



ALLIANCE BANK

The Preferred Bank of Business Owners

Analyst Briefing 1QFY22

27 August 2021





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- Revenue & Franchise Development
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2 Going Forward

- Our Strategy
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- Financial ratios



1QFY22 Performance Highlights

1 Revenue & Profitability

- Revenue grew **14.6% y-o-y** to **RM483.0 million**
- Non-interest income grew **25.3% y-o-y**
- Net interest income grew **11.4% y-o-y**, mainly from funding optimisation
 - Net interest margin improved to **2.50%** (+30 bps y-o-y)
- Cost to Income Ratio improved to **40.0%**
 - Positive JAWS: **+11.1%**
- PPOP grew **23.3% y-o-y** to **RM289.6 million**
- Net profit after tax grew **40.0% y-o-y** to **RM146.0 million**

2 Effective Risk Management

- Net credit cost at 21.8 bps (including management overlays of 14.9 bps)
- Liquidity and capital positions remained strong
 - Healthy funding, with CASA ratio at **49.4%** (top end of the industry)
 - Liquidity coverage ratio at **170.3%**
 - CET-1 ratio: **16.9%**; Total capital ratio: **22.2%**

Revenue up 14.6% y-o-y, NPAT up 40.0% y-o-y

Income Statement	1QFY21 RM mil	1QFY22 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	327.1	364.5	37.4	11.4%
Non-Interest Income	94.5	118.4	23.9	25.3%
Revenue	421.6	483.0	61.3	14.6%
OPEX	186.7	193.3	(6.6)	(3.5%)
Pre-Provision Operating Profit (PPOP)	234.9	289.6	54.7	23.3%
Net Credit Cost & Impairments	95.0	95.3	(0.2)	(0.2%)
- BAU	36.8	30.0	6.8	18.4%
- Management Overlays	58.2	65.3	(7.0)	(12.0%)
Pre-tax Profit	139.8	194.3	54.5	39.0%
Net Profit After Tax	104.3	146.0	41.7	40.0%



Net interest income grew 11.4% y-o-y

- Net interest income grew 11.4% y-o-y mainly driven by deposit optimisation and repricing of FDs post-OPR cuts:

Y-o-Y impact:

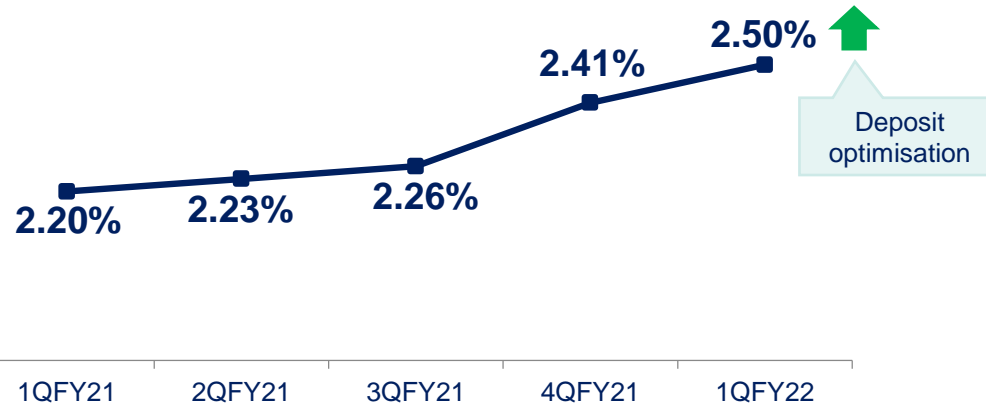
RM mil



YoY Impact

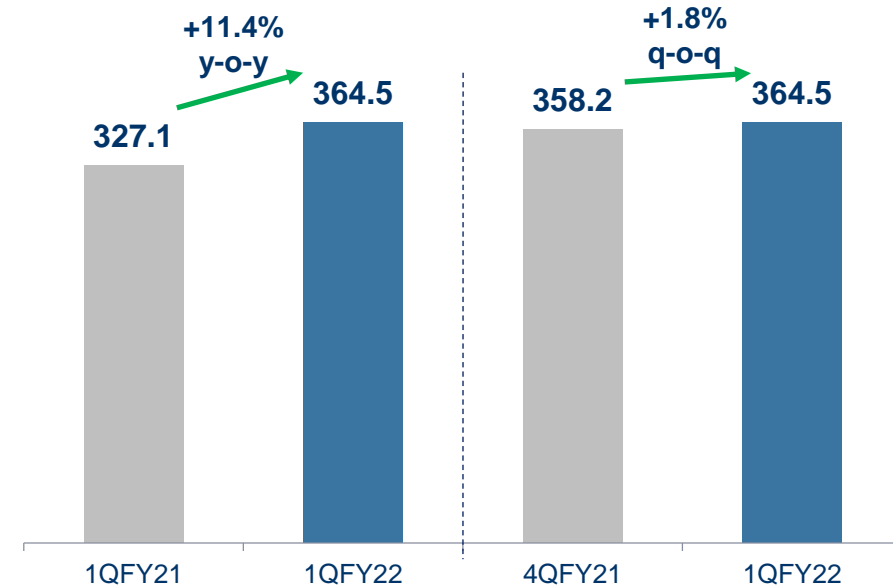
-0.2%	+8.8%	+8.2%	-5.4%	+11.4%
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Net Interest Margin Trend:



Net Interest Income

RM mil



Non-interest income grew 25.3% y-o-y

- Non-interest income grew 25.3% y-o-y mainly driven by wealth management income, FX sales & Trade fees:

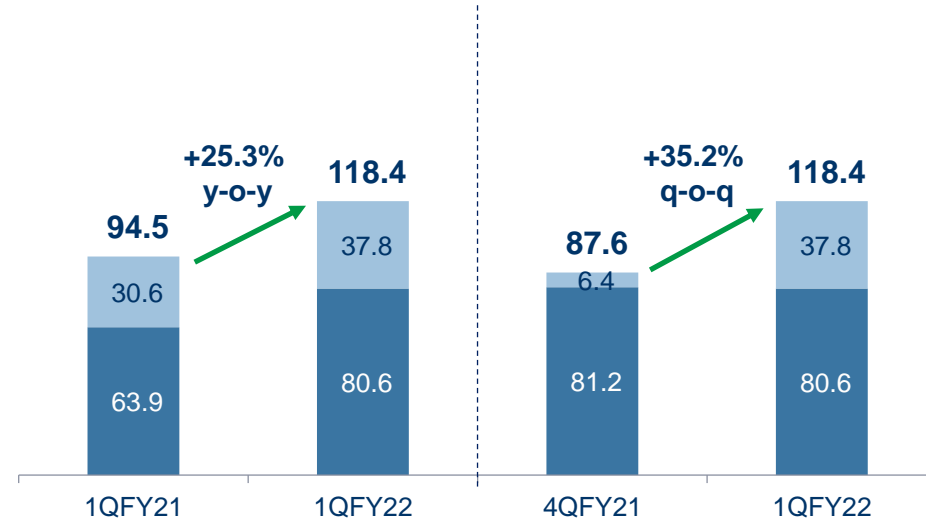
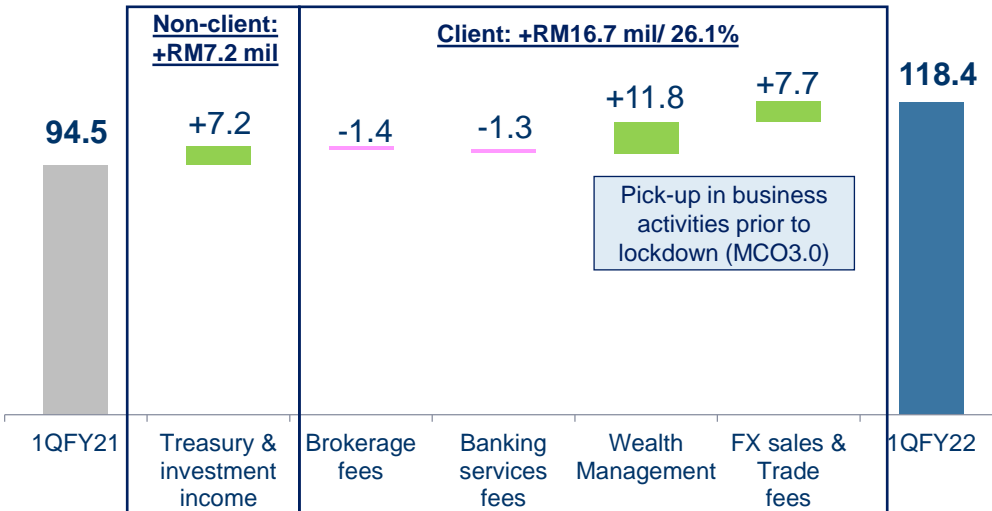
Non-interest income

