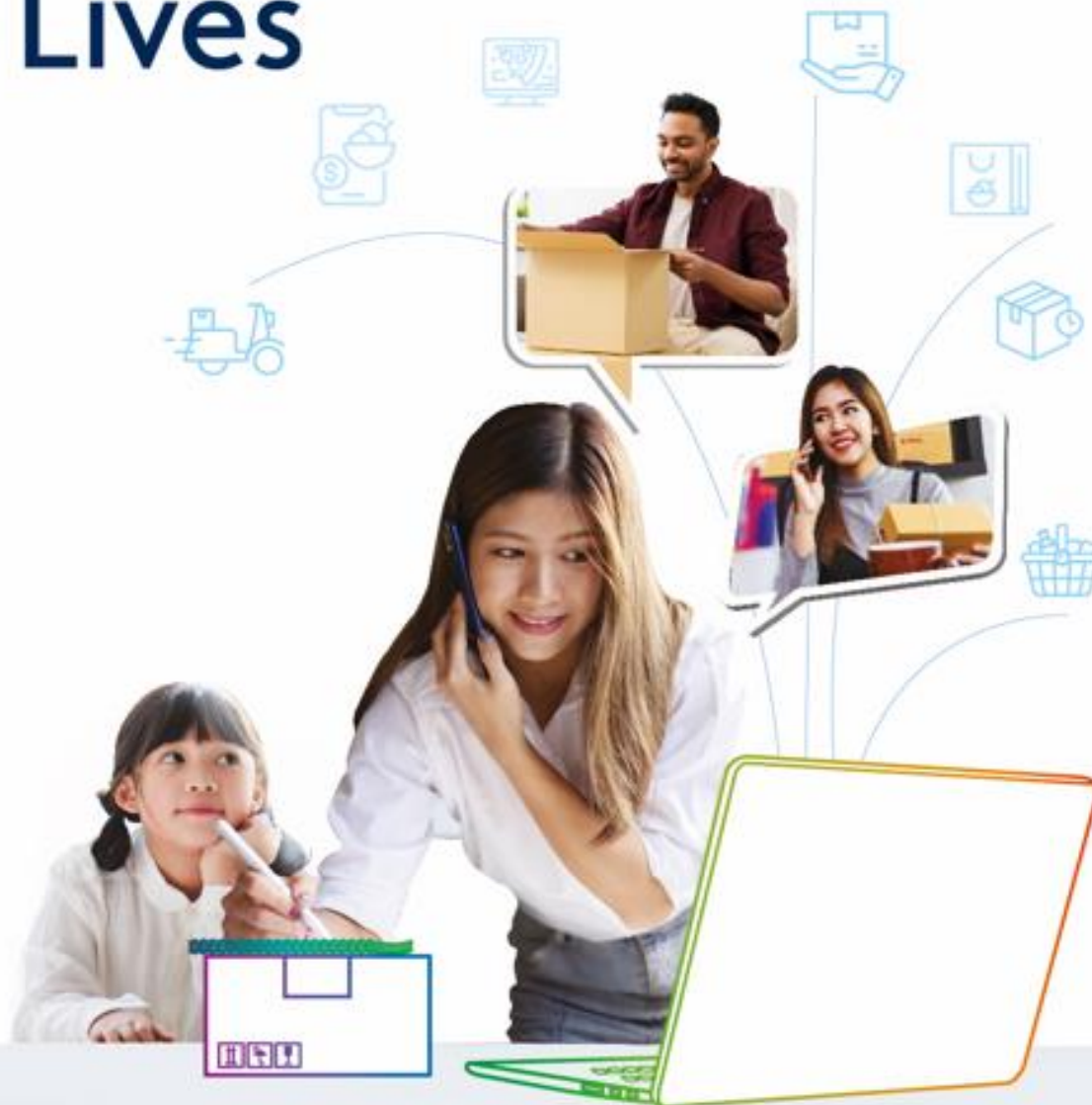




Analyst Briefing

1QFY23

30 August 2022





Contents

1 1QFY23 Financial Performance

- Revenue & Franchise Development
- Effective Risk Management

2 Going Forward

- FY23 Strategic Priorities: Progress Updates
- Sustainability

3 Appendix: Financial Results

- 1QFY23 results
- Financial ratios



1QFY23 Performance Highlights

1 Revenue & Profitability

- Franchise revenue grew **7.5% y-o-y** to **RM471.4 million**
- Net interest income grew **7.6% y-o-y**, mainly driven by higher loans volume and OPR hike impact
 - Net interest margin improved to **2.57%**
- Client-based fee income (excluding brokerage) grew **7.5% y-o-y**
 - Wealth management (+21.5% y-o-y) & FX sales/trade fees (+13.5% y-o-y)
- Cost to Income Ratio at **44.4%**
- Net profit after tax grew **45.3% y-o-y** to **RM212.2 million**

