

ALLIANCE FINANCIAL GROUP RECORDS RM437.5 MILLION NET PROFIT IN 9M FY2015

Highlights of the nine months results ended 31 December 2014 (9M FY2015):

- **Higher Revenue Growth**: The Group's net income grew 6.6% to RM1,074.1 million, compared to the corresponding nine-month period ended 31 December 2014 ("9M FY2014"), mainly driven by higher net interest and non-interest income.
- **Higher Interest Income**: Interest income grew 9.8% to RM634.5 million, up from RM577.6 million in the corresponding period last year.
- **Higher Net Profit after Tax**: On the back of higher revenue, net profit after tax at RM437.5 million, up from RM405.5 million in 9M FY2014.
- **Improved Cost-to-Income Ratio**: The cost-to-income ratio improved to 44.6% from 45.9% a year ago.
- **Return on Equity ("ROE")**: ROE after tax maintained at 13.4%.
- **Loan Growth Momentum**: Net loans grew 16.7% year-on-year to RM35.3 billion, driven by expansion in Consumer and Business Banking loans portfolio.
- **Improved Asset Quality**: Net impaired loans improved further to 0.7% from 0.8% a year ago, with loan loss coverage at 94.2%.
- **Sustained CASA Deposits**: CASA ratio at 34.8%, as CASA deposits expanded by 11.8% year-on-year to RM14.4 billion.
- **Strong Capital Ratios**: The Group's Total Capital Ratio stood at 12.91%, with Common Equity Tier 1 ("CET 1") ratio at 10.87%, well above Basel III regulatory requirements.

Kuala Lumpur, 16 February 2015 - 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 2014 ("9M FY2015"), the Group reported a net profit after tax of RM437.5 million, compared to RM405.5 million in the corresponding period ended 31 December 2013 ("9M FY2014").

In announcing its results, Group Chief Executive Officer, Mr. Joel Kornreich said, "The Group recorded a return on equity of 13.4% and earnings per share of 28.8 sen for the first nine months of financial year ended 2015 ("FY2015")."

Improved financial performance

"The improved financial performance in the first nine months of FY2015 compared to the corresponding period last year was mainly attributed to the growth in interest income and recurring non-interest income," said Mr. Kornreich.

Net interest income registered a growth of 9.8% to RM634.5 million for first nine months of FY2015, driven mainly by the 16.7% 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 0.8% to RM273.7 million for the first nine months of FY2015, and the non-interest income ratio stood at 26.3%.

The Group continues to prioritise initiatives relating to streamlining of processes, productivity improvement and cost management as part of its strategic priorities in the year. As a result, the Group's cost-to-income ratio improved to 44.6%, compared to 45.9% a year ago. Operating expenses for the nine-month period increased by 3.4% year-on-year, mainly attributed to marketing expenses. Concurrently, the Group continued with its investments in human capital and infrastructure, as well as initiatives to re-engineer operations, transform branches and expand channels to deliver superior customer service.

"The net allowance for losses on loans and financing in 9M FY2015 was mainly due to the higher collective assessment arising from loans growth and migration from credit re-rating. For the nine-month period, the credit cost for loans and financing, excluding the impact of the recoveries, was 20.8 basis points," added Mr. Kornreich.

Loan growth momentum driven by core segments

The Group's net loans and financing, including Islamic financing, grew 16.7% to RM35.3 billion from a year ago, driven primarily by residential and non-residential property financing, as well as SME lending.

Residential property financing grew 14.8% year-on-year to RM14.7 billion, while non-residential property financing expanded 36.4% year-on-year to RM6.0 billion. Based on the revised SME definition by Bank Negara Malaysia (BNM) effective 1 January 2014, SME lending grew 31.7% year-on-year to RM7.3 billion.

The Business Banking portfolio, comprising of lending to SME, commercial and corporate customers, now represents 42.9% of the total customer loans portfolio, with Consumer Banking making up the balance at 57.1%.

"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 contributed by our competitive housing loan packages, and business premises finance especially for the SMEs," explained Mr. Kornreich.

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.

