PRESS RELEASE

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ALLIANCE BANK ACCELERATES WITH ENTERPRISE SOLUTIONS

New innovative propositions and strong digitisation efforts lift Net Profit After Tax 9.0% Year-on-Year to RM537.6 million

Kuala Lumpur, 29 May 2019 – Alliance Bank Malaysia Berhad ("Alliance Bank" or the "Group") continues to build alliances to improve lives with its Transformation initiatives, SME Banking and Alliance@Work, that support Malaysian businesses.

During the year, the Group's SME Banking launched BizSmart Challenge, Malaysia's first reality TV business programme by a financial institution; offered two loan options– the SME Express Loan and CGC Portfolio Guarantee Scheme; and organised the third iteration of Eco-Biz Dream Project to help nurture the next generation of social entrepreneurs.

Alliance@Work continued to live up to the brand's strategy: to be the most important relationship for the financial success of business owners. In doing so, Alliance@Work acquired more than 25,300 local employee CASA and 1,390 company payroll accounts for the financial year ended 31 March 2019 ("FY2019").

The Group's financial performance further validates the impact of the transformation initiatives: SME Banking expansion, Alliance ONE Account (AOA), and Alliance@Work. In FY2019, SME loan balances grew 11% year-on-year ("YOY") to RM 8.7 billion, when compared to a 1.1% contraction in industry's SME loans. AOA loan balances tripled to RM3.2 billion from RM1.0 billion in FY2018. Its total loan growth of 6.0% YOY to RM42.7 billion, outpaced industry loan growth of 4.9% YOY.

"Our efforts centre on improving customer experience, focusing on innovation, speed, simplicity, and responsiveness. We have successfully improved our service turnaround time and standard levels across all touch points. This allows us to accelerate the momentum of our transformation initiatives, i.e. Alliance ONE Account, SME Banking, and Alliance@Work," said Mr Joel Kornreich, Group Chief Executive Officer of Alliance Bank.

The Group recorded revenue of RM1.62 billion for FY2019. Its net profit after tax ("NPAT") grew 9.0% YOY to RM537.6 million. Meanwhile, net interest income rose 8.9% YOY, stemming from stronger loans growth and improved loan mix from better risk adjusted return loans. Net interest

^Based on December 2018 Results Announcement of Local Listed Banks margin gained 10 bps YOY to 2.50%, and return on equity (ROE) improved to 9.9% (FY2018: 9.5%).

The Group's better risk adjusted return loans increased 27.3% while the lower risk adjusted return loans contracted by 5.6%. The better risk adjusted return loans expanded to 43% of the overall loan portfolio when compared to 36% in the previous year. This portfolio expansion was primarily due to AOA, SME, commercial and unsecured consumer loans.

The Group incorporates Economic, Environmental and Social ("EES") matters into its daily operations and business pillars. "For SMEs that lack collateral to secure loans, we offer CGC Portfolio Guarantee Scheme of a total programme amount of RM150 million, and SME Express Loans of up to RM500,000 to finance their general working capital. These initiatives contributed to our SME loans expansion," explained Mr. Kornreich.

The Group maintained its inclusion in the FTSE4Good Bursa Malaysia Index with improvement in its Environment, Social, Governance ("ESG") ratings.

The Group's net credit cost at 31.5 bps, which is within its guidance, was driven mainly by the growth of the personal financing portfolio which is offset by write backs from repayment of several major business accounts.

The Group's total capital ratio has improved to 18.5% post issuance of its RM100 million Additional Tier-1 Capital Securities on 8 March 2019. Its net asset per share recorded a four-year Compound Annual Growth Rate (CAGR) of 6.3% to RM3.70.

"For FY2019, the Board of Directors has proposed a second interim dividend of 8.2 sen. This brings the total dividend for FY2019 to 16.7 sen per share. The dividend payment ratio is 48%," said Mr Kornreich.

Delivering Sustainable Profitability

- ***Strong Revenue Growth:*** Overall FY2019 revenue grew by 3.2% YOY to RM1.6 billion. Net interest income (including Islamic net financing income) increased 8.9% YOY, driven by stronger volume growth and improved loan mix from better risk adjusted return loans.

- ***Loans Growth***: Gross loans and advances grew 6.0% YOY to RM42.7 billion outpacing the industry loan growth of 4.9% YOY. 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 12.9% YOY, while consumer unsecured loans grew 21.4% YOY. AOA grew three-fold to RM3.2 billion. The loan mix continues to improve with better risk adjusted return loans making up 43% of the portfolio as compared to 36% in the previous year.

- ***Net Interest Margin ("NIM")***: NIM improved by 10 bps YOY to 2.50%, mainly due to the positive impact of OPR hike in January 2018 and improved margins from better risk adjusted return loans. We expect NIM to stabilise around 2.4% in FY2020.

- ***Non-Interest Income***: The Group recorded other operating income of RM292.1 million amid the challenging external environment. Wealth management fee income for FY2019 declined by RM15.2 million due to lower structured investment fee income and brokerage/share trading fee income. The Group also reported lower credit card fee income by RM7.2 million because of lower interchange fees and higher redemption from the improved rewards programme proposition.

  The Group plans to improve its fee income business through the new exclusive general insurance partnership with Zurich Malaysia. It will also enhance its relationship managers' capabilities through the Wealth Academy, and expand cross-selling efforts for wealth management products.

- ***Operating Expenses:*** Operating expenses have declined 2.4% YOY. Cost-to-income ratio was at 47.8%, which is within management guidance of <50%. Excluding restructuring costs, operating expenses grew 3.1% YOY mainly due to transformation sales force investment and IT infrastructure costs. Investment of RM32.4 million in transformation sales force generated revenue of RM58.7 million in FY2019.