2 Effective Risk Management

- Net credit cost was a write-back at **3.7 bps** [vs charge of 21.8 bps in 1QFY22] due to one-off recovery and management overlays write-back
- Liquidity and capital positions remained **strong**
 - Healthy funding, with **CASA ratio** at **50.0%** (top of the industry)
 - Liquidity coverage ratio at **162.9%**
 - CET-1 ratio: **15.4%**; Total capital ratio: **20.9%**

NPAT grew 45.3% y-o-y to RM212.2 million

Income Statement	1QFY22 RM mil	1QFY23 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	364.5	392.1	27.5	7.6%
Client-based fee income*	73.8	79.3	5.5	7.5%
Franchise Revenue	438.3	471.4	33.0	7.5%
Treasury & Investment Income	37.8	(0.1)	(37.9)	(>100%)
Brokerage	6.8	2.8	(4.0)	(59.0%)
Total Revenue	483.0	474.1	(8.9)	(1.8%)
OPEX	193.3	210.6	(17.2)	(8.9%)
Pre-Provision Operating Profit (PPOP)	289.6	263.5	(26.1)	(9.0%)
Net Credit Cost & Impairments	95.3	(17.3)	112.6	>100%
- BAU	30.0	24.1	5.9	19.6%
- Management Overlays	65.3	(41.4)	106.7	>100%
Pre-tax Profit	194.3	280.9	86.5	44.5%
Net Profit After Tax	146.0	212.2	66.1	45.3%

* Client-based fee income (excluding brokerage)

Net interest income grew 7.6% y-o-y

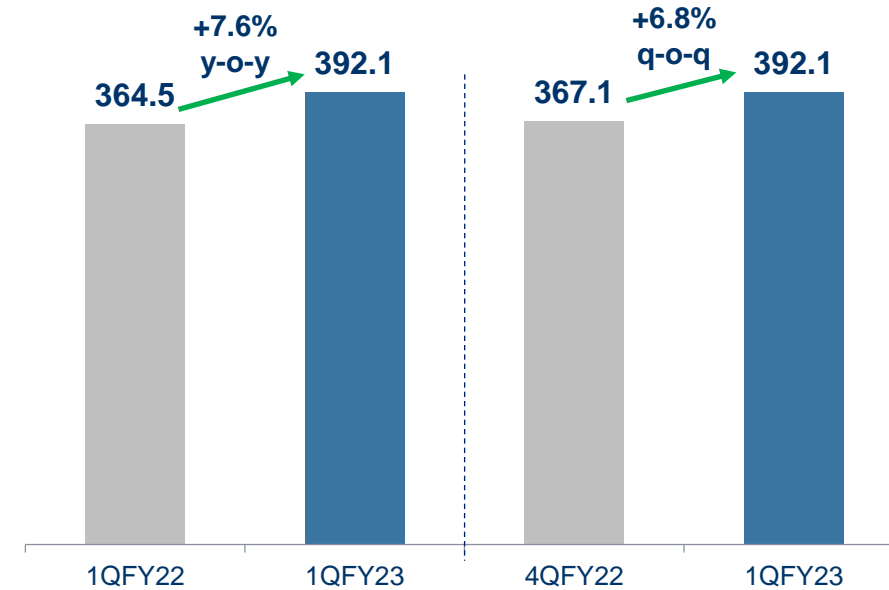
- a) **Net interest income** grew **7.6% y-o-y**, driven by higher loans volume and OPR hike impact:

Y-o-Y impact:



