PRESS RELEASE

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BETTER SUPPORT TO BUSINESSES DRIVES 12% YOY SME LOANS GROWTH

Kuala Lumpur, 28 February 2019 – Keeping true to its strategy “To Be the Most Important Relationship for the Financial Success of Business Owners”, Alliance Bank Malaysia Berhad (“Alliance Bank” or “the Group”) continues to support Malaysian businesses with its various enterprise programmes. This includes Alliance@Work, BizSmart Challenge, SME Express Loan, CGC Portfolio Guarantee Programme, and Eco-Biz Dream Project.

As a result, the Group’s net profit after tax (“NPAT”) recorded a 12.0% year-on-year increase to RM425.8 million for the first nine months of its financial year (“9MFY19”) ended 31 December 2018. Its net interest income rose 9.0% year-on-year (“YOY”) stemming from stronger volume growth and improved loan mix from better risk adjusted return loans. It posted a Return on Equity (“ROE”) of 10.3%.

Alliance@Work addresses business owners’ business needs with its paperless employee onboarding, as well as the mobile banking needs of their employees and business partners with Cash2Home and mobile banking. Alliance@Work has acquired more than 18,600 local employee CASA accounts and 860 company payroll accounts for the 9MFY2019.

The Group’s flagship programme for young businesses, the BizSmart Challenge 2018, has awarded RM1 million in cash and media prizes to its winners. It is also extending up to RM5 million in unsecured loans to the BizSmart Top 20 finalists; two of them have already drawn down RM400,000 in unsecured loans to help expand their business.

Alliance Bank also offers two options – the SME Express Loan and CGC Portfolio Guarantee Scheme - to assist viable SMEs that may lack the necessary collateral to secure credit facilities. With a financing limit of up to RM500,000, the SME Express Loan is extended to businesses to finance their general working capital.

In November 2018, Alliance Bank collaborated with Credit Guarantee Corporation Malaysia Berhad (CGC) to offer a Portfolio Guarantee scheme of RM50 million to assist viable SMEs that may lack the necessary collateral to secure credit facilities. Within three months of the launch, the Bank has fully utilised the portfolio limit. “We have just launched an extension of this scheme with an additional portfolio limit of RM100 million,” said Mr Kornreich.

To help nurture the next generation of social entrepreneurs, Alliance Islamic Bank organised the Eco-Biz Dream Project 3. This year's theme revolves around the revitalisation of Sungai Kerayong in the Klang Valley. Alliance Islamic Bank has committed RM200,000 as seed funding for the implementation of the winning idea, and will engage with local authorities, non-profit organisations, crowdfunding partners, and private enterprises.

"We were able to help businesses, especially SMEs, thanks to Alliance@Work, BizSmart Challenge, SME Express Loan, CGC Portfolio Guarantee Programme, and Eco-Biz Dream Project. These initiatives have in turn, propelled our SME loans growth to 12% year-on-year ("YOY")," said Mr Kornreich.

Gross loans and advances grew 6.0% YOY to RM41.4 billion. The better risk adjusted return loans increased 26.6% while the lower risk adjusted return loans contracted by 4.6%. The better risk adjusted return loans expanded to 41% of the overall loan portfolio when compared to 27% recorded for the financial year 2015. This improved performance was primarily due to Alliance One Account ("AOA"), SME, commercial and unsecured consumer loans. SME loans grew 12.0% YOY.

The Group's financial performance further validates the teams' efforts around its key pillars of SME Banking expansion, Alliance One Account ("AOA"), and Alliance@Work. In 9MFY19, the SME banking business' loan disbursement increased by 45% YOY to RM1.7 billion. AOA loan balances grew to over RM2.7 billion compared to RM1.0 billion as at the end of March 2018.

On an annualised basis, net credit cost for 9MFY19 stabilised at 29.5 bps which is within the Bank's guidance. Normalised net credit cost for 9MFY19 improved 1.2 bps to 31.2 bps from 32.4 bps for FY2018 as a result of write backs from the repayment of several major business accounts, particularly from secured non-residential properties portfolio.

The Group continues to maintain a healthy capital ratio of 18.3%. Moving forward, its focus is to continue improving on our net assets per share to RM3.60, compared to RM3.44 a year ago," said Mr Kornreich.

Delivering Sustainable Profitability

- ***Strong Revenue Growth:*** Overall 9MFY19 revenue accelerated 4.3% YOY to RM1.2 billion. Net interest income (including Islamic net financing income) grew 9.0% YOY, driven by stronger volume growth, improved loan mix from better risk adjusted return loans, and higher rate from asset re-pricing post OPR hike.

- ***Loans Growth***: Gross loans and advances grew 6.0% YOY to RM41.4 billion. The Bank's loan origination efforts continue to focus on the better risk adjusted return loans from SME, commercial, consumer unsecured lending and AOA segments. SME and commercial loans expanded 10.9% YOY, while consumer unsecured loans grew 21.1% YOY. AOA grew nearly three times and surpassed RM2.7 billion. The loan mix continues to improve with better risk adjusted return loans making up 41% of the portfolio as compared to 27% of FY2015

- ***Net Interest Margin ("NIM")***: YTD NIM improved by 8 bps to 2.48%. Gross interest margin improved 23 bps driven by better risk adjusted return loans.