RM mil

■ Client based fee income

■ Non-client based fee income

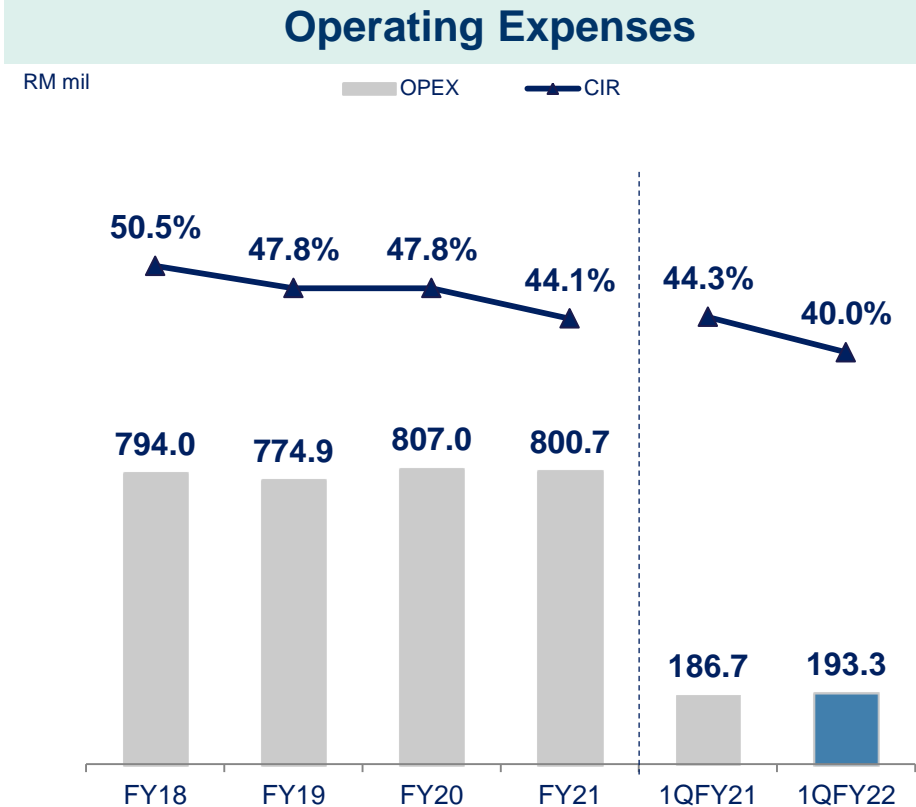
RM mil





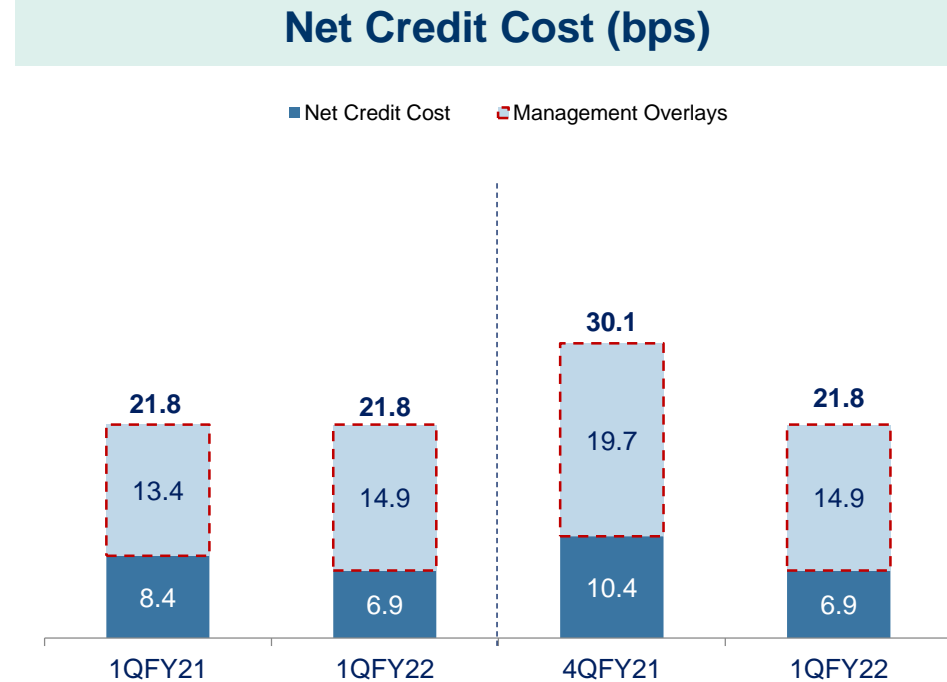
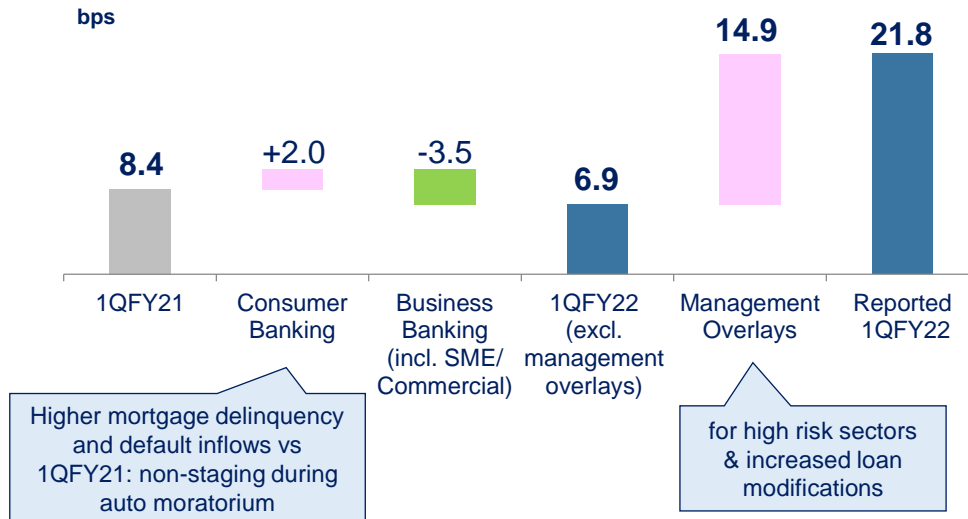
Cost to Income Ratio improved to 40.0%

- a) Operating expenses up 3.5% y-o-y:
 - Higher personnel expenses from investment in sales force and expansion of collections team.
- b) Cost to income ratio improved to 40.0%, mainly driven by revenue growth.
- c) Our FY22 cost to income ratio guidance: within 45%.



