

ALLIANCE FINANCIAL GROUP RECORDS RM563.5 MILLION NET PROFIT IN FY2014

Highlights of the financial year ended 31 March 2014 ("FY2014"):

- **Higher Revenue Growth**: The Group's net income grew to RM1,349.0 million, mainly driven by higher net interest and recurring non-interest income.
- **Non-Interest Income**: Non-interest income ratio stood at 27.7%.
- **Higher Net Profit after Tax**: On the back of higher revenue, net profit after tax at RM563.5 million, up 4.7% from RM538.1 million in financial year ended 31 March 2013 ("FY2013").
- **Improved Cost-to-Income Ratio**: The cost-to-income ratio improved to 46.6% from 47.9% a year ago.
- **Return on Equity ("ROE")**: ROE after tax is maintained at 13.8%.
- **Loans Growth Momentum**: Net loans grew 14.6% year-on-year to RM31.8 billion, driven by expansion in Consumer and Business Banking loans portfolio.
- **Improved Asset Quality**: Gross impaired loans ratio improved further to 1.4% from 2.1% a year ago, with loan loss coverage at 92.7%.
- **Sustained CASA Deposits**: CASA ratio at 34.0%, as CASA deposits expanded by 10.1% year-on-year to RM13.3 billion.
- **Strong Capital Ratios**: The Group's Total Capital Ratio stood at 13.67%, with Common Equity Tier 1 ("CET 1") ratio at 10.38%, well above Basel III regulatory requirements.

Kuala Lumpur, 22 May 2014 - Alliance Financial Group Berhad ("AFG" or "the Group"), comprising Alliance Bank Malaysia Berhad and its subsidiaries, today announced that for the financial year ended 31 March 2014 ("FY2014"), the Group reported a net profit after tax of RM563.5 million, up 4.7% from RM538.1 million in the financial year ended 31 March 2013 ("FY2013").

In announcing its results, Group Chief Executive Officer, Sng Seow Wah said, "The Group recorded a return on equity of 13.8% and earnings per share of 37.2 sen for FY2014."

"The Group has also proposed a special dividend of 10.5 sen, bringing the total dividends declared to date to 29.5 sen per share for the financial year ended 31 March 2014. This is 77.7% higher compared to 16.6 sen paid in FY2013. Dividend payout of 79.5% for the year is the highest that we have declared, compared to 46.9% a year ago. This reflects our continuing commitment to pay up to 60% of the net earnings as dividends, subject to regulatory approvals and maintaining a strong capital adequacy ratio," added Sng.

Improved financial performance

"The improved financial performance in the financial year ended 31 March 2014 compared to FY2013, was mainly attributed to the growth in interest income and recurring non-interest income," said Sng.

Net interest income grew by 6.6% to RM778.6 million for 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 for the year was RM359.4 million, driven primarily by recurring income, particularly from transaction banking, wealth management and brokerage activities. The Group's non-interest income ratio stood at 27.7%, compared to 28.7% a year ago.

During the year, the Group continued its investment in IT infrastructure as well as human capital; yet, overhead expenses for the year declined by RM11.1 million or 1.7% due to effective cost management. The overhead expenses for the year included a one-off staff rationalisation cost of RM22.3 million, 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 also improved to 46.6% compared to 47.9% a year ago. We expect the cost-to-income ratio to decline further 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 would have improved to 45.9% in FY2014," said Sng.

Loans growth momentum driven by core segments

The Group's net loans, including Islamic financing, grew by 14.6% to RM31.8 billion from a year ago, driven primarily by residential property and non-residential property financing as well as SME lending.

Residential property financing growth for the year was 14.9% while non-residential property financing growth accelerated to 27.8% for the year. Based on the revised SME definition by Bank Negara Malaysia effective 1 January 2014, SME lending grew by 17.0% year-on-year to RM5.9 billion. The Business Banking portfolio, comprising lending to SME, commercial and corporate customers, now represents 42.8% of the total customer loans portfolio, with Consumer Banking making up the balance at 57.2%.

"Our two core areas of focus, specifically, consumer financing and SME lending, 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," 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 RM442.8 million from RM579.2 million a year ago, while the Group's gross impaired loans ratio improved to 1.4% in FY2014 from 2.1% a year ago, which is better than the industry's average. The Group's net impaired loans ratio stood at 0.7%, while loan loss coverage increased to 92.7% as at 31 March 2014.

Healthy loan-to-deposit ratio

The Group continues to maintain a liquid balance sheet with a healthy loans-to-deposit ratio of 82.1% as at 31 March 2014, as customer deposits grew by 9.0% for the year to RM39.2 billion. Meanwhile, CASA deposits registered a 10.1% year-on-year growth to RM13.3 billion. The Group's CASA ratio improved to 34.0% from a year ago, and remains amongst the highest in the industry.

Strong capital adequacy levels

"The Group's Common Equity Tier 1 ("CET 1") ratio stood at 10.38% in FY2014, while Tier 1 Capital and Total Capital ratios were at 11.43% and 13.67% 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 RM4,166 million as at 31 March 2014 while the net assets per share improved to RM2.69 from RM2.60 a year ago.

Recent developments

The Group, via Alliance Investment Bank Berhad ("AIBB"), had completed the acquisition of the 51% equity interest in HwangDBS Vickers Research Sdn Bhd on 6 May 2014. The acquisition enables AIBB to establish a joint venture for research with DBS Vickers Securities Limited ("DBS Vickers"), Singapore, a subsidiary of DBS Group.

"With the establishment of this joint venture in equities research, our research capabilities will be enhanced as we can now provide extensive coverage of both the Malaysian equities listed on Bursa Malaysia as well as regional equities. Concurrently, DBS Vickers' clients abroad will have access to the research on the Malaysian equities, as well as execute their trades on Bursa Malaysia through AIBB," said Sng. The acquisition will see a merging of expertise and knowledge of both research teams to serve their institutional and retail clients better.

The Group continues to enhance its franchise, winning a number of awards. Recently, Alliance Bank was named "Asia's Most Customer Friendly Bank" and "Asia's Best Online Banking" by IDC Financial Insights at the 10th Financial Insights Innovation Awards ("FIIA") ceremony held at the Asian Financial Services Congress in Singapore. Alliance Bank's award submissions had distinguished itself from more than 70 of the most transformative IT projects undertaken by Asia Pacific's leading financial services industry over the past year.

Alliance Bank has also been awarded the "Best SME Bank in Malaysia 2013" by a reputable UK-based international publication, Global Banking & Finance Review. The award recognises the Bank's progressive customer relationship model, innovation of products and financial solutions, and strong program lending model. For the second consecutive year, Alliance Bank has also won the awards for "Service Excellence in SME Banking" at the Retail Banker International Asia Trailblazer Awards 2014, and for "Highest Payment Volume Growth" for Visa Platinum Card at the VISA Malaysia Bank Awards 2013.

Alliance Bank also scored the highest Customer Satisfaction Index Score 2013 amongst its domestic peers in a survey carried out by the Malaysia Productivity Corporation under the aegis of the Association of Banks Malaysia late last year.

"Winning awards and gaining recognition re-affirm that the Bank's initiatives are on the right track towards our aspiration of building the "Best Customer Service Bank" in Malaysia. 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," said Sng.

Looking forward

"With the Malaysian economy expected to register moderate gross domestic product ("GDP") growth of between 4.5% to 5.5% in 2014, 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 2015.

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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, business 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.

For more information on this press release, please contact Agnes Ong, Tel: (03) 2604 3378, Cellphone: (012) 672 4245, Fax: 03-2604 3399 or e-mail: agnesong@alliancefg.com