Net Interest Income

RM mil

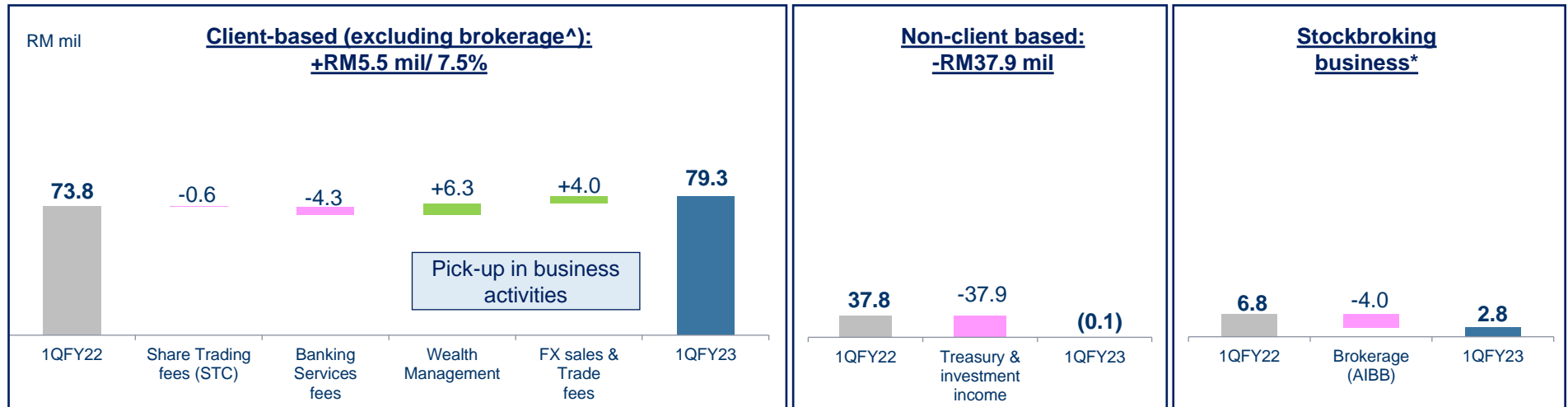


- b) **Net Interest Margin Trend:**



Growth in wealth management, FX sales & trade fees

- **Client-based fee income (excluding brokerage): +7.5% y-o-y**
 - Wealth management (+21.5% y-o-y)
 - FX sales/trade fees (+13.5% y-o-y)



[^] Brokerage fee from Alliance Investment Bank Berhad's Stockbroking business

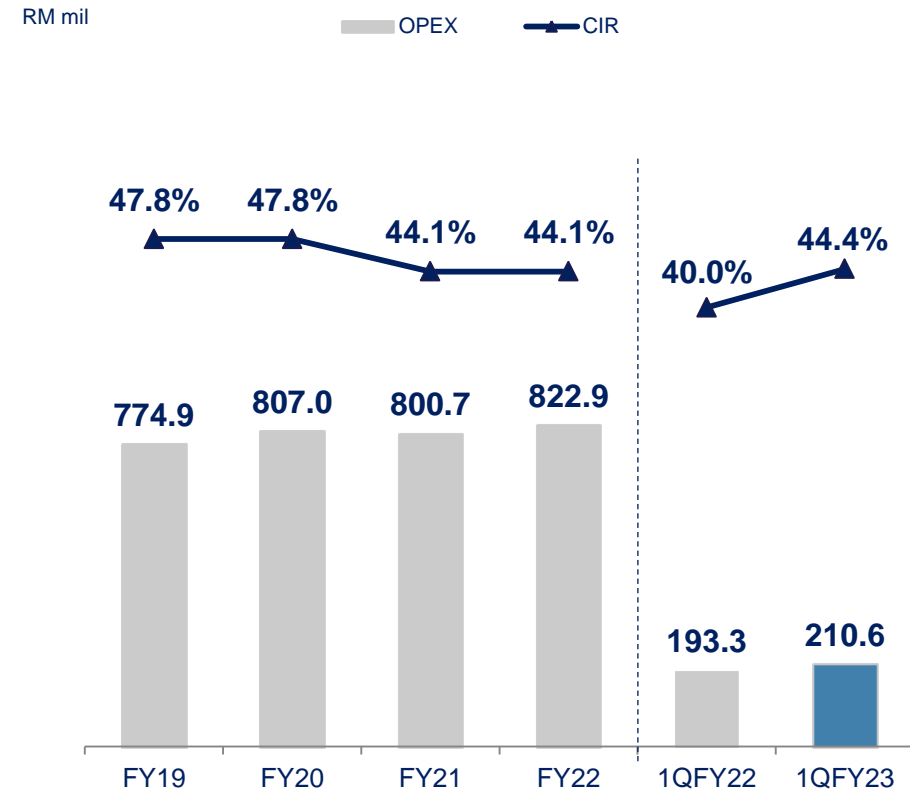
* Disposal of Stockbroking business was completed on 30th July 2022