Net credit cost at 21.8bps (management overlays 14.9bps)

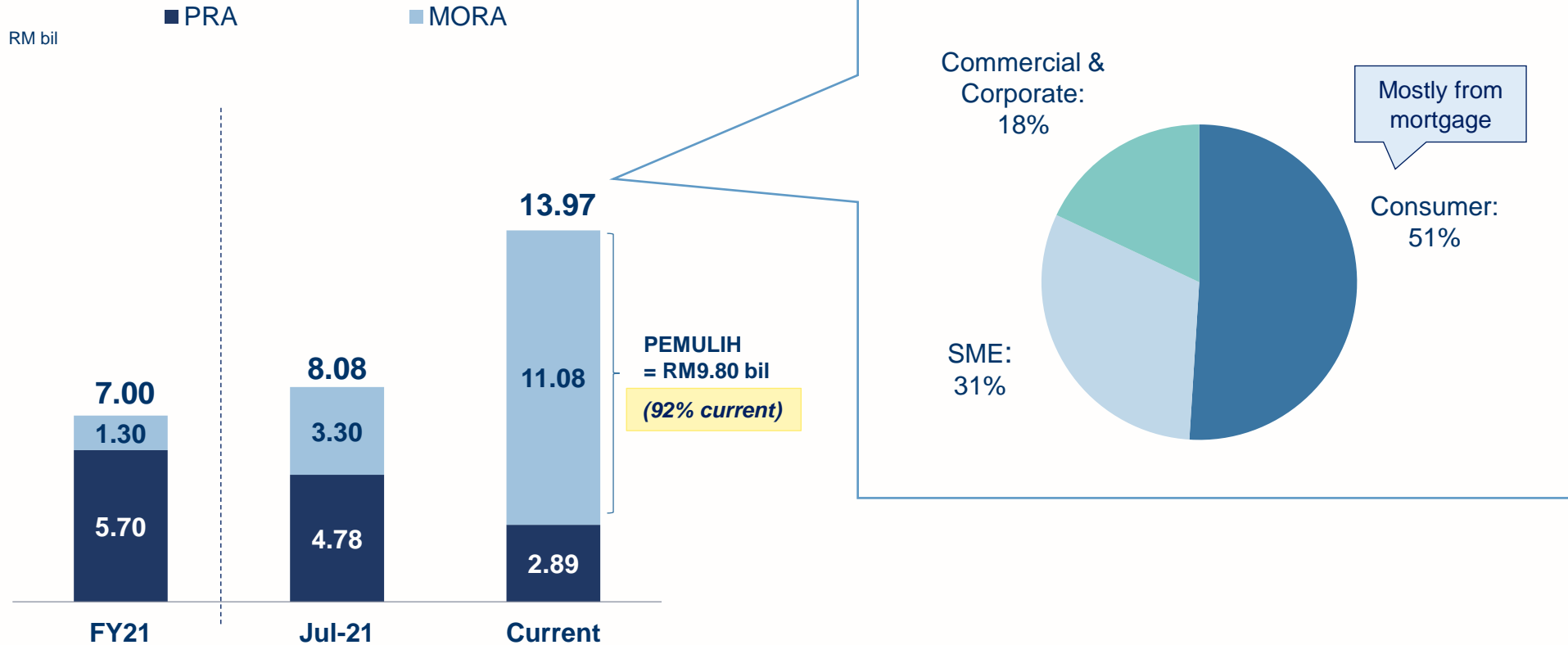
- a) 1QFY22 net credit cost = 21.8bps
(of which 14.9 bps or 68% for management overlays)
- b) Normalised net credit cost lower by 1.5bps y-o-y:





Committed to providing financial assistance to customers

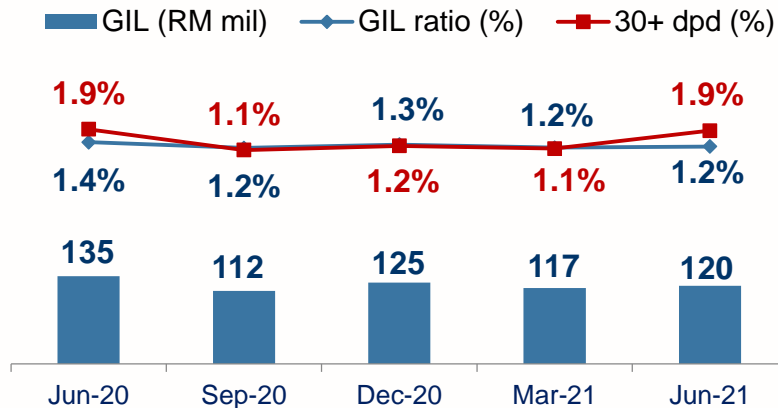
Financial Assistance: RM13.97 billion (32% of loan book)



- **Financial assistance increased to RM13.97 billion**
- **RM9.80 billion are under the PEMULIH moratorium:**
 - New enrolments: RM6.61 billion
 - Switch-over from existing targeted assistance: RM3.19 billion
 - Majority of the PEMULIH enrolments were for a 6-month moratorium (mostly from Mortgage & SME)

SME: stable asset quality post moratorium

SME



- **96.9% current**
- **GIL ratio** stable at 1.2% (no major impairment)
- Uptick in **30+dpd**:
 - Due to enrolment into PEMULIH moratorium
 - **95%** of new 30+dpd have now been granted PRA / moratorium

How are we mitigating these risks?

