ALLIANCE FINANCIAL GROUP

**PRESS RELEASE**

**27 May 2015**

# ALLIANCE FINANCIAL GROUP RECORDS RM530.8 MILLION NET PROFIT IN FY2015

**Highlights of the financial year ended 31 March 2015 ("FY2015"):**

- **Revenue Growth:** The Group's net income grew by 2.5% to RM1,383.0 million, up from RM1,349.0 million for the financial period ended 31 March 2014 ("FY2014").
- **Pre-Provision Profit:** Pre-provision profit rose by 2.1% to RM736.1 million, up from RM720.8 million last year.
- **Net Profit after Tax ("NPAT"):** Net profit after tax recorded at RM530.8 million.
- **Sustained Cost-to-Income Ratio:** Cost-to-income ratio at 46.8%, supported by initiatives relating to the streamlining of processes, productivity improvement and cost management.
- **Return on Equity ("ROE"):** ROE after tax at 12.3%. Declared Second Interim Dividend of 6.4 sen per share. Total Dividends paid of 15.4 sen per share or 45% of Net Profit After Tax.
- **Loans Growth Momentum:** Net loans grew 14.9% year-on-year to RM36.6 billion, driven by expansion in Consumer and Business Banking loan portfolio.
- **Improved Asset Quality:** Gross impaired loans ratio improved further to 1.0% from 1.4% a year ago, with loan loss coverage at 102.7%.
- **Sustained CASA Deposits:** CASA ratio at 33.6%, underpinned by CASA deposit growth of 12.5% year-on-year. Overall customer deposits grew by 13.7%
- **Strong Capital Ratios:** The Group's Total Capital Ratio stood at 13.0%, with Common Equity Tier 1 ("CET 1") ratio at 11.1%, well above Basel III regulatory requirements.

***Kuala Lumpur, 27 May 2015*** - Alliance Financial Group Berhad ("AFG" or "the Group"), comprising Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries, today announced that for the financial year ended 31 March 2015 ("FY2015"), the Group reported a net profit after tax of RM530.8 million, compared to RM563.5 million in the financial year ended 31 March 2014 ("FY2014").

In announcing its results, Chief Executive Officer of the Group, Mr. Joel Kornreich said, "The Group recorded a return on equity of 12.3% and earnings per share of 34.8 sen for FY2015."

"The Group also proposed a second interim dividend of 6.4 sen, bringing the total dividends declared to 15.4 sen per share for the financial year ended 31 March 2015, or 45% of the net profit after tax (NPAT)," added Mr. Kornreich.

## Improved financial performance

"The Group registered a modest revenue growth of 2.5%, as the growth in net interest income from the expansion in the loans portfolio was partially offset by moderate margin compression and lower non-interest income from trading activities," said Mr. Kornreich.

Net interest income grew by 5.4% to RM820.6 million for FY2015, driven by net loans expansion of 14.9% particularly in the Consumer and Business Banking segments. Growth in Islamic Banking income accelerated to 6.7%.

Net interest margins however, continued to be under pressure due to increased competition for retail deposits, ahead of the implementation of the new liquidity coverage ratios.

Non-interest income for the year was RM337.3 million, driven primarily by client related recurring income, which grew in transaction banking, foreign exchange, trade and brokerage activities.

Overall non-interest income declined by RM22.1 million or 6.1% y-o-y, due to lower trading gains from sale of securities and revaluation of financial assets as a result of volatility in currency and fixed income markets. The Group's non-interest income ratio stood at 25.4%.

Costs remained well contained and grew marginally by 3% in FY2015. Overall, the cost-to-income ratio was maintained at 46.8% as the Group prioritised various initiatives relating to the streamlining of processes, productivity improvement and effective cost management.

During the year, the Group continued with its investments in brand building, human capital and infrastructure, as well as initiatives to re-engineer operations, transform branches and expand channels to enhance customer service.

"There was a net charge of RM32.9 million for impairment provisions this financial year, in contrast to a net write-back of RM28.5 million, as credit costs began to normalise, following the recovery of most of the legacy loans in the last three years," said Mr. Kornreich.

## Loan growth momentum driven by core segments

The Group's net loans, including Islamic financing, grew by 14.9% to RM36.6 billion from a year ago, driven primarily by residential property and non-residential property financing as well as SME lending.

