PRESS RELEASE

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ALLIANCE FINANCIAL GROUP REPORTS RM129.7 MILLION NET PROFIT FOR 3QFY2017

Kuala Lumpur, 22 February 2017 – Alliance Financial Group Berhad ("AFG" or "the Group") today announced its results for the third quarter ended 31 December 2016 ("3QFY2017"). Among the highlights:

- *The Group registered net profit after tax ("NPAT") of RM129.7 million for the third quarter.*
- *NPAT for the first nine months of financial year 2017 ("9MFY2017") grew marginally by 0.6% year-on-year ("YOY") to RM394.7 million.*
- *Pre-provision operating profit improved by 6.2% quarter-on-quarter ("QOQ") to RM204.3 million for this quarter.*
- *Better risk adjusted return ("RAR") loans grew at the annualised rate of 14.6% for 9MFY2017; lower RAR loans contracted 1.4%.*
- *Net interest margin improved 9 basis points QOQ to 2.31%.*
- *SME loans growth remained strong at 12.3% YOY, with excellent gross impaired loans ratio of 0.8%.*
- *Overall gross impaired loans ratio stood at 1.0% YOY, better than industry average of 1.6%. Loan loss coverage ratio was 137.1%.*
- *Loan-to-deposit ratio and CASA ratio remained healthy at 86.6% and 33.7% respectively.*
- *Strong capital position with total capital ratio of the Group at 16.6%.*

On the Group's results, Chief Executive Officer of the Group, Mr. Joel Kornreich said, "I am pleased to note that we delivered a sustainable financial performance despite the challenging market environment. Our results came from growing our best performing segments with better risk adjusted returns, implementing effective credit risk management measures and optimising our deposit mix."

The Group's SME loans grew 12.3% YOY and net interest margins improved to 2.31%. "With our loans growth strategy, we were able to maintain healthy liquidity. Our loan-to-deposit and loan-to-fund ratios remain strong at 86.6% and 83.4% respectively, while our CASA ratio is kept steady at 33.7%," said Mr. Kornreich.

The Group's total capital ratio is near the top of the industry at 16.6%.

For the first nine months of the year, the Group's return on equity was 10.8%. Net assets per share improved to RM3.22, from RM3.02 a year ago.

Net profit after tax grew marginally by 0.6% to RM394.7 million for 9MFY2017. For 3QFY2017, pre-provision operating profit improved by 6.2% QOQ to RM204.3 million, while pre-provision operating profit for the nine-month period grew 5% YOY to RM591.4 million.

Delivering Sustainable Profitability

- ***Revenue Growth:*** The Group's overall net income for the third quarter increased 5.3% QOQ and 4.8% YOY. Net interest income for the same period, inclusive of Islamic Banking, grew 3.7% QOQ and 4.1% YOY, driven mainly by higher risk adjusted return ("RAR") loans strategy.

- ***Net interest margin ("NIM"):*** NIM improved by 9 basis points ("bps") QOQ to 2.31%, mainly due to yield improvement from higher RAR loans and lower funding cost from efficient funding mix.

- ***Non-interest income ("NOII"):*** NOII for the third quarter grew 10.9% QOQ and 4.0% YOY, contributed by higher treasury income from derivatives and foreign exchange.

  Client-based fee income (including Islamic Banking) for the quarter, was flat QOQ but grew 5.1% YOY to RM77.5 million because of higher FX sales and trade fees.

- ***Operating Expenses:*** Operating expenses for the nine-month period increased marginally (0.5%) to RM510.7 million.

  Cost-to-income ratio for the third quarter improved marginally to 46%. For 9MFY2017, overall cost-to-income ratio was 46.3%, which is well below the industry average.

- ***Impairment Provisions:*** Credit cost for loans, advances and financing for 9MFY2017 was RM67.4 million, an annualized 22.9 basis points, which is within the management guidance. Higher collective assessment allowance from impaired loans in the consumer segment contributed to the higher credit cost in the third quarter.

- ***Return on Equity ("ROE"):*** ROE for the nine-month period was at 10.8%.

Healthy Loans Growth Supported By Healthy Funding Position

- ***Loans Growth:*** For 9MFY2017, the Group's better RAR loans within the consumer, SME, and commercial lending segments grew faster than the other segments, at the annualised rate of 14.6%. The SME loans growth remained strong at 12.3% YOY.

- ***Stable Asset Quality:*** The Group's gross impaired loans ratio at 1.0% was better than industry average of 1.6%. Loan loss coverage, which includes regulatory reserve, improved to 137.1% from 125.4% a year ago.

- ***Healthy Funding and Deposit Growth:*** Customer deposits grew 4.2% YOY (industry average: 1.4%). The Group continues to maintain an optimal funding mix to minimise cost of funds. The Group's CASA ratio remains among the highest in the industry at 33.7%.

  The funding position is healthy, with loan-to-deposit and loan-to-fund ratios at 86.6% and 83.4% respectively.

Sustainable Capital Levels

- ***Strong Capital Ratios:*** The Group continues to maintain a strong capital position with Common Equity Tier 1 ("CET 1") ratio at 12.0%. After the redemption of RM600 million of Tier-2 Subordinated Notes in April 2016, Total Capital Ratio of the Group stabilised to 16.6%. This is among the strongest in the industry.

  Our focus on risk adjusted return loans and client based fee income will ensure that the Group's capital ratios remain stable and supportive of business growth.

Enhancing Shareholder Value

- ***Net Assets per Share:*** Net assets per share improved to RM3.22, from RM3.02 a year ago. As at 31 December 2016, the Group's shareholders' equity was RM4,992 million.

Looking Forward

Led by strong performance in the manufacturing, services and construction industries, the Malaysian economy recorded gross domestic product ("GDP") growth of 4.5% for the fourth quarter of 2016. Overall GDP growth for 2016 for the country was at 4.2%. For 2017, the GDP is expected to expand 4.4%.

For its customers, the Group is committed to delivering fast, simple and responsive financial solutions that meet their needs. In the coming months, it will roll out more new and innovative solutions to meet the needs of their customers. "One such solution is the recently launched loan consolidation service, which helps customers to consolidate their different loans into one single account. This helps them to optimise their loan obligations and have better control over their finances," said Mr. Kornreich.

The Group will also continue to streamline and optimise its operations for efficiency, as well as exercise strong expense discipline to deliver value to shareholders.

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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, SME banking, corporate and commercial 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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