Portfolio Management

- **Financial assistance: RM4.3B or 44% of SME loan book**

SME (by sectors)	Red	Amber	Green
ENR	RM1.8B	RM6.7B	RM1.4B
Financial assistance	RM1.0B (54%)	RM2.9B (43%)	RM478m (33%)

Note: Red/Amber/Green classification due to COVID-19

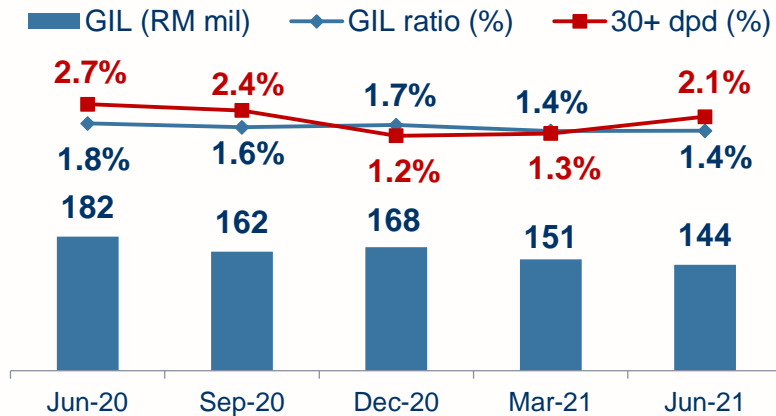
- Continue to provide **assistance** (if require further help)
- Improve **early warning** process:
 - Collection forums (weekly) & portfolio reviews (twice monthly)
 - Closely monitor watchlist & delinquents individually
- Proactive **remedial** measures

Origination

- Continue to be **cautious on lending** to COVID-19 affected sectors
 - Enhanced / simplified **underwriting criteria** for targeted segments
- Enhanced **on-boarding measures** to assess latest financials / mitigate outdated information

Corporate & Commercial: asset quality remained stable

Corporate & Commercial



- **GIL ratio** stable at 1.4% (no major impairment)
- Uptick in **30+dpd** due to:
 - Accounts that have now been granted moratorium/ PRA

How are we mitigating these risks?

Portfolio Management

- **Financial assistance:** RM2.6B or 26% of GCC loan book

GCC (by sectors)	Red	Amber	Green
ENR	RM0.9B	RM7.9B	RM1.1B
Financial assistance	RM219m (23%)	RM2.3B (29%)	RM90m (8%)

Note: Red/Amber/Green classification due to COVID-19

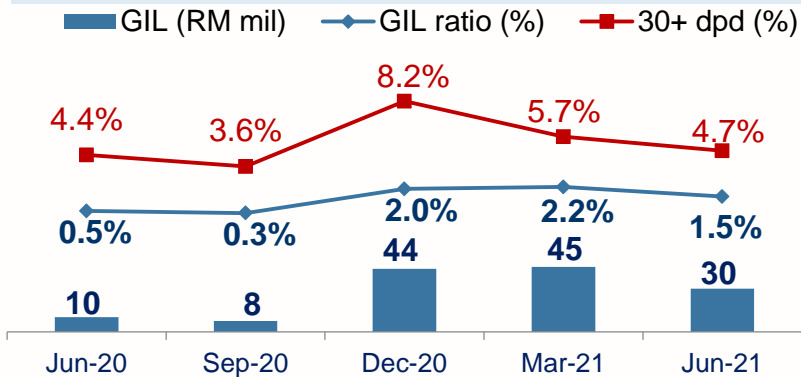
- **Improved early warning process:**
 - Portfolio reviews (twice monthly)
 - Closely monitor the watchlist individually
- **For high-risk accounts:**
 - RMs in more frequent contact to extend assistance (if required)
 - De-risking actions: reducing exposure/line & obtain additional security
 - Management overlays

Origination

- **Tighter credit criteria** for customers in high risk segment
- **Enhanced project financing assessment:** more selective & stringent
- **Enhanced stress testing** on borrowers' financial capability

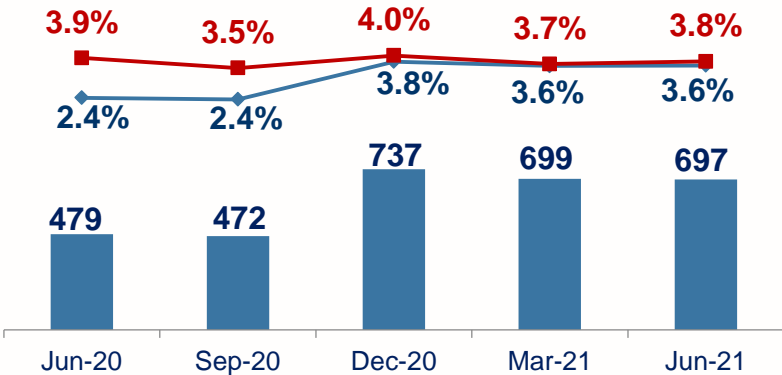
Consumer: proactive mitigation actions to contain portfolio

Personal Financing



Note: Jun20 & Sep20: lower due to non-staging during moratorium; GIL continue to charge off after 180+ dpd

Classic Mortgage & AOA



- Both PF and Mortgage **GIL ratio improved / stabilized** post Dec20.
- Improvement in AOA GIL ratio** with Collections activity intensified and push back of accounts.

How are we mitigating these risks?

PF Origination

- Oct20: increased application **duo score** cutoff
- Continue temporary tightened policy** & stopped booking high-risk segment

Mortgage & AOA Origination

- Dec20: increased application **duo score** cutoff
- Continue temporary tightening measures** (for self-employed - heightened risk)

Portfolio Management

- Financial assistance: RM7.1B** (Mortgage: RM6.4B; PL: RM0.7B)
- Completed diagnosis of Consumer book (< 20,000 customers):

> MIA 2 (RM398m) 6%	MIA 1 (RM735m) 10%	MIA 0 (RM5.9b) 84%
<ul style="list-style-type: none"> ✓ Tactical waiver to pushback customers ✓ Conduct further customer risk assessment ✓ Ensure adequacy of management overlays 	<ul style="list-style-type: none"> ✓ Intensify collection ✓ Prioritise to book longer-term PRA (or PEMULIH) ✓ Consideration for higher ECL overlays 	<ul style="list-style-type: none"> ✓ PRA offering via WhatsApp messaging ✓ Collectors to reach out to targeted customers ✓ Offer longer-term PRA (or PEMULIH) if required

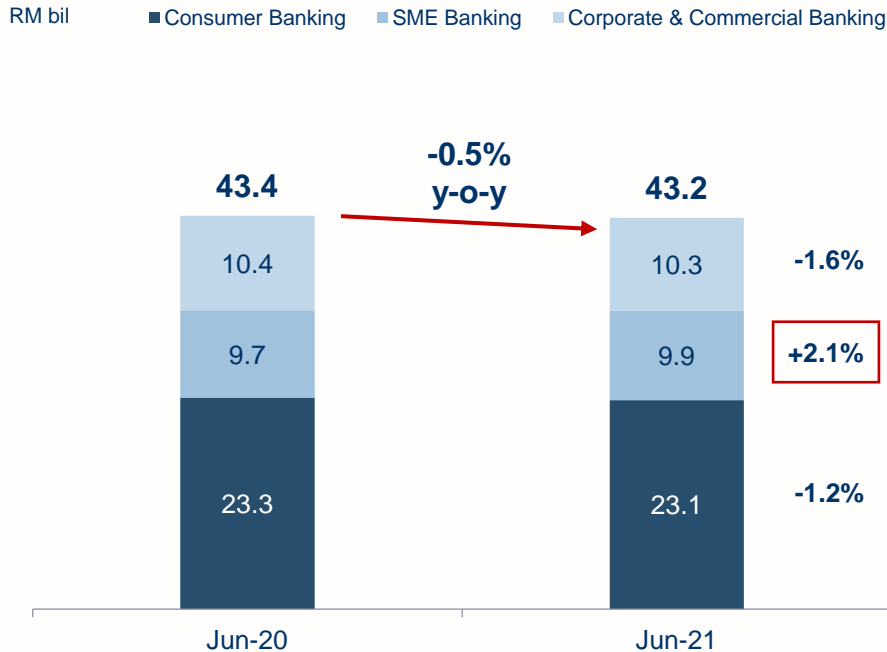
GIL Management

- Increased collection call capacity and intensity**
- Offer interest rebate**
- Mortgage GIL of RM697mil has been **provisioned** to cover LGD



