



ALLIANCE BANK CONTINUES PROGRESS IN KEY TRANSFORMATION INITIATIVES

Bank continues to build alliances and leverage on digitisation to deliver great customer experience.

Kuala Lumpur, 27 November 2019 – Alliance Bank Malaysia Berhad (“Alliance Bank” or the “Bank”) posted revenue growth of 4.5% year-on-year (“YOY”) to RM836.2 million for the first half of the financial year ending 31 March 2020 (“1HFY20”), and net profit after tax of RM192.2 million.

The Bank continues to focus on building alliances with business owners to improve their lives, and the lives of their stakeholders, aiming to be their preferred bank.

“Everything that we do, from building or innovating a product, to rolling out a solution, begins with being empathetic to our customers’ needs, and having the innate desire to act on it. We call this the Alliance Way,” explained Mr. Joel Kornreich, group chief executive officer of Alliance Bank. “We leverage on digitisation to bring about efficiency for improved customer experience, one that is faster and more responsive.”

In the second quarter ended 30 September 2019 (“2QFY20”), the Bank piloted its digital business account opening at a number of Klang Valley branches. Business owners can now open a business account within a day using a tablet at the branch. Individual customers can also open a savings account, and activate their debit card and online banking account in as little as 15 minutes.

The Bank also made good progress with Alliance@Work, its payroll solutions and enhanced banking services segments for business owners, their local and foreign employees. In 1HFY20, the Bank acquired more than 810 company payroll accounts and over 15,000 new employee Current Account/Savings Account (“CASA”). CASA balances from these new acquisitions grew 183% to RM278.6 million in 1HFY20.

Alliance ONE Account (“AOA”) grew more than 100%, from RM2.1 billion to RM4.3 billion, largely due to its partner-in-sales programme and digital marketing efforts. AOA is the Bank’s simple, convenient, and hassle-free loan consolidation service for individual home owners.

Furthering the Bank’s effort to promote SME growth in Malaysia, Alliance Bank expanded its unsecured lending proposition to SMEs via its partnership with Credit Guarantee Corporation (“CGC”). The new CGC portfolio guarantee tranche scheme worth RM300 million will enable the Bank to help more than 600 SMEs expand their businesses. The Bank had previously approved more than RM330 million in loans from the previous tranches, assisting 750 SME businesses that provide employment to close to 13,750 people.

“The Bank continues to focus its FY2020 priorities on accelerating its core businesses. In 1HFY20, we grew SME loans by 10% YOY, surpassing the RM9.0 billion mark¹, and growing faster than industry,” said Mr. Kornreich.

The Bank recorded a sequentially improved net profit after tax (NPAT) of RM115.5 million for 2QFY20 (1HFY20: RM192.2 million). Its pre-provision operating profit grew 3.4% YOY to RM440.2 million. 2QFY20 return on equity (“ROE”) increased to 8.1%.

“Net interest income (including Islamic net financing income) expanded 1.5% YOY, despite the cut of 25 basis points (“bps”) to the Overnight Policy Rate (“OPR”). Non-interest income registered stronger growth of 17.4% YOY,” said Mr. Kornreich.

The Bank reported net interest margin of 2.37%, mainly affected by the OPR cut. However, margin erosion was mitigated by the Bank’s stronger volume growth and enhanced loan mix, from better risk adjusted return loans.

“In 2QFY20, the Bank’s net credit cost (including impairment) moderated to 17.5 bps. We will continue to intensify our collection efforts to contain net credit cost, remain vigilant in managing our credit portfolio, and prudent in our provisioning going forward,” said Mr. Kornreich.

“For 1HFY20, the Board of Directors has declared a first interim dividend of 6.0 sen, maintaining dividend payout ratio at 48%. Net asset per share continues to grow to RM3.80,” said Mr. Kornreich.

Delivering Sustainable Underlying Growth

- **Revenue Growth**: Overall 1HF20 revenue grew 4.5% YOY to RM836.2 million, mainly contributed by the growth in non-interest income. Net interest income (including Islamic net financing income) grew 1.5% YOY despite the OPR cut and regulatory change.
- **Loans Growth**: Gross loans and advances grew 5.9% YOY to RM43.2 billion, outpacing the industry loan growth of 3.8% YOY. The Bank’s loan origination efforts continue to be centred on the better risk adjusted return loans from SME, consumer unsecured financing, and AOA portfolio.
- **Net Interest Margin (“NIM”)**: NIM declined 13 bps year-to-date (“YTD”) to 2.37%, mainly due to the OPR cut and delinquency pricing revision. The OPR cut impact amounted to a RM20.2 million decrease in net interest income or -7 bps to net interest margin, while delinquency pricing revision impact amounted to a RM2.7 million decrease in net interest income or -1 bp to net interest margin. The Bank will revise its FY2020 NIM guidance to ~2.38%.

