

ALLIANCE BANK REPORTS RM1.2 BILLION REVENUE FOR 9MFY18

Kuala Lumpur, 26 February 2018 – Alliance Bank Malaysia Berhad (“Alliance Bank” or “the Bank”) today announced a 6% year-on-year (“YOY”) improvement in its revenue, to RM1.2 billion for the first nine months of its financial year 2018 (9MFY2018).

- *Revenue for the first nine months improved 6% YOY to RM1.2 billion, more than twice the speed when compared to historical compound annual growth rate (“CAGR”) (FY2013 to FY2017).*
- *Year-to-date (“YTD”) net interest margin improved 10 basis points (“bps”) to 2.36%.*
- *Better risk adjusted return (“RAR”) loans grew 12.4% YOY while lower RAR loans contracted 6.6% YOY.*
- *Client-based fee income for 9MFY18 improved 4.1% YOY to RM250.4 million.*
- *Overall gross impaired loans ratio at 1.2%, better than industry average of 1.6%.*
- *Healthy liquidity coverage ratio at 132%, and loan-to-fund ratio at 87.2%.*
- *Greater focus on customer based funding resulted in strong CASA ratio of 39.5% with CASA growth of 4.3% YOY.*
- *Strong capital position with total capital ratio of the Bank at 18.7%.*
- *Net profit after tax for 9MFY18 Business As Usual (“BAU”) activities grew 7% YOY to RM422.3 million. Reported net profit after tax for the same period declined 3.6% YOY to RM380.4 million, due to investments in the Bank’s Transformation initiatives.*
- *Return on Equity (“ROE”) was at 9.8%.*

“The Bank continues to deliver steady results, with revenue improving 6% YOY to RM1.2 billion, and year-to-date (“YTD”) net interest margin gaining 10 basis points to 2.36%,” said Mr. Joel Kornreich, Group Chief Executive Officer of Alliance Bank.

“Due to our ongoing investments in our Transformation initiatives, we posted a net profit after tax of RM380.4 million. Our net profit after tax for business-as-usual activities in the same period rose 7% to RM422.3 million,” he added. The Bank reported a strong Return on Equity (ROE) of 9.8%.

The Bank also posted a 12.4% YOY growth of better risk adjusted return (“RAR”) loans including SME & Commercial, consumer unsecured, and Alliance One Account. The loan mix continues to improve with better RAR loans making up 35% of the portfolio as compared to 30% a year ago. Overall portfolio RAR improved to 1.17% (FY2017: 1.04%).

The Bank’s customer-based funding grew 0.8% YOY, CASA rose 4.3% YOY, and structured investments surged 117.7% YOY.

“We continue to post healthy capital ratios. Our total capital ratio is at 18.7%, and our liquidity coverage ratio is at 132%. The Bank 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 nine months of the year improved 6.0% YOY, more than twice the speed when compared to historical compound annual growth rate (FY2013 to FY2017). Net interest income (including Islamic net financing income) for the same period grew 5.3% YOY, driven by the Bank’s focus in higher RAR loans.
- **Net interest margin (“NIM”):** NIM improved 10 basis points YTD to 2.36%. Cost of funds was 2 basis points lower YTD due to more efficient funding mix, while gross interest margin improved 7 basis points driven by yield improvement from higher RAR loans.
- **Non-interest income (“NOII”):** Non-interest income (including Islamic non-financing income) for the first nine months of the financial year increased by 8.4% YOY. This is due to improvement in client-based fee income by 4.1% YOY, mainly because of higher wealth management fees, banking services fees and trade fees.
- **Operating Expenses:** Operating expenses for the nine-month period increased 13.9% YOY mainly due to investments in transformation initiatives. In the first nine months, transformation expenses amounted to RM59.5 million, of which RM40.1 million was for restructuring cost and RM8.5 million for scaling-up sales personnel. Cost-to-income ratio for 9MFY18 increased to 49.8% (with transformation) from 46.3% a year ago.
- **Impairment Provisions:** On an annualised basis, the normalised net credit cost for loans, advances and financing was 27.9 bps. Due to a one-off write-back from credit rating scale

alignment for corporates, the net credit cost was 18.9 bps, which is well within management's guidance.

- **Return on Equity ("ROE")**: ROE for the first nine months of financial year 2018 was at 9.8%.

Steady Loans Growth and Healthy Funding Position

- **Loans Growth**: Net loans and advances contracted by 0.4% YOY to RM38.8 billion. The Bank's loan origination efforts continue to focus on the better RAR loans within SME, commercial, and consumer lending segments. The loan mix continues to improve with better RAR loans making up 35% of the portfolio composition as compared to 30% a year ago. As a result of the steady growth in both Alliance One Account ("AOA") and SME, the Bank posted a 0.5% growth in its net loans and advances when compared to the previous quarter.
- **Stable Asset Quality**: The gross impaired loans ratio at 1.2%, is better than industry average of 1.6%. Loan loss coverage (including regulatory reserve) was at 116.2%, as compared to 116.9% at the end of the second quarter. The Group continues to take proactive actions to reduce delinquencies and manage non-performing loans.
- **Healthy Funding and Deposit Growth**: The Bank's funding position remained stable and supportive of business growth. Customer based funding grew to RM40.8 billion, due to a 4.3% YOY growth in CASA. The Bank's CASA ratio at 39.5%, is among the highest in the industry. The Bank continues to maintain an effective funding mix through selective renewal of corporate fixed deposits and retail deposit campaigns such as Alliance SavePlus and fixed deposits. Its liquidity coverage ratio and loan to fund ratio remained healthy at 132% and 87.2% respectively.

Capital Levels Remain Strong

- **Strong Capital Ratios**: The Bank posted a strong capital position with Common Equity Tier 1 ("CET 1") ratio at 13.6%. Total Capital Ratio for the Bank improved to 18.7% from 17.1% a year ago. These capital levels are among the strongest in the industry. The Bank continues to undertake proactive capital management to maintain healthy capital levels that are supportive of future business expansion and be able to withstand MFRS9 day-1 impact.

On 8 November 2017, Alliance Bank completed its Additional Tier 1 Capital Securities issuance of RM150 million out of its newly-established RM1.0 billion Additional Tier-1 Capital Securities programme, which strengthened the Tier-1 ratio to 14.0%.

Enhancing Shareholder Value

- **Net Assets per Share:** Net assets per share improved to RM3.44, from RM3.22 a year ago. As at 31 December 2017, the Group's shareholders' equity was RM5.3 billion.

Looking Forward

The Malaysian gross domestic product ("GDP") growth remains steady, expanding 5.9% in the fourth quarter of 2017, from 6.2% in the previous quarter. Overall, the economy expanded 5.9% in 2017, led by resilient private consumption and steady growth within the manufacturing and services sectors, amid improving global macro prospects. In 2018, GDP growth is expected to ease slightly to 5.4%.

"To help our clients achieve financial success, the Bank will continue to introduce innovative propositions that are fast, simple, responsive, and aligned to customers' needs," said Mr. Kornreich.

In the next 24 months, the Bank will focus on scaling up its core businesses, i.e. Alliance One Account, SME business, and Alliance@Work, as part of its Transformation agenda.

"Our Transformation agenda, augmented by our digital banking strategy, will see us launching solutions with practical value propositions that ease our customers' pain points. At the Bank, we will continue to enhance our existing operational systems to deliver better performance and productivity," he added.

- End -

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.

For more information on this press release, please contact Agnes Ong, Tel: (03) 2604 3378/012-672 4245, or e-mail agnesong@alliancefg.com.