Loans and funding reduced, but mix improved

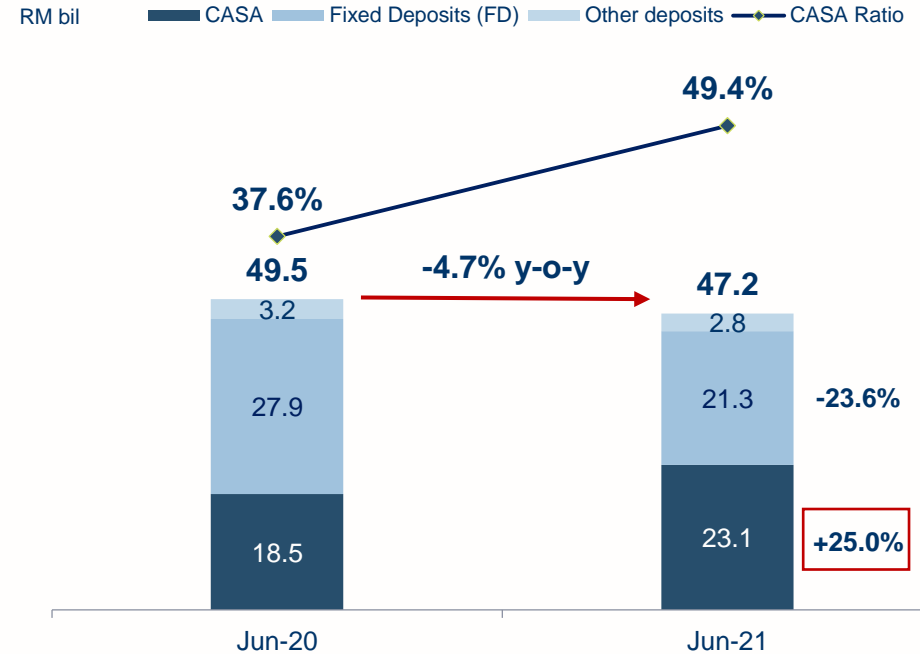
Gross Loans



a) Gross loans declined 0.5% y-o-y

- SME: +2.1% y-o-y (mainly SRF +RM178 mil)
- Consumer Banking: -1.2% / -RM269 mil y-o-y
 - Mortgage: -RM388 mil y-o-y
 - Personal Financing: -RM111 mil y-o-y
- GCC: -1.6% / -RM168 mil y-o-y

Customer Based Funding



a) Customer based funding: -4.7% y-o-y, due to deposit mix optimisation

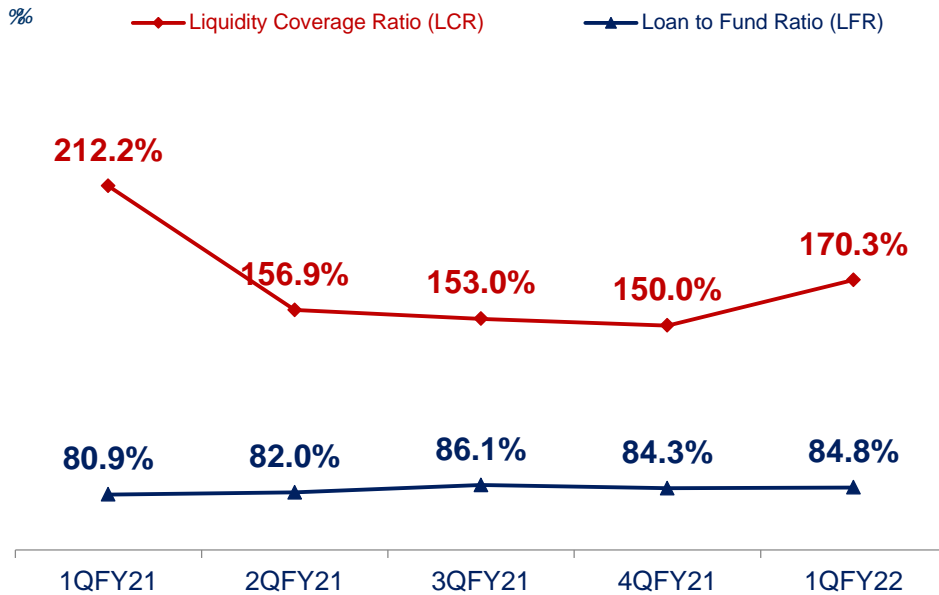
b) **CASA**: +RM4.6 bil / +25.0% y-o-y, thanks to:

- Alliance SavePlus: +RM2.1 bil y-o-y
- Alliance@Work: +RM349 mil y-o-y
- Other CASA: +RM2.2 bil y-o-y



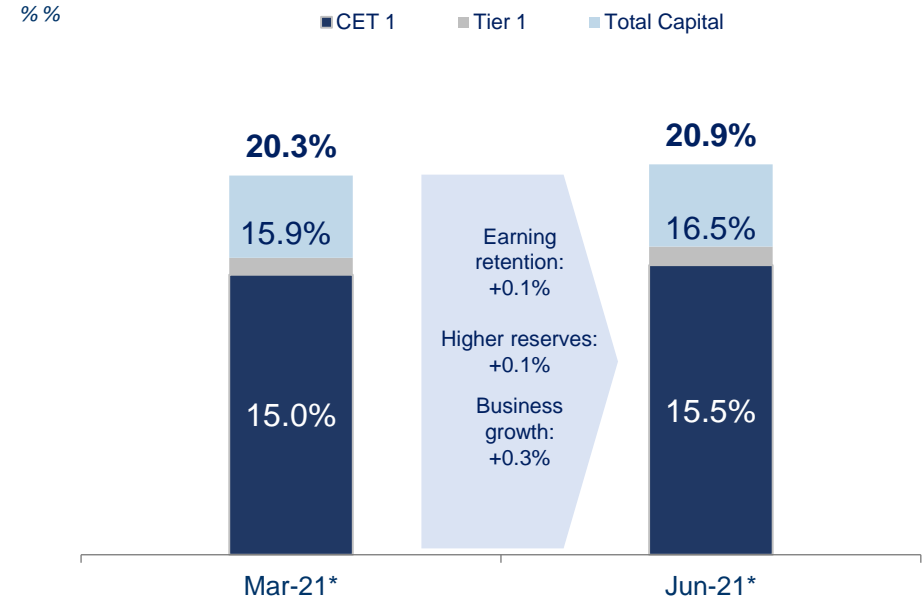
Liquidity and capital position remain strong

Liquidity: LCR, LFR



- a) Liquidity coverage ratio (LCR): 170.3% (industry*: 149.1%)
- b) Loan to fund ratio at 84.8% (industry*: 81.6%)
- c) Net stable funding ratio (NSFR) at 126.4%

Capital Position



- a) Strong capital position (even without transitional arrangement)
- b) Continue to support future business expansion:
 - Prioritising capital conservation through earnings retention due to COVID-19 uncertainties

* Capital ratios without transitional arrangement
[with transitional arrangement: CET 1 ratio: 16.9%, Tier 1 ratio: 17.9% & Total Capital ratio: 22.2%].