This impact was partly offset by yield improvement from better risk adjusted return loans growth. The Bank will continue to pursue an efficient funding mix to mitigate OPR cut impact.

¹ Industry contracted 0.8% YOY (Source: BNM Financial Institution Network August 2019 Statistics).

- **Non-Interest Income:** The Bank's non-interest income grew 17.4% YOY to RM178.8 million. 2QFY20 client-based fee income grew 4.6% quarter-on-quarter ("QOQ") mainly due to its unit trust business and card services fees.

The Bank continued to focus its efforts on growing fee income through various initiatives, including its new general insurance partnership with Zurich Malaysia, and stepping up on its cross-selling efforts to business owners and privilege banking customers.

- **Operating Expenses:** 2QFY20 cost-to-income ratio improved to 46.1% while operating expenses remained flat QOQ. 1HFY20 cost-to-income ratio was 47.4%. Management will maintain cost-to-income ratio guidance at around 48%, as new investments continue to stabilise.

Effective Risk Management

- **Healthy Funding Position:** Customer-based funding grew 6.0% YOY to RM46.6 billion from RM44.0 billion a year ago, driven mainly by a 7.7% growth in CASA especially from Alliance SavePlus Account and Alliance@Work payroll-related CASA, as well as fixed deposits growth. The Bank maintains its CASA ratio of 37.4%.
- **Healthy Liquidity Position:** The Bank's liquidity coverage ratio and loan-to-fund ratio remained healthy at 161.5% and 87.0% respectively.
- **Asset Quality:** The Bank's gross impaired loans saw an uptick QOQ mainly from residential properties particularly from older vintage² AOA and conventional mortgage. Loan loss coverage (including Regulatory Reserve) was at 105.0% in 2QFY20.
- **Strong Capital Ratios:** The Bank continues to report strong capital position with Common Equity Tier-1 ("CET 1") ratio at 13.5%, Tier-1 ratio at 14.3%, and total capital ratio at 18.6%.

Continues to maintain dividend payout

- **First Interim Dividend:** For 1HFY20, the Board of Directors has declared a first interim dividend of 6.0 sen with a maintained dividend payout ratio of 48%.
- **Net Assets per Share:** Net assets per share grew steadily to RM3.80, from RM3.70 in March 2019. As at 30 September 2019, the Bank's shareholders' equity was RM5.9 billion.

² Refers to AOA accounts originated before June 2018 credit tightening.

Looking Forward

“The significant progress of our key transformation initiatives, supported by meaningful collaborations and digitisation efforts, is a good indication that we are progressing well in helping business owners grow their business and providing value to their stakeholder base,” said Mr. Kornreich.

In 2HFY20, the Bank will be rolling out additional digital propositions for business owners and their stakeholders.

Performance Summary for 1HFY2020

Revenue & Franchise Development

- 1HFY20 overall revenue grew 4.5% YOY to RM836.2 million.
- 1HFY20 net interest income grew 1.5% YOY
 - Net interest margin at 2.37%, despite Overnight Policy Rate (“OPR”) cut impact (-7 bps) and delinquency pricing revision (-1 bp)
 - Gross loans grew 5.9% YOY, driven by core businesses and outpacing industry growth of 3.8% YOY.
- Non-interest income grew 17.4% YOY
- 2QFY20 cost-to-income ratio improved to 46.1%.
- 1HFY20 Pre-Provision Operating Profit grew 3.4% YOY to RM440.2 million.

Effective Risk Management

- Customer-based funding grew 6.0% YOY to RM46.6 billion.
- CASA ratio improved to 37.4%.
- Healthy liquidity coverage ratio at 161.5%.
- Gross impaired loan uptick mainly from residential
- Net credit cost (including impairment) for the quarter moderated to 17.5 bps
- Sustainable capital position with common equity tier-1 ratio was at 13.5%; total capital ratio of the Bank was at 18.6%.

Key Results

- 2QFY20 net profit after tax at RM115.5 million (vs 1QFY20: RM76.7 million).
- 1HFY20 net profit after tax at RM192.2 million
- 2QFY20 ROE improved to 8.1%
- Maintained dividend payout ratio of 48%: Proposed 1st interim dividend of 6.0 sen

Transformation Progress

- SME loans grew 10% YOY, crossing the RM9.0 billion mark (vs industry: -0.8% YOY).
- Alliance ONE Account loans doubled to RM4.3 billion YOY.
- Personal Financing loans expanded 18% YOY to RM2.1 billion.
- Alliance@Work acquired >810 company payroll accounts (65% YOY growth), and >15,000 new employee CASA (29% YOY growth) in 1HFY20; CASA balances from these new acquisitions grew 183% to RM278.6 million.

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.

For more information on this press release, please contact Agnes Ong, Tel: (03) 2604 3378/012-672 4245, or e-mail agnesong@alliancefg.com.