Service.

"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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