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**VISION: The Preferred
Bank of Business Owners**
MISSION: Building Alliances To Improve Lives

Strategy: Building scale in SME, Commercial & selected Consumer segments

Business banking

Top 4 player in SME
(doubling market share in 5 years - by FY26)

Consumer banking

Be the **personal banker of choice**
for **business owners**

FY22 Strategic Priorities:

1

**Acquire more
customers**

- Increase **SME market share to 5%**
 - ✓ **Sales force expansion;**
 - ✓ **Digital SME**
- Double **new-to-bank customers** acquisition

2

**Deepen customer
engagement**

- Tighten **collaboration:**
 - ✓ Build business Owners with **dual personal & business relationship;**
 - ✓ leverage on **Universal Bankers**
- Increase **digital adoption**
(target: ~3/4 digital transactions)

3

**Gain
efficiencies**

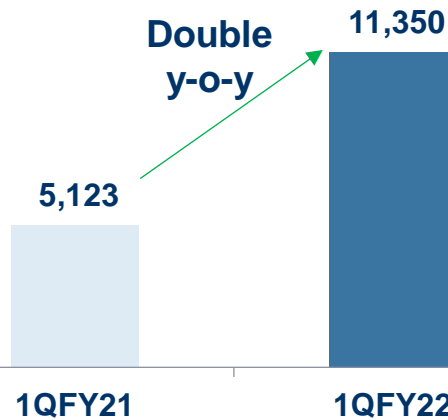
- **Business Transformation:**
 - ✓ **Eliminate, automate & centralise** processes;
 - ✓ Piloting **new & simplified branch** model



Good progress despite MCO

1 Acquire more customers

Number of New-to-Bank customers

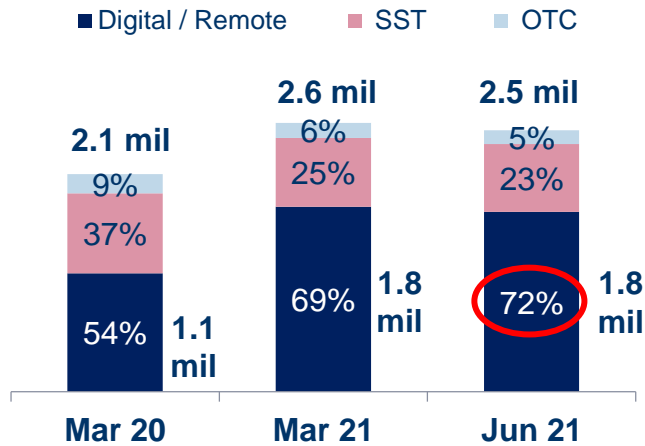


- **Alliance Digital SME:** launched in Jun-21:
 - ✓ Serve **smaller SME clients** (annual turnover: RM200k to RM5 million)
 - ✓ Focus on **green sector**

2 Deepen customer engagement

Customer digital adoption

Account Transactions by Channel Type (Average/Month)



- Stepping up **cross-selling effort:**
 - ✓ Acquired **~900 new business owners YTD**, aiming 8,000 in FY2022
- **Universal Bankers:**
 - ✓ Doubling to cover **12 key branches** in Klang Valley

3 Gain efficiencies

New branch model



Zero Branch Operations



Straight-Through Processing (STP) experience



Digital self-serve on cash handling



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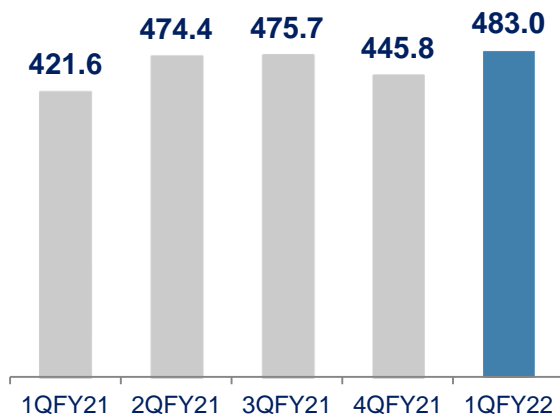
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1QFY22 PPOP grew 23.3% y-o-y to RM289.6 mil

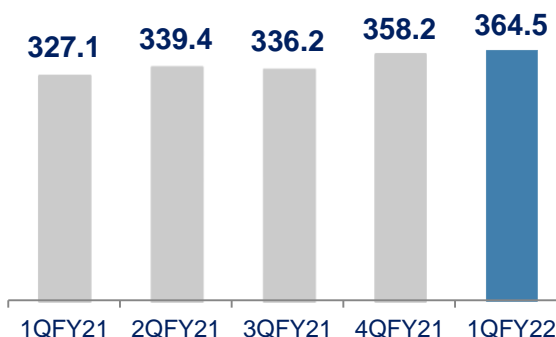
Revenue

RM mil



Net Interest Income & Islamic Net Financing Income

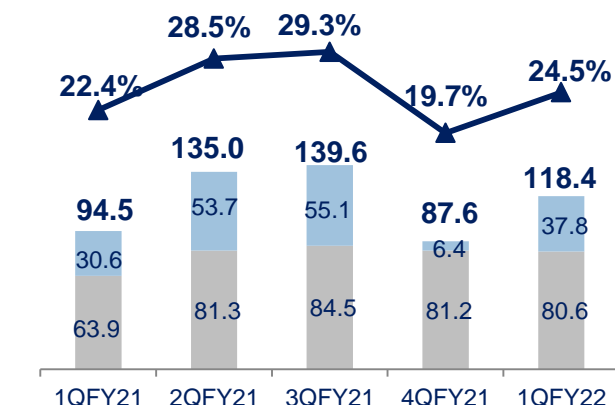
RM mil



Non Interest Income & NOII Ratio

RM mil

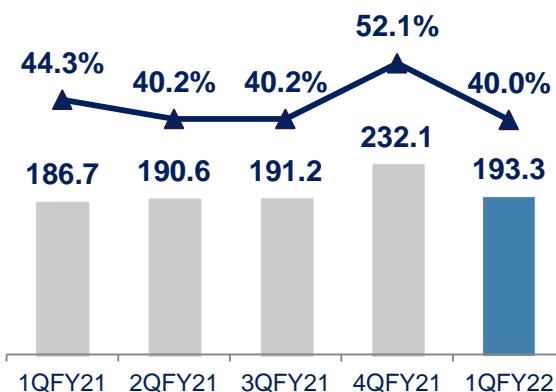
Client Based Non Client Based
NOII Ratio



