

## **ALLIANCE BANK RECORDS RM257.8 MILLION NET PROFIT IN 1HFY18**

**Kuala Lumpur, 30 November 2017** - The banking group Alliance Bank Malaysia Berhad (“Alliance Bank” or “the Group”), comprising its commercial, investment and Islamic banks, today announced a RM122.8 million net profit for the financial quarter ended 30 September 2017 (“2QFY18”).

- *Pre-provision operating profit for 1HFY18 improved 6.9% year-on-year (“YOY”) to RM413.9 million.*
- *Net profit after tax for 1HFY18 Business As Usual (“BAU”) activities in the same period increased 3.5% YOY to RM274.3 million. Reported net profit after tax for 1HFY18 declined 2.7% YOY to RM257.8 million, mainly due to expenses from its Transformation agenda.*
- *Return on Equity (“ROE”) for the first half of the year was at 10.0%.*
- *Revenue for the first six months improved 7.9% YOY to RM780.5 million.*
- *Client-based fee income for 1HFY18 improved 3.6% YOY to RM164.8 million.*
- *Year-to-date (“YTD”) net interest margin improved 9 basis points to 2.35%.*
- *Better risk adjusted return (“RAR”) loans grew 11.8% YOY while lower RAR loans contracted 5.9% YOY.*
- *Loans growth in the SME sector remained strong at 9.1% YOY, with excellent gross impaired loans ratio at 1.6%.*
- *Overall gross impaired loans ratio at 1.2%, better than industry average of 1.7%. YTD credit cost at 32.5bps (annualised) was within management guidance.*
- *Strong CASA ratio of 37.3%, contributed by CASA growth of 4.6% YOY.*
- *Healthy liquidity coverage ratio at 160.7% and loan-to-fund ratio at 86.8%.*
- *Strong capital position with total capital ratio of the Group at 18.8%.*

Mr Joel Kornreich, Group Chief Executive Officer of Alliance Bank Malaysia Berhad said, “Our financial performance indicates a steady and stable growth, with a strong Return on Equity (ROE) of 10.0%, which is above industry average. We posted a net profit after tax of 274.3 million or 3.5% increase YOY for business as usual activities. Pre-Provision Operating Profit grew two times faster than historical compounded annual growth rate (CAGR), improving by 6.9% to RM413.9 million, even after transformation expenses.”

“Our focus on better risk adjusted returns (RAR) and improved loan mix contributed to an 11.8% YOY loan growth in better RAR portfolio. In 1HFY18, we recorded a growth of 9.1% in SME & Commercial, 10.0% in Consumer Unsecured and 13.0% in Share Margin under better RAR portfolio.”

“We saw steady growth in client based fee income as well, with a growth of 3.6% YOY. Focusing on growing our customer based funding, the Group posted a 4.6% increase YOY in CASA, with an improved CASA ratio of 37.3%. We saw better numbers in core customer deposits with a growth of 7.3% YOY, and a healthy liquidity coverage ratio at 161%.”

“Our key strategic initiatives are progressing steadily, in particular Alliance One Account (AOA), which is our unique loan consolidation service. AOA continued to receive strong sales acceptance growth with 80% being new-to-bank customers.”

“We continue to post strong and sustainable capital ratios, with total capital ratio at 18.8%. The Group issued two bond and sukuk programmes worth RM280 million in September and November 2017 respectively,” said Mr Kornreich.

### **Delivering Sustainable Profitability**

- **Revenue Growth**: Net overall income for the first half of the year improved 7.9% YOY.
- **Net interest margin (“NIM”)**: NIM improved 9 basis points YTD to 2.35%. Cost of funds was lower while gross interest margin improved, as a result of better yields and higher RAR loans.
- **Non-interest income (“NOII”)**: Non-interest income (including Islamic non-financing income) for the first half of the year increased by 10.7% YOY. This was contributed by improvement in client-based fee income by 3.6% YOY, mainly due to higher wealth management fees and banking services fees. Non-interest income from non-clients for 1HFY18 grew RM12.5 million YOY due to higher FX trading income and higher treasury income from derivatives.