Cost to Income Ratio at 44.4%

a) Cost to income ratio: 44.4% (within guidance of <45%)

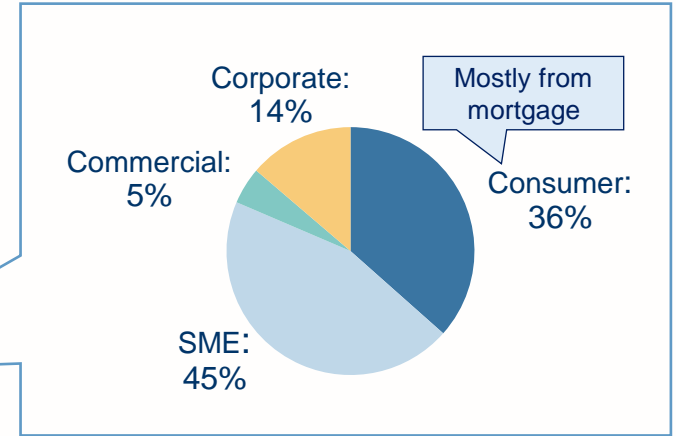
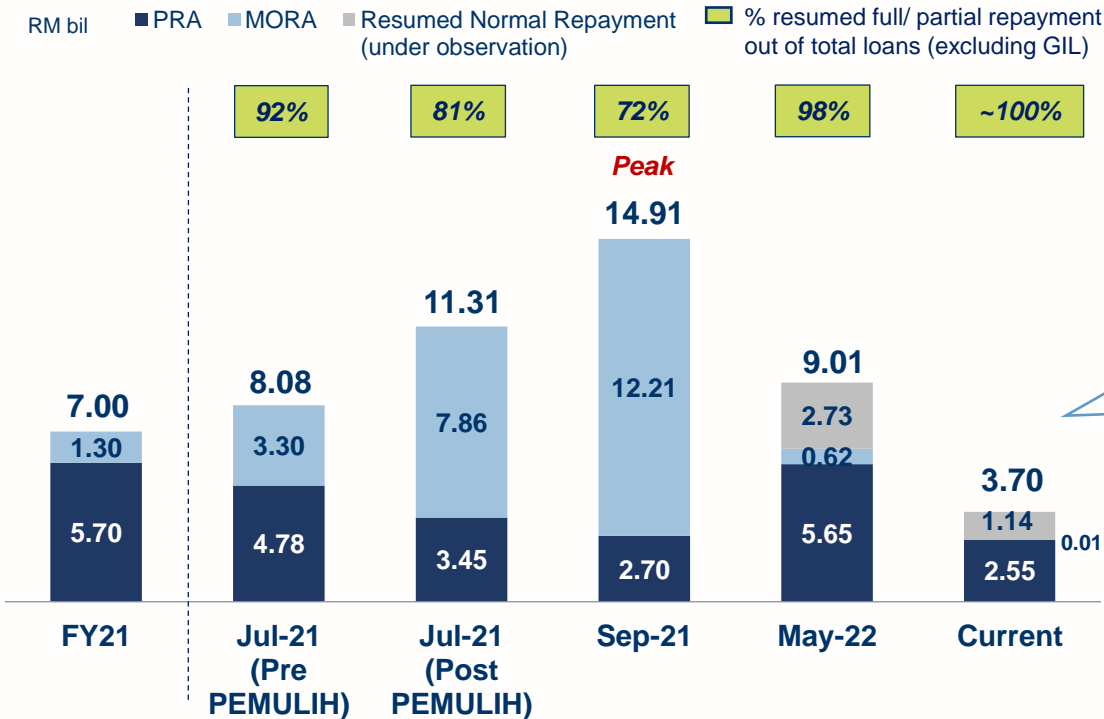
b) Operating expenses up 8.9% y-o-y:

