PRESS RELEASE

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ALLIANCE FINANCIAL GROUP RECORDS RM512.1 MILLION NET PROFIT IN FY2017

Kuala Lumpur, 31 May 2017 – Alliance Financial Group Berhad ("AFG" or "the Group"), comprising Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries, today announced an overall net income of RM1.47 billion for the financial year ended 31 March 2017 ("FY2017").

- *The Group registered net profit after tax ("NPAT") of RM512.1 million for the year.*
- *Pre-provision operating profit for the year improved by 5.8% year-on-year ("YOY") to RM777.5 million.*
- *Better risk adjusted return ("RAR") loans grew at the rate of 13.6% while lower RAR loans contracted 1.8%.*
- *Net interest margin improved 11 basis points YOY to 2.26%.*
- *SME loans growth remained strong at 9.3% year-on-year ("YOY"), with excellent gross impaired loans ratio of 1.1%.*
- *Overall gross impaired loans ratio stood at 1.0% YOY, better than industry average of 1.6%. Loan loss coverage ratio improved to 136.7%.*
- *Core customer deposits (mainly comprising of CASA and fixed deposits) grew 6.1% year-on-year to RM40.5 billion.*
- *Loan-to-deposit ratio and CASA ratio remained healthy at 87.0% and 34.2% respectively.*
- *Strong capital position with total capital ratio of the Group at 17.2%.*

Commenting on the Group's results, Chief Executive Officer of the Group, Mr Joel Kornreich said, "In FY2017, we delivered a stable performance and ended the financial year with a strong total capital ratio of 17.2%, near the top of the industry."

"We achieved steady growth in the Consumer segment in FY2017, including an increase of 13.5% in wealth management revenues. The Group also grew its core customer deposits by 6.1% YOY."

"We are continuing our efforts to enhance shareholder value. The Group's return on equity for the year was 10.5%. Net assets per share improved to RM3.30, from RM3.13 a year ago. The Group also proposed a second interim dividend of 7.5 sen, bringing the total dividends declared to 16.0 sen per share for the year, or 48% of NPAT," said Mr Kornreich.

Net profit after tax for the year declined by 1.9% from RM522 million in FY2016 to RM512.1 million due to higher allowances. Pre-provision operating profit for the year improved by 5.8% year-on-year ("YOY") to RM777.5 million.

Delivering Sustainable Profitability

- ***Revenue Growth:*** Overall net income for the year improved 3.2% YOY to RM1.47 billion.

  Net interest income for year, inclusive of Islamic Banking, grew by RM49.6 million or 4.6% YOY to RM1.13 billion, driven mainly by higher risk adjusted return ("RAR") loans strategy.

- ***Net Interest Margin ("NIM"):*** NIM improved by 11 basis points ("bps") YOY to 2.26%, mainly due to yield improvement from higher RAR loans and lower funding cost from more efficient funding mix.

- ***Non-interest Income ("NOII"):*** Overall NOII for the year, inclusive of Islamic Banking, declined by 1.3% YOY, mainly due to lower treasury income from derivatives and lower foreign exchange trading gain.

  Client-based fee income (including Islamic Banking) for the year grew 8.2% YOY to RM301.3 million, supported by higher wealth management, trade, and loan processing fee income.

- ***Operating Expenses:*** Operating expenses for the year increased marginally by 0.4% to RM691.9 million as a result of the Group's streamlining of operations and expenses.

  Overall cost-to-income ratio for the year improved from 48.4% in FY2016 to 47.1%, well below the industry average.

- ***Impairment Provisions:*** Credit cost for loans, advances and financing for the year was within the forecasted figure of RM95.0 million or 24.3 basis points. The higher credit cost in the third quarter was due to higher collective assessment allowance from impaired loans in the consumer segment.

- ***Return on Equity ("ROE"):*** ROE for the year was at 10.5%.

Stable Loans Growth Supported By Healthy Funding Position

- ***Loans Growth:*** Net loans and advances grew 1.5% to RM39.0 billion in FY2017 from RM38.4 billion a year ago. The Group's better RAR loans within the consumer, SME, and commercial lending segments grew at the annualised rate of 13.6% for the year. SME loans growth remained strong at 9.3% YOY.

- ***Stable Asset Quality:*** Our overall gross impaired loans declined slightly to 1.0% from 1.3% previously, and remained better than the industry average of 1.6%. Loan loss coverage including regulatory reserve, improved to 136.7% from 109.1% a year ago, reflecting a healthy position.

- ***Healthy Funding and Deposit Growth:*** Core customer deposits (mainly comprising of CASA and fixed deposits) grew 6.1% year-on-year to RM40.5 billion, which is significantly better than industry growth of 3.9%. The Group continues to maintain an optimal funding mix to minimise cost of funds. The Group's CASA ratio at 34.2% remains among the highest in the industry.

  The funding position remains healthy, with the ratios for both loan-to-deposit and loan-to-fund ratios holding steady at 87.0% and 83.8% 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 12.5%. After the redemption of RM600 million of Tier-2 Subordinated Notes in April 2016, Total Capital Ratio of the Group strengthened to 17.2%, which is among the strongest in the industry.

  With our business strategy in focusing on risk adjusted return loans and client based fee income, the Group's capital ratios remain stable, in support of business growth.

Enhancing Shareholder Value

- ***Net Assets per Share:*** Net assets per share improved to RM3.30, from RM3.13 a year ago. As at 31 March 2017, the Group's shareholders' equity was RM5.1 billion.

Looking Forward

The Malaysian economy registered a gross domestic product ("GDP") growth of 4.2% in 2016. GDP is expected to grow between 4.3% and 4.8% in 2017 with a gradual economic recovery and resilient domestic demand.

The Group will continue to leverage on its franchise strength to deliver sustainable profits and to fulfil the financial needs of our customers. We will continue to improve balance sheet efficiency by focusing on better risk adjusted return loans, liquidity management, and credit risk mitigation activities.

"In the coming financial year (FY2018), we will be launching and scaling up 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 will continue to focus on streamlining initiatives to improve operational efficiencies."

"We set our sights on being a Bank that uses innovation to deliver simple, fast and responsive solutions that are aligned with our customers' needs. We will live out our brand by driving client excellence at key touch-points in alignment with our new brand architecture," 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, 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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