



ALLIANCE BANK REPORTS PRE-PROVISION OPERATING PROFIT OF RM882.3 MILLION

Bank made good progress in accelerating core businesses and digitisation initiatives.

Kuala Lumpur, 25 June 2020 – Alliance Bank Malaysia Berhad (“Alliance Bank” or the “Bank”) today reported a pre-provision operating profit of 4.1% year-on-year (“YOY”) to RM882.3 million. Its revenue grew 4.1% YOY to RM1.69 billion, driven by improvement in non-interest income. The Bank recorded a net interest margin of 2.40%. It continues to be one of the fastest growing banks in the SME segment, registering loans growth of 8% YOY.

The Bank’s total net interest income (including the Islamic Banking segment) was at RM1.32 billion. Excluding the impact of the three Overnight Policy Rate (“OPR”) cuts in FY2020, net interest income grew by 4.0% YOY.

The Bank’s non-interest income rose 25.2% to RM365.8 million driven by treasury, investment and wealth management income. Its non-interest income ratio improved to 21.7% YOY.

Over the past year, the Bank’s net credit cost was impacted by the full provision for a few significant corporate accounts and deterioration in our pre-June 2018 Alliance ONE Account portfolio and classic mortgage. The Bank has since intensified collection efforts in the consumer banking portfolio, tightened its underwriting, and initiated recovery actions on the affected corporate accounts. The Bank’s FY2020 net credit cost stood at 72.1 bps including early COVID-19 impact of 8 bps. Net profit after tax was RM424.3 million.

The Bank reported Common Equity Tier-1 (CET 1) ratio at 13.8%, Tier-1 Capital ratio at 14.6%, and total capital ratio at 18.9%. Net asset per share registered a four-year Compounded Annual Growth Rate of 5.4% to RM3.87.

Considering the current COVID-19 pandemic, the Bank is prioritising capital conservation in order to support future business expansion. Therefore, the Board of Directors did not recommend a second interim dividend in the fourth quarter of FY2020. The Bank will consider future dividend proposals once the full economic impact of the COVID-19 pandemic is clearer. For FY2020, the total dividend for the Bank is 6.0 sen per share, with dividend payout ratio at 21.9%.

Accelerating the SME and Consumer Banking Businesses

“For FY2020, we made good progress in accelerating our core businesses, establishing new partnerships to expand customer acquisition, and digitising our processes and products. We remain committed in our mission of Building Alliances to Improve Lives, and focussed on helping business owners and their stakeholders with their personal and business financial needs,” said Mr. Joel Kornreich, group chief executive officer of Alliance Bank.

The Bank launched the digital personal loans application in December 2019, enabling consumers to conveniently apply for financing anytime, anywhere, with approval-in-principle in as little as 10 minutes. Funds are disbursed within 24 hours. In FY2020, personal loan balances grew by 10% to RM2.2 billion.

The Bank reported 13.6% YOY growth in CASA, ahead of industry growth of 6.7%. This makes the Bank's CASA ratio the highest in the industry. Improvements in CASA was driven by the Branch-in-a-Tablet initiative and Alliance SavePlus.

Under Alliance@Work, the Bank improved local employee CASA acquisition by 18% to 30,000 accounts. Its CASA balances from local employees, foreign workers and new Business CASA grew by over 250% to half a billion ringgit.

The SME Banking segment continues to outpace industry growth with a three-year CAGR that is 4x faster than the industry. SME Banking is one of the main contributors to the Group, with almost 35% of profit before tax from this segment.

A key focus in FY2020 was the Branch-in-a-Tablet initiative to digitise and simplify the customer experience at the branch. Today, individuals may open a Consumer CASA, activate their ATM card, and Internet and mobile banking services in as little as 15 minutes. Similarly, Business CASA can be activated through our "1-day, 1-visit" proposition, the fastest in the industry. The Branch-in-a-Tablet initiative received the "2019 Digital Transformation Award" at the Red Hat APAC Innovation Awards 2019. The Bank was also listed as one of the "20 Best Banks for 2020 in Asia Pacific" by IDC Financial Insights.

Looking Forward

To navigate the challenges expected in the year ahead, the Bank has identified four key focus areas for FY2021.

"We will provide our customers with financial and non-financial assistance to help sustain them through the economic downturn. We will also manage our credit risk by reducing our exposure in high risk segments, and be selective in our new loan origination," said Mr. Kornreich.

"We continue to focus on ensuring healthy liquidity ratios and strong customer-based funding, as well as high cash availability at all our branches and ATMs nationwide. Public health concerns as a result of the pandemic has resulted in a shift in customer preferences for remote interactions. We are therefore accelerating our remote banking and branch transformation efforts," added Mr. Kornreich.

"In the coming months, we will roll out a new e-KYC solution to enable customers to open an account, or apply for credit card and personal loan fully digitally. If they require assistance, they will still be able to interact with us remotely via phone, video call or web chat," said Mr. Kornreich.

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Financial Highlights for FY2020

Key Results

- *Pre-provision operating profit grew 4.1% YOY to RM882.3 million*
- *Revenue grew 4.1% YOY to RM1.69 billion.*
- *Net interest income remained steady YOY*
 - *Net interest margin at 2.40%, within original guidance*
 - *Gross loans growth at 2.2%*
 - *Customer-based funding grew 6.5% YOY to RM48.9 billion*
- *Non-interest income grew 25.2% YOY*
- *Cost-to-income ratio was at 47.8% YOY*
- *FY20 net credit cost is at 72.1 bps (including early COVID-19 impact of 8.0 bps)*
- *FY20 net profit after tax at RM424.3 million*
- *Return on Equity is at 7.3%*
- *Healthy liquidity coverage ratio at 156.7%*
- *Conservative capital retention:*
 - *No second interim dividend (will consider future dividend proposals once the full economic impact of the COVID-19 pandemic is clearer)*
 - *Total FY2020 dividend: 6.0 sen (dividend payout of 21.9%)*

Transformation Progress

- *Personal Financing loans expanded 10% YOY to RM2.2 billion.*
- *SME Banking loans improved 8.0% YOY to RM9.4 billion (industry: -10.4% YOY)*
- *Alliance@Work acquired 1,800 company payroll accounts (26% YOY growth), and >29,000 new employee CASA (18% YOY growth);*

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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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