ALLIANCE FINANCIAL GROUP

PRESS RELEASE

26 May 2016

ALLIANCE FINANCIAL GROUP RECORDS RM522.0 MILLION NET PROFIT IN FY2016

Kuala Lumpur, 26 May 2016 - Alliance Financial Group Berhad ("AFG" or "the Group"), comprising Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries, today announced its results for the financial year ended 31 March 2016 ("FY2016").

- ***Net profit after tax for the year of RM522.0 million.***
- ***Better risk adjusted return loans grew at the rate of 15%, five times as fast as lower risk adjusted return loans.***
- ***Net Interest Margin maintained at 2.15%.***
- ***Loans growth in the SME sector remained strong at 19.7% year-on-year ("YOY"), with an excellent gross impaired loans ratio at 1%.***
- ***Overall gross impaired loans ratio at 1.3%, better than industry average of 1.6%. Loan loss coverage ratio was 109.1%.***
- ***Strong loan to deposit ratio and CASA ratios at 84.2% and 32.1% respectively***
- ***Healthy capital position with Total Capital Ratio of the Group improving to 17.4% from 13% a year ago, near the top of the industry.***

When commenting on the Group's results, Chief Executive Officer of the Group, Mr. Joel Kornreich said, "Our strategy of growing our best performing segments and optimising our deposit mix continues to yield positive results. We were able to grow our SME loans nearly 20%, maintain our net interest margins at 2.15%, while holding our credit costs down. Being selective in our loans growth strategy has also helped us maintain a very healthy liquidity position, with a loan to deposit ratio of 84.2%, loan to fund ratio of 80.1% and CASA ratio of 32.1%"

"Meanwhile, our total capital ratio is now near the top of the industry, at 17.4% vs. 13% a year ago."

"Reflecting our continuous efforts to enhance shareholder value, the return on equity for the year was 11.2%, while the net assets per share improved to RM3.13, from RM2.90 a year ago."

"The second interim dividend of 6.5 sen proposed by the Group, brings the total dividends declared to 14.5 sen per share for the year, or 43% of the net profit after tax."

Excluding last year's one-off non-recurring gains, net profit after tax for the year at RM522 million, was marginally lower by 1.6% YOY mainly due to fewer write backs of loan loss provisions. On a similar basis, pre-provision operating profit improved slightly by 0.2% YOY to RM735.2 million.

Delivering Sustainable Profitability

- ***Revenue Growth:*** Net overall income improved 3% YOY. Higher net interest income growth of 3.3% YOY was driven by higher risk adjusted return ("RAR") loans and better pricing discipline. Net income declined by 2.3% quarter-on-quarter ("QOQ"), mostly because of lower net interest income attributable to increase in cost of funds.

- ***Net interest margin ("NIM"):*** NIM was maintained at 2.15% YOY as yields improved from higher RAR loans and better pricing discipline, despite the rising cost of funds. NIM reduced 3 bps QOQ, mainly due to higher cost of funds caused by the impact of the recent Subordinated Medium Term Notes issuance, funding from Cagamas and growth in fixed deposits during the quarter.

- ***Non-interest income ("NII"):*** Excluding the one-off non-recurring gains, non-interest income improved by 8.7% YOY but declined by 2.3% QOQ. Non client-based fee income grew 14.4% YOY and 6.5% QOQ, mainly due to gains from financial instruments, derivatives and foreign exchange. Client-based fee income, affected by the weaker operating environment, declined by 1.3% YOY.

- ***Operating Expenses:*** The cost-to-income ratio stayed healthy at 48.4% for the year, which is below industry average. Operating expenses increased 6.5% YOY and 3.2% QOQ, mainly due to franchise research, GST cost, personnel cost (collective agreement and sales incentives) and deposit insurance premium. Cost-to-income ratio will be maintained below 50% with continued cost control and selected franchise investment to enhance customer experience.

- ***Impairment Provisions:*** Credit cost for the year was RM40.6 million when compared to RM32.9 million last year due primarily to higher recoveries last year.

- ***Return on Equity ("ROE"):*** ROE for the year was at 11.2%.

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Healthy Loans Growth Supported By Strong Funding Position

- ***Loans Growth:*** Net loans and advances grew 5.0% YOY to RM38.4 billion. The Group’s loan origination efforts were focused on the better RAR loans within SME, commercial, and consumer lending segments, which grew five times as fast as the other segments in percentage terms.

- ***Stable Asset Quality:*** The gross impaired loans ratio at 1.3% was better than industry average of 1.6%. Loan loss coverage improved to 109.1% from 102.7% a year ago, reflecting a healthy position.

- ***Healthy Funding and Deposit Growth:*** Customer deposits registered a YOY growth of 3.2% to RM46 billion despite an industry-wide contraction of 1%.

  "With the recent Subordinated Medium Term Notes issuance and funding from Cagamas, the funding position is further optimised with longer term maturities to create a more robust balance sheet profile that will be supportive of business growth. The Group's CASA ratio at 32.1% remains among the highest in the industry. Furthermore, the loan to deposit ratio and loan to fund ratio remain healthy at 84.2% and 80.1% respectively," said Mr. Kornreich.

Capital Levels Remain Strong

- ***Strong Capital Ratios:*** The Group's capital position is strong with Common Equity Tier 1 ("CET 1") ratio at 11.8%. After completion of the RM1.2 billion Tier-2 Subordinated Medium Term Notes issuance, Total Capital Ratio of the Group improved to 17.4%, from 13% a year ago. This is among the strongest in the industry.

  The Group continues to undertake proactive capital management to maintain healthy capital levels that are supportive of future business expansion.

Enhancing Shareholder Value

- ***Net Assets per Share:*** With Group’s shareholders' equity of RM4,842 million as at 31 March 2016, the net assets per share improved to RM3.13, from RM2.90 a year ago.

- ***Return on Assets***: Return on assets is well-maintained at 1.0%.

Looking Forward

The Malaysian economy is expected to grow at a moderate pace with gross domestic product ("GDP") growth of between 4% and 4.5% in 2016. The Group will leverage on its franchise strength to deliver sustainable profitability and to fulfill the financial needs of our customers. The Group will continue to improve balance sheet efficiency by focusing on better risk adjusted return loans namely SME, commercial and consumer unsecured loans, and optimising funding cost and mix.

“Our strategy is to focus on the success of business owners (and their families) while helping them to create value for their other stakeholders, such as their employees, customers, and business partners. In the coming year, we will be rolling out a number of new and differentiated value propositions to our customers. We will also be investing in the required Information Technology enablers to support the Bank’s strategic initiatives and focus on streamlining to improve the efficiency of our operations,” said Mr. Kornreich.

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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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