"Our two core areas of focus, specifically, consumer financing and SME lending, continued to register strong growth that is well above the industry," explained Mr. Kornreich. Residential property financing growth for the year was 13.5%, while non-residential property financing growth accelerated to 35.5% for the year. The SME lending portfolio grew strongly by 26.8% year-on-year to RM7.5 billion.

## Asset quality continues to improve

Despite the challenging external environment, the Group has achieved further improvement in asset quality with its disciplined approach towards credit risk management and collection processes.

Gross impaired loans have declined to RM380.7 million from RM442.8 million a year ago, while the Group's gross impaired loans ratio improved further to 1.0% in FY2015 from 1.4% a year ago. The Group's net impaired loans ratio also improved to 0.6%, while loan loss coverage increased to 102.7% as at 31 March 2015.

## Healthy loan-to-deposit ratio

The Group continues to maintain a liquid balance sheet with a healthy loan-to-deposit ratio of 82.8% as at 31 March 2015. Customer deposits grew 13.7% for the year to RM44.6 billion. Meanwhile, Current Account Savings Account (CASA) deposits grew 12.5% year-on-year to RM15.0 billion. "The Group's CASA ratio at 33.6% remains amongst the highest in the industry," said Mr. Kornreich.

## Strong capital adequacy levels

The Group's capital position remains strong with Common Equity Tier 1 ("CET 1") ratio at 11.1%, and the Total Capital Ratio at 13.0%. With Group's shareholders' equity of RM4,495 million as at 31 March 2015, the net assets per share has improved to RM2.90 from RM2.69 a year ago.

## Recent developments

In the year under review, the Group continues to make great strides in strengthening its shareholder and franchise value.

The Bank continues to chart new milestones in the region for its contribution in helping its customers succeed in business and in life. For its work in the SME segment, the Bank was recognised by the prestigious Asian Banker for being the “Best SME Bank” in Asia Pacific, Gulf region & Africa. The Bank was also awarded the “Excellence in SME Banking” for the third consecutive year by the Retail Banker International (RBI) at the Asia Trailblazer Awards 2015 and noted for being a “Sahabat SME Negara” for the fifth consecutive year at the 13th SME Recognition Awards 2014.

Alliance Bank’s BizSmart Academy programme, a learning initiative for Malaysian SMEs, was also commended by The Asian Banker for being the “Best Retail Banking Brand Initiative” and was highly commended at the Asia Trailblazer Awards 2015 as the “Best Community Outreach Programme”.

The Bank’s efforts in promoting professional development in the financial services industry had also not gone unnoticed. Its Management Trainee Programme for graduates clinched the title of “Best Graduate Programme” at the RBI Asia Trailblazer Awards 2015, a bronze for “Best Graduate Recruitment Programme” at the Asia Recruitment Awards 2015, and the Bank moved to 29th ranking from 78th position a year ago in the Malaysia’s 100 Leading Graduate Employers survey.

“These accolades and recognitions underscore our commitment to enrich our franchise with unique product solutions and service innovations for our customers,” said Mr. Kornreich.

## Looking forward

With the Malaysian economy expected to register a steady gross domestic product ("GDP") growth of 4.5% to 5.5% in 2015, the Group will continue to capitalise on its strengths to generate sustainable revenue from existing business in Consumer Banking, Business Banking and Transactional Banking, and expand business activities where the Group has competitive advantage.

The Group will continue to capitalise on its strength in the SME segment as well as Transactional and Business Banking to generate sustainable revenue growth.

It will also centre its Consumer Banking activities around Wealth Management, cards and unsecured lending, with a strong focus on fulfilling the financial needs of the owners, employees and clients of SME and Business Banking partners.

“The focus areas for Financial Year 2016 will be to further improve asset efficiency as measured by risk adjusted returns, ensure deposits growth exceeds loans growth and continue to grow customer based non-interest income," said Mr. Kornreich.

Financial Markets will focus on helping our customers with their foreign exchange and treasury products needs, as well as on optimizing the balance sheet for returns within a prudent risk management framework.

Investment Banking, having built its capabilities in the debt and equity markets, will support the Group's SME and Business Banking customers with enhanced access to capital markets in addition to growing its institutional broking business.

The Group expects that these actions will position its business for sustainable revenue and profit growth in financial year 2016.

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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.

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