Operating Expenses & CIR Ratio

RM mil

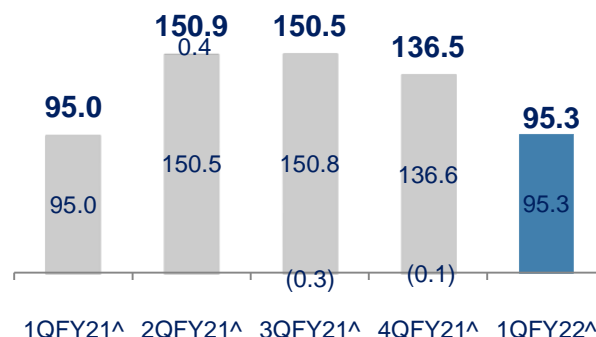
OPEX CIR



Expected Credit Losses ("ECL") & Goodwill Impairments

RM mil

Goodwill Impairment
ECL on Financial Investments & Impairments



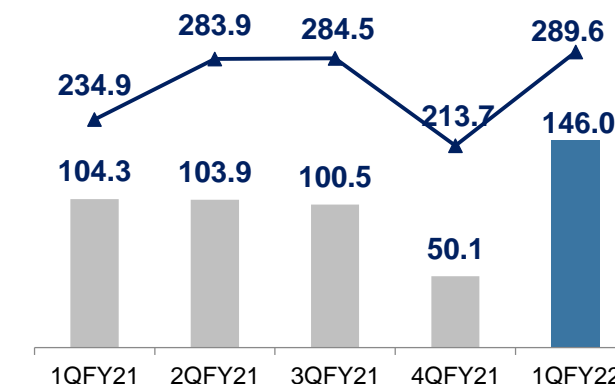
1QFY21^ 2QFY21^ 3QFY21^ 4QFY21^ 1QFY22^

^1QFY21 included management overlay of RM58.2m for high risk sector; 2QFY21 (RM151.1m) & 3QFY21 (RM14.3m) mainly for borrowers under 3 months extended moratorium and payment relief assistance (PRA); 4QFY21 (RM89.2m) for overlay basis revision, mora/PRA & few specific business accounts; 1QFY22 (RM65.3m) for mora/PRA & habitual delinquency

Pre-Provision Operating Profit & Net Profit

RM mil

NPAT PPOP



Note: Revenue and non interest income includes Islamic banking income



Income Statement	4QFY21 RM mil	1QFY22 RM mil	Q-o-Q Change Better / (Worse)	
			RM mil	%
Net Interest Income	267.3	276.6	6.3	1.8%
Islamic Net Financing Income	90.9	87.9		
Islamic Non-Financing Income	6.8	16.0	30.8	35.2%
Non-Interest Income	80.8	102.5		
Net Income*	445.8	483.0	37.1	8.3%
OPEX	232.1	193.3	38.8	16.7%
Pre-Provision Operating Profit (PPOP)	213.7	289.6	75.9	35.5%
Net Credit Cost	136.6	95.3	41.3	30.2%
Expected Credit Losses on Financial Investments	(0.1)	0.0	(0.1)	(>100%)
Pre-tax Profit	77.2	194.3	117.1	>100%
Net Profit After Tax	50.1	146.0	95.9	>100%

- **Revenue** grew by 8.3% q-o-q:
 - Net interest income: +RM6.3mil or 1.8% q-o-q.
 - Non-interest income: +RM30.8mil q-o-q:
 - ✓ Lower client based fee income (-RM0.7mil)
 - ✓ Higher treasury & investment income (+RM31.5mil)
- **Operating expenses** lower by RM38.8mil mainly from lower personnel expenses, professional/consultancy fees, marketing expenses and IT expenses.
- **Pre-provision Operating Profit (PPOP)** increased by 35.5% q-o-q to RM289.6mil.
- Lower **net credit cost** of RM41.3mil mainly due to lower BAU expected credit losses (ECL) and lower management overlay for high risk sector.
- **Net profit after tax** increased by RM95.9mil mainly due to higher non-interest income, lower operating expenses and net credit cost.

Notes:

* Revenue, net interest income and non interest income includes Islamic banking income



Income Statement	1QFY21 RM mil	1QFY22 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	241.2	276.6	37.4	11.4%
Islamic Net Financing Income	85.9	87.9		
Islamic Non-Financing Income	9.2	16.0	23.9	25.3%
Non-Interest Income	85.3	102.5		
Net Income*	421.6	483.0	61.3	14.6%
OPEX	186.7	193.3	(6.6)	(3.5%)
Pre-Provision Operating Profit (PPOP)	234.9	289.6	54.7	23.3%
Net Credit Cost	95.0	95.3	(0.2)	(0.2%)
Pre-tax Profit	139.8	194.3	54.5	39.0%
Net Profit After Tax	104.3	146.0	41.7	40.0%

- **Revenue** increased by 14.6% y-o-y:
 - Net interest income: +RM37.4mil, thanks to lower funding cost due to better deposit mix from CASA growth and FDs repricing.
 - Non-interest income: +RM23.9mil y-o-y:
 - ✓ Higher client based fee income (+RM16.7mil)
 - ✓ Higher treasury & investment income (+RM7.2mil)
- Higher **operating expenses** by RM6.6mil, mainly from higher personnel expenses and establishment expenses.
- **Pre-provision Operating Profit (PPOP)** increased by 23.3% y-o-y to RM289.6mil.
- **Net credit cost** remained flat at 21.8 bps (of which 14.9 bps or 68% for management overlay).
- **Net profit after tax** for the quarter increased by 40.0% y-o-y mainly driven by revenue growth.

Notes:

* Revenue, net interest income and non interest income includes Islamic banking income

Balance Sheet	Mar 21 RM bil	Jun 21 RM bil	Q-o-Q Change	
			RM bil	%
Total Assets	60.7	59.2	(1.5)	(2.5%)
Treasury Assets*	13.1	12.7	(0.4)	(2.9%)
Net Loans	43.2	42.2	(1.0)	(2.3%)
Customer Based Funding ⁺	48.7	47.2	(1.6)	(3.2%)
CASA Deposits	22.8	23.1	0.3	1.3 %
Shareholders' Funds	6.3	6.3	0.1	1.2%
Net Loans Growth (y-o-y)	0.3%	-1.3%		
CASA Deposits Growth (y-o-y)	25.7%	25.0%		
Customer Based Funding ⁺ Growth (y-o-y)	-0.4%	-4.7%		

- **Net loans** decreased by 2.3% q-o-q:
 - **SME loans:** -1.3% q-o-q due to lower utilisation in overdraft
 - **Consumer loans:** -1.0% q-o-q mainly from mortgage portfolio
 - **GCC loans:** -5.5% q-o-q mainly due to repayment from few major accounts
- **Customer based funding** decreased by 3.2% q-o-q:
 - Reduction in fixed deposits (-RM1.1bil) and money market deposits (-RM0.9bil) q-o-q as part of our efforts to optimize funding, while
 - CASA grew 1.3% q-o-q, mainly driven by SavePlus (+RM447mil).
- **Liquidity coverage ratio:** 170.3% (vs 150.0% in Mar 2021; industry: 149.1%^).