- ***Overall profitability:*** Net profit after tax ("NPAT") grew 9.0% YOY to RM537.6 million. Return on equity ("ROE") improved to 9.9% from 9.5% in FY2018.

Effective Risk Management

- ***Healthy Funding Position:*** Customer-based funding grew 5.3% YOY to RM45.9 billion from RM43.6 billion a year ago, mainly driven by consumer deposits. The Bank was able to maintain high Current Account/Savings Account ("CASA") ratio of 35.5% mainly due to the expansion of Alliance SavePlus and contribution from the Alliance@Work channel.

  Fixed deposits ("FD") growth of RM1.5 billion YOY was used to fund the growth in better risk adjusted return loans portfolio such as AOA and personal financing. The Bank continues to focus on growing company payroll deposits and employee CASA under Alliance@Work. In FY2019, Alliance@Work acquired over 25,300 local employee CASA accounts and 1,390 company payroll accounts.

- ***Healthy Liquidity Position:*** The Group's liquidity coverage ratio ("LCR") and loan to fund ratio remained healthy at 154.3% and 86.6% respectively.

- ***Stable Credit Cost:*** The Group reported net credit cost at 31.5 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 FY2019 net credit cost increased marginally by 0.8 bps YOY to 33.2 bps from 32.4 bps for FY2018. The marginal increase in credit cost comes from the growth of personal financing portfolio offset by write backs from repayment of several major business accounts.

- ***Improving Asset Quality***: The gross impaired loans ("GIL") ratio improved 31 bps to 1.12% from 1.43% in FY2018. The ongoing regularisation of residential properties portfolio through proactive collection efforts and the repayments in the non-residential properties portfolio from several major business accounts, have contributed to the lower GIL in FY19. Loan loss coverage (including Regulatory Reserve) improved to 142.9% from 96.7% in FY2018.

- ***Strong Capital Ratios:*** To support future business expansion across all its entities, Alliance Bank Malaysia Berhad completed an Additional Tier-1 Capital Securities issuance of RM100 million in March 2019. This strengthened its Tier-1 Capital ratio to 14.1%. The Group's capital levels remain among the strongest in the sector with Common Equity Tier-1 (CET 1) ratio at 13.4% and total capital ratio at 18.5%.

  The Islamic Banking business, Alliance Islamic Bank Berhad ("AIS") also successfully completed its maiden Additional Tier-1 Sukuk Wakalah of RM100 million out of the newly-established RM500 million Additional Tier-1 Sukuk Wakalah programme. This strengthened AIS Tier-1 Capital ratio to 12.6%.

Enhancing Shareholder Value

- ***Net Assets per Share:*** Net assets per share grew to RM3.70, from RM3.53 a year ago. As at 31 March 2019, the Bank's shareholders' equity was RM5.7 billion.

- ***Proposed Interim Dividend:*** For FY2019, the Board of Directors has proposed a second interim dividend of 8.2 sen, which brings the total dividend for FY2019 to 16.7 sen per share. Dividend payment ratio was 48%.

Looking Forward

The Group will continue to focus on accelerating the momentum of its transformation initiatives of Alliance ONE Account, SME Banking, and Alliance@Work by leveraging on the strong collaborative culture across the Group, and continuing to digitise its products and services.

"We will help business owners grow their business, and extend our financial products and services to their stakeholder base of families, employees, business partners, and retail clients. Underscoring all our efforts is our brand promise: to deliver innovative solutions that are fast, simple, responsive, and aligned to customers' needs."

"We remain confident that our continued focus on the strategic transformation initiatives will generate positive financial returns in the year ahead," said Mr. Kornreich.

Performance Summary

Key Results

- FY2019 net profit after tax ("NPAT") grew 9.0% year-on-year ("YOY") to RM537.6 million
- NPAT for the fourth quarter ended 31 March 2019 ("4QFY19") was RM111.8 million
- FY2019 return on equity improved to 9.9% from 9.5% in the previous year
- Dividend payout ratio of 48%
    - Proposed a second interim dividend of 8.2 sen. (FY2019 total dividend is 16.7 sen)

Revenue & Profitability

- FY2019 revenue grew 3.2% YOY to an all-time record high of RM1.6 billion
- FY2019 net interest income increased 8.9% YOY
    - Gross loans grew 6.0% YOY, driven by core businesses & outpacing industry growth of 4.9% YOY
- Net interest margin improved 10 basis points YOY
- Cost-to-income ratio at 47.8%

Effective Risk Management

- Customer-based funding grew 5.3% YOY
- Healthy liquidity coverage ratio at 154.3%
- FY2019 net credit cost at 31.5 bps
- Gross impaired loans ratio improved 31 bps YOY to 1.12% from 1.43% in FY2018
- Loan loss coverage (including Regulatory Reserve) improved to 142.9% from 96.7% in FY2018
- Sustainable capital position, with total capital ratio of the Group at 18.5%

Sustainability

- Bank enterprise programmes supports SMEs: BizSmart Challenge, Eco-Biz Dream Project, and CGC Portfolio Guarantee Scheme
- Maintained inclusion in Bursa Malaysia FTSE4Good Index

Transformation Progress

- SME Banking Expansion: SME loan balances grew by 11% YOY (industry: -1.1% YOY)
- Alliance ONE Account: Tripled loan balances to >RM3.2 billion
- Alliance@Work: Acquired more than 25,300 local employee CASA and 1,390 company payroll accounts

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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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