

ALLIANCE BANK RECORDS NET PROFIT AFTER TAX OF RM136.4 MILLION FOR 1QFY2019

Kuala Lumpur, 30 August 2018 – Alliance Bank Malaysia Berhad (“Alliance Bank”) today posted its highest quarterly net profit after tax (“NPAT”) in three years, RM136.4 million, for the financial quarter ended 30 June 2018 (“1QFY2019”).

Key Results

- *Highest quarterly net profit after tax (“NPAT”) since 2QFY15, up 1.0% YOY to RM136.4 million*
- *Improved return on equity (ROE) of 10.2%, in line with guidance*

Revenue & Profitability

- *Overall revenue increased 3.8% year-on-year (“YOY”) to RM401.1 million*
 - *Net interest margin (“NIM”) improved 11bps to 2.43%, top 2 in the industry*
 - *Better risk-adjusted return (“RAR”) loans grew by 21.3% YOY, overall net loans by 3.6% YOY*
- *Effective cost management, with cost-to-income ratio at 45.7% (industry average: 50.2%)*

Transformation Progress

- *SME Expansion: SME loan acceptance increased RM322.0 million YOY to RM740.0 million*
- *Alliance One Account (“AOA”): 1QFY2019 loans growth of RM531.0 million to RM1.6 billion*
- *Alliance@Work: Acquired more than 5,700 local employee CASA and 210 company payroll accounts in 1QFY2019*

Effective Risk Management

- *Customer based funding: CASA ratio improved to 37.4%*
- *Healthy liquidity coverage ratio at 150.3%*
- *MFRS 9 day-1 impact in line with guidance*
- *Net credit cost for the quarter at 9.2 bps*
- *Gross impaired loan (“GIL”) ratio at 1.57%*
- *Sustainable capital position with total capital ratio of the Bank at 17.8%*

“In 1QFY2019, our net profit after tax is RM136.4 million, the highest quarterly net profit in over three years. This was driven by higher year-on-year net interest margin as a result of our focus on growing better risk adjusted return (“RAR”) loans. Return on equity improved to 10.2%, a ratio in line with guidance,” said Mr Joel Kornreich, Group Chief Executive Officer of Alliance Bank.

Better risk adjusted return loans grew 21.3%, making up 37% of the portfolio as compared to 32% a year ago. This was contributed primarily by growth in SME, commercial, unsecured consumer loans, and Alliance One Account (“AOA”). SME and commercial loans expanded 7.8% YOY, and consumer unsecured loans grew 20.2% YOY. Overall portfolio risk adjusted return yield improved to 1.13% from 1.08% in 1QFY2018.

The Bank’s key strategic priorities of SME Banking expansion, AOA, and Alliance@Work, did well. In 1QFY2019, the loans acceptance of SME banking business increased RM322.0 million YOY to RM740.0 million. During the same quarter, AOA’s loan balances reached RM1.6 billion. Meanwhile, Alliance@Work acquired more than 5,700 local employee CASA account sign-ups and 210 company payroll accounts.

“We continue to enhance shareholder value. Our net asset per share has shown a steady increase over the past four years to RM3.48,” said Mr Kornreich.

Delivering Sustainable Profitability

- **Net Profit After Tax (“NPAT”) Growth:** NPAT grew 1.0% YOY to RM136.4 million, representing the highest quarterly NPAT since 2QFY2015. ROE improved to 10.2%, which was in line with the Bank’s guidance.
- **Overall Revenue Growth:** Overall net income for the quarter grew 3.8% YOY. Net interest income (including Islamic net financing income) grew 8.0% YOY, driven by better RAR loans. In addition, client based fee income remains stable while overall revenue was partly offset by lower treasury income.
- **Net Interest Margin (“NIM”):** NIM improved 11 basis points YOY to 2.43%. Gross interest margin improved 25 basis points (“bps”) driven by yield improvement from better RAR loans and the impact of the Overnight Policy Rate (“OPR”) hike of 25 basis points in January 2018. The cost of funds was 19 basis points higher as a result of 4QFY2018 deposits initiatives and a higher funding rate on customer deposits since the OPR hike.
- **Loans Growth:** Net loans and advances grew 3.6% YOY to RM40.0 billion. The Bank’s loan origination efforts continue to focus on the better RAR loans within the SME, commercial, and consumer lending segments. SME and commercial loans expanded 7.8% YOY, while consumer unsecured loans grew 20.2% YOY. AOA grew RM531.0 million in the quarter. The loan mix continues to improve with better RAR loans making up 37% of the portfolio composition as compared to 32% a year ago.
- **Operating Expenses:** Operating expenses for the quarter increased 3.9% YOY mainly due to higher personnel expenses as a result of the scaling up of sales personnel for our SME

Expansion, AOA and Alliance@Work. The cost-to-income ratio was at 45.7%, better than industry average of 50.2%.

Effective Risk Management

- **Healthy Liquidity Position:** Customer-based funding grew 1.2% YOY, and our CASA ratio improved to 37.4%. Structured investments grew 44.7% YOY. The Bank continues to maintain an effective funding mix, with deposit initiatives focusing on company payroll deposits and employee CASA under Alliance@Work and Alliance SavePlus. The Bank's liquidity coverage and loan to fund ratios remain healthy at 150.3% and 87.0% respectively.

Malaysian Financial Reporting Standard 9 on Financial Instruments (MFRS 9) Day-1 impact: The Bank adopted MFRS 9 on 1 April 2018. MFRS 9 is based on a model that takes into account expected credit loss with underlying forward-looking assumptions. Total provision increased by 22.0% (guided: <+25%) mainly due to increase in Stage 2 provisions from personal financing and business portfolios. The Bank's capital ratio impact was better than guidance, with a slight reduction of 0.2% (guided: -0.4%).

- **Manageable Credit Cost:** The net credit cost for loans, advances and financing was 9.2 bps. The increase in net provision was due to Stage 3 mortgage and business portfolios, but was partly offset by Stage 1 and 2 business accounts write-back.
- **Stable Asset Quality:** The gross impaired loans ("GIL") ratio was at 1.57%. Shortfalls were fully provided resulting in a steady net impaired loans ("NIL") ratio of 0.97%. The increase in GIL was mainly from the non-residential and working capital segments. This was due to the impairment of several business accounts, as well as continued proactive restructured and rescheduled (R&R) remedial programmes for business customers. Loan loss coverage improved to 108.0% from 96.7% in FY2018, reflecting a healthy position.
- **Strong Capital Ratios:** The Bank posted a strong capital position with a Common Equity Tier 1 ("CET 1") ratio at 12.8%, and the total Capital Ratio at 17.8%. These capital levels are supportive of the Bank's on-going business growth. The Bank continues to undertake proactive capital management to maintain healthy capital levels.

Enhancing Shareholder Value

- **Net Assets per Share:** Net assets per share improved to RM3.48, from RM3.33 a year ago. As at 30 June 2018, the Bank's shareholders' equity was RM5.4 billion.



Looking Forward

“Our 1QFY2019 results show that we are on the right path to sustainable growth. We will continue to focus on our growth pillars which are at the foundation of our transformation journey – the SME Banking Expansion, Alliance One Account, Alliance@Work, and Branch Transformation efforts.”

“We are on a multi-year journey and working on our mid-term growth plan which will feature our continued efforts in building up our digital capabilities as well as strengthening our position in the SME and consumer space. Our efforts in community and people development are also key to fulfilling our vision, that is to build alliances to improve lives,” concluded 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 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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