ALLIANCE BANK

PRESS RELEASE

29 November 2018

ALLIANCE BANK RECORDS NET PROFIT AFTER TAX OF RM276.9 MILLION IN 1HFY19

Kuala Lumpur, 29 November 2018 – Alliance Bank Malaysia Berhad ("Alliance Bank" or "the Group") today announced a 7.4% year-on-year ("YOY") growth in its net profit after tax ("NPAT") to RM276.9 million for the first half of the financial year ("1HFY2019") ended 30 September 2018. On a quarterly basis, the NPAT result of RM140.5 million is the Bank's highest in three years.

<u>Key Results</u>

- *NPAT for 1HFY2019 grew 7.4% YOY to RM276.9 million*
- *NPAT for the second quarter ended 30 September 2018 ("2QFY19") was RM140.5 million*
- *Maintained 1HFY19 return on equity ("ROE") at 10.2%, in line with guidance*
- *First interim dividend of 8.5 sen (dividend payout ratio of 48%)*

<u>Revenue & Profitability</u>

- *Overall revenue for the first six months grew 2.5% YOY to RM800.3 million*
- *1HFY19 underlying net interest income increased 5.4% YOY driven by:*
  - *Gross loans growth of 5.2% YOY (Better risk-adjusted return ("RAR") loans grew 24.7% YOY)*
  - *Year-to-date ("YTD") net interest margin ("NIM") improved by 4bps to 2.44%, top 2 in the industry*
- *Effective cost management, with cost-to-income ratio at 46.8% (industry average: 47.9%)*

<u>Transformation Progress</u>

- *SME Banking Expansion: SME loan disbursement for 1HFY2019 increased by 45% YOY to RM1.0 billion*
- *Alliance One Account ("AOA"): 1HFY2019 loans grew by RM1.0 billion to RM2.1 billion*
- *Alliance@Work acquired more than 12,000 local employee CASA and 490 company payroll accounts YTD*

<u>Effective Risk Management</u>

- *Customer based funding grew 0.7% YOY to RM44.0 billion*
- *CASA ratio at 37.3% (excluding Alliance SavePlus: 35.6%)*
- *Healthy liquidity coverage ratio at 167.7%, better than industry average*
- *Net credit cost for 1HFY19 improved to 14.3 bps (Annualised 28.6 bps)*

- *Gross impaired loan ratio improved to 1.37% quarter-on-quarter ("QOQ")*
- *Sustainable capital position, with total capital ratio of the Bank at 18.4%*

"Our efforts and focus on our strategic pillars are key contributors to the strength of our financials this year. We see our efforts yield encouraging growth on a YOY basis. Our underlying net interest income increased by 5.4% YOY for the period of 1HFY2019, as a result of better risk adjusted return ("RAR") loans and higher net interest margins," said Mr Joel Kornreich, Group Chief Executive Officer of Alliance Bank.

Gross loans and advances grew 5.2% YOY to RM41.0 billion. The better RAR loans grew by 24.7% while the lower RAR loans contracted by 4.5%. The better RAR loans represent 39% of the portfolio when compared to 33% a year ago. The growth was contributed primarily by Alliance One Account ("AOA"), SME, commercial, and unsecured consumer loans. SME and commercial loans expanded 9.0% YOY.

The Bank's key strategic priorities of SME Banking expansion, AOA, and Alliance@Work continue to do well. In 1HFY19, the loans disbursement of SME banking business increased by 45% YOY to RM1.0 billion. AOA loan balances reached over RM2.0 billion. The Bank acquired more than 12,000 local employee CASA account sign-ups and 490 company payroll accounts through the Alliance@Work channel.

"Net credit cost for 1HFY19 improved to 14.3 bps (annualised 28.6 bps). We continue to review the credit underwriting policies for both SME Banking and AOA to better manage the asset quality of these new loan portfolios," explained Mr Kornreich.

"We continue to enhance shareholder value. Net asset per share has shown a steady increase to RM3.59, compared to RM3.43 a year ago. The Bank also declares a first interim dividend of 8.5 sen, maintaining a dividend payout of 48% of its net profit after tax," said Mr Kornreich.

Delivering Sustainable Profitability

- ***Overall Revenue Growth:*** Overall 1HFY19 revenue grew 2.5% YOY to RM800.3 million. Underlying net interest income (including Islamic net financing income) grew 5.4% YOY, driven by better RAR loans and higher net interest margin.

- ***Net Interest Margin ("NIM")***: YTD NIM improved by 4 basis points ("bps") to 2.44%. Gross interest margin improved 18 bps driven by yield improvement from better RAR loans and the impact of the Overnight Policy Rate ("OPR") hike of 25 bps in January 2018. The cost of funds was 18 bps higher as a result of 4QFY2018 deposits initiatives and higher funding rate on customer deposits since the OPR hike.

- ***<u>Operating Expenses:</u>*** Operating expenses for the six-month period ended 30 September 2018 increased 2.2% YOY mainly due to higher personnel and marketing expenses. The cost-to-income ratio was at 46.8%, better than industry average of 47.9% and well within management guidance.

Effective Risk Management

- ***<u>Manageable Credit Cost:</u>*** The net credit cost for loans, advances and financing for the first six months was at 14.3 bps. On an annualised basis, it was at 28.6 bps, which is within management's guidance. Credit cost in 2QFY19 was lower due to the improvement of several major business accounts and mortgage accounts.

- ***<u>Stable Asset Quality:</u>*** The gross impaired loans ("GIL") ratio improved to 1.37% from 1.57% on 30 June 2018. The repayment of several major business accounts in non-residential properties and working capital segment as well as regularised accounts in residential properties portfolio had helped to reduce the GIL in 1HFY19. Loan loss coverage (including Regulatory Reserve) continues to improve to 114.9% from 108.0% on 30 June 2018, reflecting a healthy position.

- ***<u>Strong Capital Ratios</u>:*** The Bank posted a strong capital position with a Common Equity Tier 1 ("CET 1") ratio at 13.5%, and total Capital Ratio at 18.4%. The Bank continues to undertake proactive capital management to maintain healthy capital levels that are supportive of future business expansion.

Enhancing Shareholder Value

- ***<u>Net Assets per Share</u>:*** Net assets per share improved to RM3.59, from RM3.43 a year ago. As at 30 September 2018, the Bank's shareholders' equity was RM5.6 billion.

- ***<u>Interim Dividend</u>:*** The Bank declared a first interim dividend of 8.5 sen, with a dividend payout ratio of 48%.

Looking Forward

"Our efforts are focused on strengthening the Group's growth pillars – SME Banking expansion, Alliance One Account, and Alliance@Work, which helps drive strong performance in 2QFY2019. Our mid-term growth plan focusses on strengthening our position in SME and consumer. We are also building up our capabilities to deliver improved service and experiences to our customers. As a local and SME-focused bank, our goal is to provide the necessary advisory and funding support to help SMEs grow to their full potential," 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, Business Centres, and Investment Bank branches, as well as mobile and Internet banking.

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