Notes:

* Treasury assets comprise financial assets (FVOCI, FVTPL, AMC) & derivative financial assets

⁺ Customer based funding = CASA + Fixed Deposits + Money Market Deposits + Retail Negotiable Instrument of Deposits + Structured Investments

^ BNM Monthly Statistical Bulletin Jun 2021





Balance Sheet	Jun 20 RM bil	Jun 21 RM bil	Y-o-Y Change	
			RM bil	%
Total Assets	62.0	59.2	(2.8)	(4.4%)
Treasury Assets*	13.1	12.7	(0.4)	(3.1%)
Net Loans	42.8	42.2	(0.6)	(1.3%)
Customer Based Funding ⁺	49.5	47.2	(2.3)	(4.7%)
CASA Deposits	18.5	23.1	4.6	25.0%
Shareholders' Funds	6.2	6.3	0.1	1.4%
Net Loans Growth (y-o-y)	1.3%	-1.3%		
CASA Deposits Growth (y-o-y)	15.9%	25.0%		
Customer Based Funding ⁺ Growth (y-o-y)	6.1%	-4.7%		

- **Net loans** decreased by 1.3% y-o-y:
 - **SME loans:** +2.1% y-o-y primarily from the BNM Special Relief Facility (“SRF”)
 - **Consumer loans:** -1.2% y-o-y mainly from Mortgage (-2.0%) and Personal loan (-5.1%) while offset by Share Margin Financing (+42.9%)
 - **GCC loans:** -1.6% y-o-y mainly due to repayment from several major accounts
- **Customer based funding** declined 4.7% y-o-y:
 - Fixed deposits: -23.6% y-o-y as part of our efforts to optimize funding, while
 - CASA deposits grew 25.0% y-o-y mainly driven by SavePlus (+RM2.1bil) & other CASA (+RM2.5bil).
- **Liquidity coverage ratio:** 170.3% (vs 212.2% in Jun 2020, industry: 149.1%^).

Notes:

* Treasury assets comprise financial assets (FVOCI, FVTPL, AMC) & derivative financial assets

⁺ Customer based funding = CASA + Fixed Deposits + Money Market Deposits + Retail Negotiable Instrument of Deposits + Structured Investments

[^] BNM Monthly Statistical Bulletin Jun 2021

	Financial Ratios	1QFY21	4QFY21	1QFY22
Shareholder Value	Return on Equity	6.8%	3.3%	9.4%
	Earnings per Share	6.7sen	3.2sen	9.4sen
	Net Assets per Share	RM4.03	RM4.04	RM4.09
Efficiency	Net Interest Margin	2.20%	2.41%	2.50%
	Non-Interest Income Ratio	22.4%	19.7%	24.5%
	Cost to Income Ratio	44.3%	52.1%	40.0%
Balance Sheet Growth	Net Loans (RM bil)	42.8	43.2	42.2
	Customer Based Funding (RM bil)	49.5	48.7	47.2
Asset Quality	Period End net credit cost (basis points)	21.8	30.1	21.8
	Gross Impaired Loans Ratio	1.9%	2.3%	2.3%
	Net Impaired Loans Ratio	1.3%	1.7%	1.7%
	Loan Loss Coverage Ratio^	102.6%	105.9%	109.8%
Liquidity	CASA Ratio	37.6%	47.0%	49.4%
	Loan to Deposit Ratio	88.5%	91.0%	92.4%
	Loan to Fund Ratio	80.9%	84.3%	84.8%
	Liquidity Coverage Ratio	212.2%	150.0%	170.3%
Capital	Common Equity Tier 1 Capital Ratio	14.5%	16.2%	16.9%
	Tier 1 Capital Ratio	15.4%	17.2%	17.9%
	Total Capital Ratio	19.8%	21.6%	22.2%

Note: ^ Loan Loss Coverage includes Regulatory Reserve provision [excluding Regulatory Reserve: 105.1% at 1QFY22 (vs. 97.6% at 4QFY21)]





Thank You.

ALLIANCE BANK

27-August-21 1QFY22 ABMB Analyst Briefing

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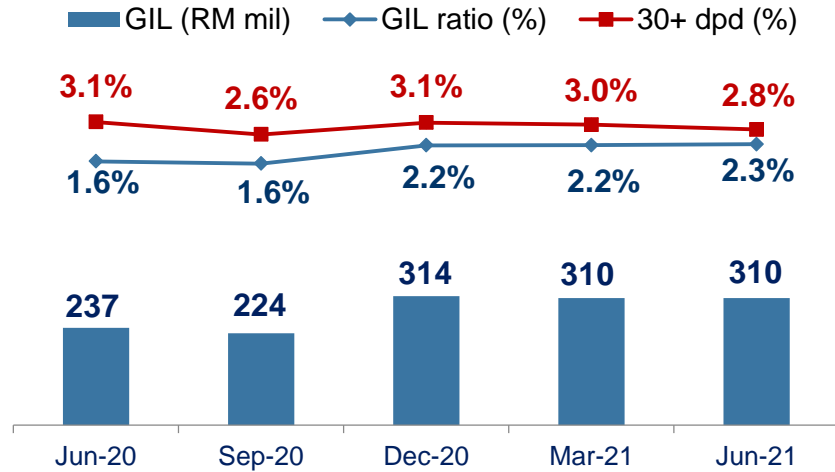
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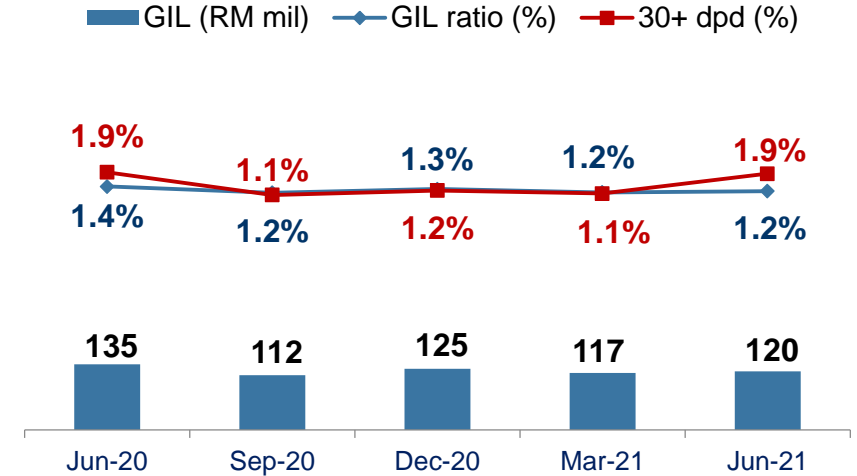
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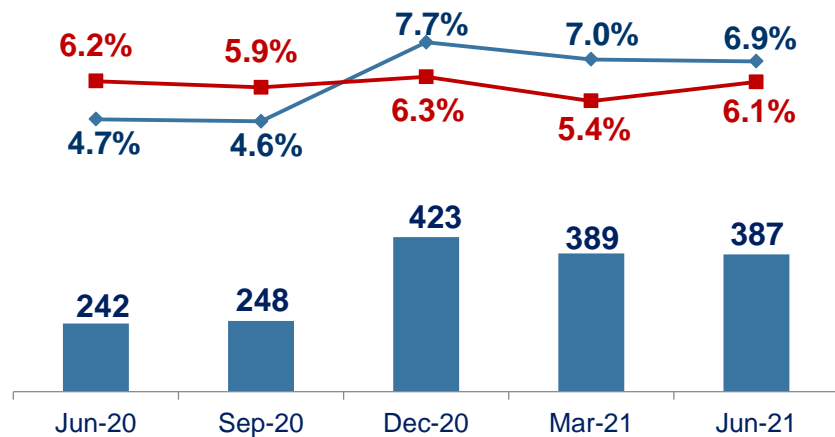
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