

## **ALLIANCE FINANCIAL GROUP RECORDS RM311.1 MILLION NET PROFIT IN 1H FY2015**

### **Highlights of the 1<sup>st</sup> Half ended 30 September 2014 (1H FY2015):**

- **Higher Revenue Growth**: The Group's net income grew 7.1% to RM726.9 million, compared to the corresponding six-month period ended 30 September 2013 ("1H FY2014"), mainly driven by higher net interest and non-interest income.
- **Higher Interest Income**: Interest income grew 11.6% to RM421.0 million, up from RM377.1 million in 1H FY2014.
- **Higher Net Profit after Tax**: On the back of higher revenue, net profit after tax at RM311.1 million, up from RM269.0 million in 1H FY2014.
- **Improved Cost-to-Income Ratio**: The cost-to-income ratio improved to 44.3% from 47.0% a year ago.
- **Return on Equity ("ROE")**: ROE after tax improved to 13.9% from 13.3% in 1H FY2014.
- **Loans Growth Momentum**: Net loans grew 15.5% year-on-year to RM34.1 billion, driven by expansion in Consumer and Business Banking loans portfolio.
- **Improved Asset Quality**: Net impaired loans improved further to 0.7% from 0.9% a year ago, with loan loss coverage at 88.6%.
- **Sustained CASA Deposits**: CASA ratio at 35.2%, as CASA deposits expanded by 16.7% year-on-year to RM14.3 billion.
- **Strong Capital Ratios**: The Group's Total Capital Ratio stood at 13.19%, with Common Equity Tier 1 ("CET 1") ratio at 10.13%, well above Basel III regulatory requirements.

**Kuala Lumpur, 26 November 2014** - 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 2014 ("1H FY2015"), the Group reported a net profit after tax of RM311.1 million, compared to RM269.0 million in the corresponding period ended 30 September 2013 ("1H FY2014").

In announcing its results, Relief Officer / Group Chief Operating Officer, Raymond Leung Chun-Kow said, "The Group recorded a return on equity of 13.9% and earnings per share of 20.5 sen for the first half of FY2015. The Group has also proposed the payment of a first interim dividend of 9.0 sen. This reflects our continuing commitment to pay up to 60% of our net earnings as dividend, subject to regulatory approvals and maintaining a strong capital adequacy ratio."

### **Improved financial performance**

"The improved financial performance in the first half of FY2015 compared to the corresponding period of FY2014 was mainly attributed to the growth in interest income and recurring non-interest income" said Leung.

Net interest income registered a growth of 11.6% to RM421.0 million for first six months of FY2015, driven mainly 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 grew 1.1% to RM198.3 million for the first half of FY2015, and the non-interest income ratio stood at 28.1%.

Notwithstanding the Group's continued investments in IT infrastructure and human capital, operating expenses for the first half increased marginally by 0.9% year-on-year due to effective cost management.

"The cost-to-income ratio improved to 44.3% when compared to 47.0% a year ago as we continue with our initiatives to improve productivity and efficiency of business operations," said Leung.

"The net write-back in 1HFY15 was due to recovery of several large accounts, despite the higher collective assessment arising from loans growth. For the six-month period, the credit charge for loans and financing, excluding the impact of the recoveries, was 10.3 basis points," added Leung.

### **Loans growth momentum driven by core segments**

The Group's net loans, including Islamic financing, grew 15.5% to RM34.1 billion from a year ago, driven primarily by residential and non-residential property financing as well as SME lending.

Residential property financing grew 15.2% year-on-year to RM14.3 billion, while non-residential property financing expanded 36.8% year-on-year to RM5.6 billion. Based on the revised SME definition by Bank Negara Malaysia (BNM) which took effect in 1 January 2014, SME lending grew 24.4% year-on-year to RM6.8 billion.

The Business Banking portfolio, comprising of lending to SME, commercial and corporate customers, now represents 42.4% of the total customer loans portfolio, with Consumer Banking making up the balance at 57.6%.

"Our two core areas of focus, specifically, consumer financing and SME lending, continue to register above industry growth rates. The growth in residential and non-residential property financing is mainly attributed to the disbursements of loans previously approved, as new approvals have registered a slower growth in line with the softer property market," explained Leung.

### **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 declined to RM412.8 million from RM523.2 million a year ago, and consequently, the Group's gross impaired loans ratio has improved to 1.2% in 1H FY2015 (1HFY2014: 1.7%), which is better than the industry's average. The net reduction in gross impaired loans was mainly contributed by recoveries.

The Group's net impaired loans ratio stood at 0.7%, while loan loss coverage was 88.6% as at 30 September 2014.

### **Healthy loans-to-deposit ratio**

The Group continues to maintain a liquid balance sheet with a healthy loans-to-deposit ratio of 84.5% as at 30 September 2014, as customer deposits grew by 11.0% year-on-year to RM40.8 billion in 1H FY2015.

Meanwhile, CASA deposits registered a 16.7% year-on-year growth to RM14.3 billion in 1HFY2015. 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 10.13% in 1H FY2015, while Tier 1 Capital and Total Capital ratios were at 11.11% and 13.19% respectively. The Group's capital adequacy ratios remain well above the Basel III requirements under BNM's revised Capital Adequacy Framework.

The Group's shareholders' equity strengthened by 5.6% year-on-year to RM4.4 billion in 1HFY2015 while net assets per share further improved to RM2.82 as at 30 September 2014, from RM2.67 a year ago.

### **Recent developments**

The Group continues to enhance its franchise, winning a number of awards this year. In July 2014, Alliance Bank was awarded the "Online Banking Initiative Of The Year – Malaysia" by the Asian Banking & Finance for the Alliance BizSmart Online Banking initiative. The Bank's award submission of BizSmart Online Banking stood out as the first in Southeast Asia to offer big business online banking tools to small businesses, complemented by a comprehensive solution bundle for the transaction banking needs of SMEs.

The next month, Alliance Bank was recognised as the "Best SME Bank Malaysia 2014" by the Global Financial Market Review, and in September 2014, the Alliance Bank's MyBusiness Platinum Card was named "Best Business Card Programme, Asia" at the Cards & Electronic Payment International (CEPI) Asia Trailblazer Summit Awards 2014.

"Winning these awards re-affirms us that the Bank's strategies are on the right track towards our aspiration of building the 'Best Customer Service Bank' in Malaysia. 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 customers and community better," said Leung.

The Group has always been committed to investing time, energy and resources to nurture and support the business community in Malaysia. Alliance Bank launched the second season of the BizSmart Academy SME Innovation Challenge in July 2014, after a very successful inaugural year, inviting young SMEs to submit their business propositions for consideration. The SME Innovation Challenge 2014 is back, bigger and better, with an improved learning programme, enhanced CEO Chatroom series and more prize money.

This year, the SME Innovation Challenge received over 480 submissions from young businesses nationwide. Twenty high-potential young SMEs were selected to undergo structured business coaching and training to assist them to bring their business to the next level. Winners are expected to be announced at the end of November 2014.

**Looking forward**

"With the Malaysian economy expected to register moderate gross domestic product ("GDP") growth of between 5% to 5.5% in 2015, 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. However, we do expect top line revenue growth to remain a challenge with intensified competition for funding and increased volatility in financial markets. Notwithstanding this, 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 Leung.

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**

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. The Group 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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