- **Operating Expenses:** Operating expenses for the first half of the year increased 9.0% YOY mainly due to transformation expenses. In the first six months, transformation expenses amounted to RM23.3 million YTD, of which RM13.7 million was for restructuring cost and RM2.9 million for scaling-up sales personnel. Cost-to-income ratio for 1HFY18 increased slightly to 47.0% (with transformation) from 46.5% a year ago, which was still below the industry average. The Group continues to maintain cost control as it executes its planned investment in strategic initiatives in the quarters ahead.
- **Impairment Provisions:** Credit cost for loans, advances and financing for the first half of the year was 16.3 basis points as compared to 9.0 basis points a year ago. The higher credit cost in 2QFY18 was mainly from proactive SME remedial programmes (through restructuring and rescheduling). On an annualized basis, credit cost for loans, advances and financing of 32.5 basis points for the first half of the year was within the management guidance. The Group continues to take mitigating proactive actions to manage credit cost.
- **Return on Equity ("ROE"):** ROE for the first half of financial year 2018 was at 10.0%.

### **Steady Loans Growth and Healthy Funding Position**

- **Loans Growth:** Net loans and advances contracted marginally by 0.4% YOY to RM38.6 billion. The Group's loan origination efforts were focused on the better RAR loans within SME, commercial, and consumer lending segments, which grew 11.8% YOY, faster than the other segments. The Group saw a steady build-up in the sales pipeline for its Alliance One Account value proposition. Loans growth in the SME sector grew 9.1% YOY.
- **Stable Asset Quality:** The gross impaired loans for the first half of the year increased by RM61.0 million mainly in the personal financing and non-residential property loan segments. As a result, loan loss coverage decreased 116.9% from 147.0% a year ago. The gross impaired loans ratio at 1.2%, remained better than industry average of 1.7%. The Group continues to take proactive actions to reduce delinquencies and manage non-performing loans.
- **Healthy Funding and Deposit Growth:** Core customer deposits registered a YOY growth of 7.3% to RM40.8 billion, faster than industry growth of 4.9%. Core customer deposits grew 4.0% QOQ as the Group continues to optimise funding mix, which helps to maintain lower overall cost of funds. The funding position remained stable and supportive of business growth. The Group's CASA ratio at 37.3% remained among the highest in the industry. Furthermore, the liquidity coverage ratio and loan to fund ratio remained healthy at 160.7% and 86.8% respectively.

### Capital Levels Remain Strong

- **Strong Capital Ratios:** The Group's capital position is strong with Common Equity Tier 1 ("CET 1") ratio at 14.1%. Total Capital Ratio of the Group improved to 18.8% from 17.9% a year ago. These capital levels are 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.

On 29 September 2017, Alliance Islamic Bank issued new Tier 2 Subordinated Sukuk Murabahah amounting to RM130 million to Alliance Bank, which improved its total capital ratio to 17.3%. On 8 November 2017, Alliance Bank completed its own Additional Tier 1 Capital Securities issuance of RM150 million out of its newly-established RM1.0 billion Additional Tier-1 Capital Securities programme.

### Enhancing Shareholder Value

- **Net Assets per Share:** Net assets per share improved to RM3.43, from RM3.27 a year ago. As at 30 September 2017, the Group's shareholders' equity was RM5.3 billion.

### Looking Forward

The Malaysian gross domestic product ("GDP") growth recorded a stronger-than-expected performance, accelerating to 6.2% in the third quarter of 2017, from 5.8% in the previous quarter. Therefore, the Group expects 2017 GDP growth to expand by 5.8%, supported by resilient private consumption and investment, improving external demand and robust growth within the manufacturing and services sectors.

Following its corporate restructuring exercise in September 2017, the Group is now better positioned to improve costs and maximise corporate efficiency. To complement its Transformation agenda and digital banking strategy, the Group will continue to focus on developing innovative yet practical solutions to serve its customers, as well as enhancing existing operational systems for higher performance and productivity.

"In ensuring we live up to our vision of *Building Alliances to Improve Lives*, our key strategic projects are aligned to our customers' needs and designed to relieve real-life pain points of our customers in a fast, simple and responsive manner. In the second half of the financial year, we will continue to focus on helping the businesses and lives of our customers via our new and existing offerings," said Mr Kornreich.

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**About Alliance Bank Malaysia Berhad**

Alliance Bank Malaysia Berhad and its subsidiaries, 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, SME banking, corporate and commercial 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, and Investment Bank branches, as well as mobile and Internet banking.

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