- ***Operating Expenses:*** The operating expenses for 9MFY19 have declined 1.8% YOY. Cost-to-income ratio was at 46.9%, better than the industry average of 47.4%. Excluding restructuring and sales force transformation costs, normalised operating expenses increased by 2.6% YOY mainly due to higher personnel and marketing expenses.

- ***Overall profitability:*** 9MFY19 NPAT grew 12.0% YOY to RM425.8 million. ROE is at 10.3%.

Effective Risk Management

- ***Healthy Funding Position:*** Customer-based funding grew 6.1% YOY to RM43.3 billion. Fixed deposits ("FD") growth from consumer segment was used to fund the growth in better risk adjusted return loans portfolio such as AOA and personal financing. The Bank continues to drive cheaper funding by focusing on company payroll deposits and employee CASA under Alliance@Work. The Bank's CASA ratio is at 38.1%.

- ***Healthy Liquidity Position:*** The Bank's liquidity coverage ratio ("LCR") and loan to fund ratio remained healthy at 136.0% and 87.9% respectively.

- ***Stabilised Credit Cost:*** The annualised net credit cost for the 9MFY19 was at 29.5 bps, which is in line with management's guidance of <35.0 bps. Excluding a one-off write back from credit rating scale alignment for corporates in 3QFY18 and a one-off debt-sale in 1QFY19, normalised net credit cost for 9MFY19 improved 1.2 bps YTD to 31.2 bps from 32.4 bps for FY2018. The improvements were mainly driven by write back from repayment of several major business accounts particularly from secured non-residential properties loans.

▪ ***Improving Asset Quality***: The gross impaired loans ("GIL") ratio improved 15 bps to 1.28% YTD from FY2018 of 1.43%. The ongoing regularisation of residential properties portfolio through proactive collection efforts and improvement in repayment of non-residential properties portfolio from several major business accounts, have contributed to the lower GIL in 9MFY19. Loan loss coverage (including Regulatory Reserve) continues to progress to a healthy position of 125.9% from FY2018 of 96.7%.

▪ ***Strong Capital Ratios:*** The Bank posted a strong capital position with a Common Equity Tier 1 ("CET 1") ratio at 13.3%, and total Capital Ratio at 18.3%. 3QFY19 proforma CET 1 ratio (including 3QFY19 profit) will increase by 40 bps to 13.7%. The Bank continues to conserve CET 1 capital through earnings retention net of dividend, and manage Additional Tier 1 and Total Capital through capital programmes in order to remain supportive of future business expansion.

Enhancing Shareholder Value

▪ ***Net Assets per Share:*** Net assets per share improved to RM3.60, from RM3.44 a year ago. As at 31 December 2018, the Bank's shareholders' equity was RM5.6 billion.

Looking Forward

"Throughout the FY2019 period our focus is to strengthen our key strategic pillars. They have been, and will continue to be, our catalyst to grow and achieve our mid-term growth plan, which is to strengthen our position in the SME and consumer space.

We are also building up our capabilities, reorganising ourselves, and investing in technology to deliver improved service and experiences to our customers by ensuring that the innovative solutions are fast, simple, and responsive. As a local and SME-focused bank, we believe our strength is in owning a deep insight to the specific needs and challenges of our customers. Our goal is to provide an inclusive financial advisory and funding support to help SMEs and the community grow to their full potential.

Ultimately, our vision, 'Build Alliances To Improve Lives', drives our purpose. This commitment sees us working closely with our customers to progress through different stages in life through our flagship programmes such as BizSmart Challenge, Eco-Biz Dream Project, and the AEIOU Programme," concluded Mr Kornreich.

Performance Summary

Key Results

- *NPAT for 9MFY19 grew 12.0% year-on-year ("YOY") to RM425.8 million*
- *NPAT for the third quarter ended 31 December 2018 ("3QFY19") was RM148.9 million*
- *9MFY19 return on equity ("ROE") at 10.3%, better than industry average*

Revenue & Profitability

- *9MFY19 revenue grew 4.3% YOY to RM1.2 billion*
- *9MFY19 net interest income ("NII") increased 9.0% YOY*
- *Net interest margin ("NIM") improved by 8 basis points ("bps") year-to-date ("YTD") to 2.48% (industry declined 9 bps)*
- *Cost-to-income ratio at 46.9%, below industry average*

Transformation Progress

- *SME Banking Expansion: SME loan disbursement for 9MFY19 increased by 45% YOY to RM1.7 billion*
- *Alliance One Account ("AOA"): YTD loan balances nearly tripled FY18's performance at RM2.7 billion*
- *Alliance@Work has acquired more than 18,600 local employee CASA and 860 company payroll accounts YTD*

Effective Risk Management

- *Customer-based funding grew 6.1% YOY*
- *Healthy liquidity coverage ratio at 136.0%*
- *Annualised net credit cost for 9MFY19 at 29.5 basis points ("bps")*
- *Gross impaired loan ratio improved 15 bps to 1.28% YTD, third lowest in the industry*
- *Sustainable capital position, with total capital ratio of the Group at 18.3%*

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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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