As a result of strong recoveries in the nine-month period, the Group's impaired loans declined to RM405.6 million from RM469.0 million a year ago. Consequently, the Group's gross impaired loans ratio improved to 1.1% in 9M FY2015 (9M FY2014: 1.5%), which is better than the industry average. The Group's net impaired loans ratio stood at 0.7%, and loan loss coverage was 94.2% as at 31 December 2014.

Customer Deposits and healthy loan-to-deposit ratio

The Group's customer deposits grew strongly by 13.0% year-on-year to RM41.5 billion, in 9M FY2015, significantly higher than the industry's growth rate of 7.3%. In particular, the CASA deposits registered a 11.8% year-on-year growth to RM14.4 billion in 9M FY2015, thereby sustaining the CASA ratio at 34.8%, amongst the highest in the industry.

As the loans growth had outpaced the deposits growth rate, the Group's loans-to-deposit ratio had risen marginally to 86.0% as at 31 December 2014.

Strong capital adequacy levels

The Group's Common Equity Tier 1 ("CET 1") and Tier 1 Capital ratios stood at 10.87% in 9M FY2015, while Total Capital ratio was at 12.91%. 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 7.6% year-on-year to RM4.3 billion in 9M FY2015 while net assets per share further improved to RM2.80 as at 31 December 2014, from RM2.60 a year ago.

Recent developments

The Group has always been committed to investing time, energy and resources to nurture and support the business community in Malaysia. In this regard, Alliance Bank had launched the second season of the BizSmart Academy SME Innovation Challenge in July 2014, after a very successful inaugural year, this time with improved business coaching sessions, enhanced CEO Chatroom series and more prize money. From over 480 submissions from young businesses nationwide, twenty high-potential young SMEs were selected to undergo structured business coaching and training programme to assist them in bringing their business to the next level. On 28 November 2014, Biji-biji Initiative was announced the winner and walked away with RM250,000 cash prize.

The Group continues to enhance its franchise, gaining a number of recognitions this year. Recently, Alliance Bank moved to 29th ranking on the roster of Malaysia's 100 Leading Graduate Employers, from 78th position a year ago. This was the result of a survey that ranks the 100 most popular employers overall and the most popular employers within major career sectors within Malaysia. The Bank was recognised for its commitment to develop and nurture the next generation of professional bankers, with various ongoing initiatives for management training, customer excellence and leadership excellence. The Bank's success is also attributed to streamlining of the recruitment process to focus on competencies, values and placing emphasis on skills.

The Group was included in the new FTSE4Good Bursa Malaysia ("F4GBM") Index (previously known as the Environmental, Social, Governance ("ESG") Index) for Malaysian Public Listed Companies, which was launched on 22 December 2014. The new F4GBM Index is designed to measure the performance of companies demonstrating strong ESG practices. The F4GBM Index constituents were selected and screened in accordance with internationally benchmarked ESG criteria.

In November 2014, the Group's subsidiary, Alliance Investment Bank Berhad ("AIBB") was awarded the 3rd ranking in the Asiamoney Brokers Poll 2014 for Malaysia's "Most Improved Brokerage Over The Last 12 Months" by Asiamoney magazine. AIBB was ranked 10th in the previous year. AllianceDBS Research also moved up the rank to 8th place for Best Overall Research, two placing higher from 2013. These achievements reflect our progress in the institutional and retail broking business, as well as the value created from our recent merger with HwangDBS Vickers Research Sdn Bhd.

"Gaining recognition reaffirms us that the Bank's strategies are on the right track towards our aspiration in building the 'Best Customer Service Bank' in Malaysia. We will continue to enhance our franchise for the benefits of our esteemed customers, and manage a sustainable corporate responsibility programme for the benefits of our community," said Mr. Kornreich.

Looking forward

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

"Given the external headwinds, 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 building strong relationships in key customer segments as well as leverage on the Group's infrastructure and distribution networks for business growth. We will also continue to exercise caution, implement vigilant risk management, and stay focus on asset efficiency, liquidity management and capital management as part of our balance sheet optimisation priorities going forward," said Mr. Kornreich.

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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