ALLIANCE BANK

PRESS RELEASE

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ALLIANCE BANK REPORTS HIGHEST REVENUE GROWTH IN 5 YEARS

Kuala Lumpur, 31 May 2018 – Alliance Bank Malaysia Berhad ("Alliance Bank") today announced its financial year 2018 ("FY2018") results. Recording its highest revenue growth in five years, the Bank is pleased to announce the key highlights of its financial performance results:

Revenue and Profitability

- *Revenue grew by 7% year-on-year ("YOY") to RM1.6 billion, the highest growth in five years*
- *Net interest margin ("NIM") improved 14 basis points ("bps") to 2.40%, top 2 in the industry*

Transformation Progress

- *Alliance One Account ("AOA"): FY2018 loans growth of RM1 billion*
- *SME Expansion: 4QFY18 loans growth of 2.9% (annualised rate: 11.6%)*
- *Alliance@Work: >10,000 Consumer CASA*

Effective Risk Management

- *Healthy liquidity coverage ratio at 160% and loan-to-fund ratio at 85.3%*
- *Credit cost at 23.4 bps (normalised: 32.4bps within guidance)*
- *Strong and sustainable capital position with total capital ratio of the Bank at 18.3%*

Key Results

- *Higher reported profit before tax, increased by 0.5% YOY to RM684.6 million*
- *Return on Equity ("ROE") was at 9.5%*
- *Proposed 2nd interim dividend of 6.8 sen, (FY18 total dividend: 15.3sen; payout of 48%)*

"In FY2018, we increased our revenue by 7% YOY to RM1.6 billion. This is our highest revenue growth in five years. This is due to higher net interest margin as a result of our focus on growing better risk adjusted return ("RAR") loans and of non-interest income." said Mr Joel Kornreich, Group Chief Executive Officer of Alliance Bank.

Better RAR loans made up 36% of the portfolio as compared to 31% a year ago. Better RAR loans grew 19.3% YOY coming from SME, commercial, unsecured consumer loans, and Alliance One Account ("AOA"). SME and commercial loans expanded 9.4% YOY, and consumer unsecured loans grew 16.7% YOY. Overall portfolio RAR yield improved to 1.13% (FY2017: 1.04%).

"SME remains one of our core businesses, and the transformation initiatives under the SME Expansion have been encouraging. In 4QFY2018, the loans growth of 2.9% for SME banking business translates to a strong annualised rate of 11.6%," explained Mr Kornreich.

"AOA, a loan consolidation product aimed at helping customers reduce their financial commitments, has also gained tremendous traction since its launch a year ago. Its loan balances reached over RM1 billion in FY2018," continued Mr Kornreich.

One of the Bank's business focus this year is the Alliance@Work proposition, which offers business customers, their partners and employees access to preferred banking services. This initiative is supported by Alliance Cash2Home, a mobile foreign remittance application that offers paperless account opening and remittance services via the mobile phone. In FY2018, Alliance@Work's captured more than 10,000 consumer CASA account sign-ups.

"We have invested RM74.2 million in the Transformation initiatives, leading to an overall cost to income ratio of 50.5%, which is lower than management's guidance. Profit before tax is higher at RM684.6 million. Net profit after tax declined by 3.7% to RM493.2 million due to Transformation investments in restructuring, technology, personnel, and marketing, ahead of management's target. FY2018 ROE was at 9.5%." he added.

"We are continuing with our efforts to enhance shareholder value. Net asset per share has shown a steady increase over the past four years to RM3.53. The Bank also proposed a second interim dividend of 6.8 sen, bringing the total dividends declared to 15.3 sen per share for the year, or 48% of its net profit after tax," said Mr Kornreich.

Delivering Sustainable Profitability

- ***Revenue Growth:*** Net overall income for the financial year improved 7% YOY, the highest growth in five years. Net interest income (including Islamic net financing income) grew 5.5% YOY, driven by the Bank's focus in better RAR loans. Non-interest income grew 11.9% YOY.

- ***Net Interest Margin ("NIM"):*** NIM improved 14 basis points YTD to 2.40%. Cost of funds was 1 basis point lower as a result of more efficient funding mix, while gross interest margin improved 12 basis points driven by yield improvement from higher RAR loans.

- ***Non-interest Income ("NOII"):*** Non-interest income (including Islamic non-financing income) of the financial year increased by 11.9% YOY. This is due to improvements in banking services fees, wealth management fees and trade fees, as well as realised gains from available-for-sale investment.

- ***Loans Growth:*** Net loans and advances grew by 2.6% YOY to RM40.0 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 36% of the portfolio composition as compared to 31% a year ago.

- ***Operating Expenses:*** Operating expenses for the financial year increased 14.8% YOY mainly due to investments in transformation initiatives. Transformation expenses amounted to RM74.2 million, of which RM36.4 million was for restructuring cost. As a result, cost-to-income ratio increased to 50.5% (with transformation) from 47.1% a year ago.

Effective Risk Management

- ***Healthy Liquidity Position:*** The Bank's funding position remained stable and supportive of business growth. Customer based funding grew to RM43.6 billion, due to a 3.1% YOY growth in CASA and 51.6% YOY growth in structured investments. The Bank's CASA ratio at 37.3%, is among the highest in the industry. The Bank continues to maintain an effective funding mix through a selective renewal of corporate fixed deposits and focus on growing CASA through SavePlus and Alliance@Work deposits. Its liquidity coverage ratio and loan to fund ratio remained healthy at 160% and 85.3% respectively.

- ***Manageable Credit Cost:*** On an annualised basis, the normalised net credit cost for loans, advances and financing was 32.4 bps, which is within management's guidance. Including one-off write-back from credit rating scale alignment for corporates, the net credit cost was 23.4 bps. The Bank will continue to take mitigating proactive actions in managing the delinquencies and non-performing loans.

- ***Strong Capital Ratios:*** The Bank posted a strong capital position with a Common Equity Tier 1 ("CET 1") ratio at 13.4%. The total Capital Ratio for the Bank improved to 18.3% from 17.7% 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 are 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 13.8%.

Enhancing Shareholder Value

- ***Net Assets per Share:*** Net assets per share improved to RM3.53, from RM3.30 a year ago. As at 31 March 2018, the Bank's shareholders' equity was RM5.5 billion.

- ***Proposed Interim Dividend:*** The Bank has proposed a second interim dividend of 6.8 sen. Together with the first interim dividend; total dividend declared for FY2018 is at 15.3 sen with a dividend payout ratio of 48%.

Looking Forward

The Malaysian gross domestic product ("GDP") growth eased slightly, expanding 5.4% in the first quarter of 2018, compared to a 5.9% GDP growth in the preceding quarter. Expansion in the first quarter was led by resilient private consumption (+6.9%), public consumption (+0.4%) and private investment (+0.5%) on the demand side.

On supply, we have seen steady growth within the manufacturing and services sectors. In 2018, GDP growth is expected to grow at 5.4%, as current fiscal reforms by the new reformed government such as the GST removal and targeted fuel subsidy will likely provide favourable domestic demand conditions that will support Malaysia's private consumption growth towards the end of the year. The anticipated steady GDP growth in the coming quarters signals no urgency for a further review in the OPR rate until the end of 2018.

"Since we started our Transformation journey, we have introduced financial solutions that are first-in-market and aligned to our customers' needs, and we are pleased to have received recognition from various regional institutions. These include the 'DX Leader in Omni-Experience Innovation' award from IDC, as well as 'Excellence in Mobile Banking-Customisation' and 'Best-Multi-Channel Offering' (Highly Commended) from Retail Banker International," said Mr Kornreich.

"Our FY2018 results shows that we are on the right path, and we will continue to focus on digitising key processes, elevating operational efficacy, and building a strong culture of compliance," he said.

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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 Bank 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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