- Investment in sales force
- IT expenses related to strategic initiatives
- Marketing and deposit insurance costs
- Wage inflation



Financial assistance reduced to RM3.7 billion

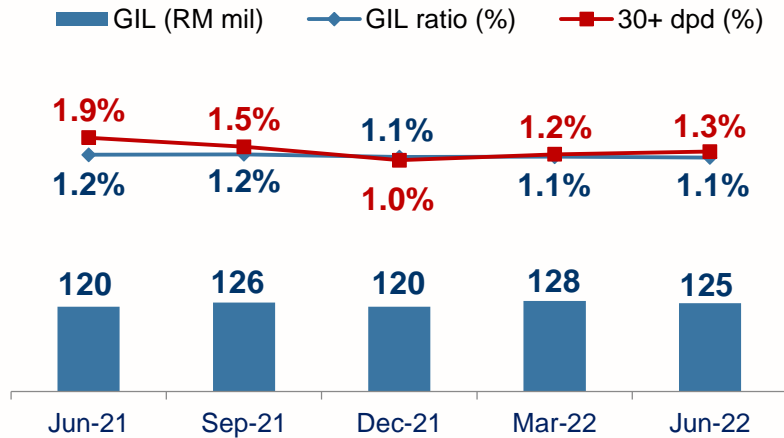
Financial Assistance: RM3.70 billion (8.0% of loan book)



- Financial assistance: **-RM11.21 billion (vs peak level)**
(Consumer: -RM6.17 billion & SME: -RM2.97 billion)
- Now, almost all our customers making full or partial repayment (Pre-PEMULIH level: 92%):
 - For PEMULIH (graduated from Jan – July'22):
94% resumed full repayment

SME: stable GIL with slight 30+dpd uptick

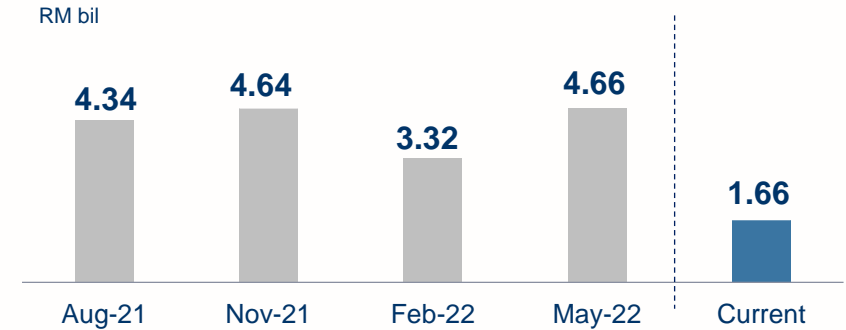
SME



- **GIL ratio:** stable at 1.1% (no major impairment)
- **30+dpd:** slight uptick +0.1% q-o-q

Proactive Credit Management Actions

- **Financial assistance:** -RM3 billion q-o-q to now RM1.66 billion

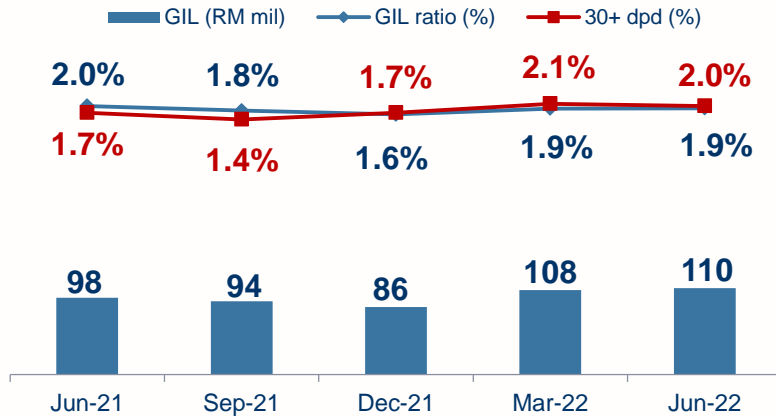


Note: Red/Amber/Green classification has ceased since May 2022

- Identified existing customers in recovering sectors to offer **additional working capital lines**.
- **Actively engage** customers on their latest business development.
- Continue to enhance **early warning** process:
 - Portfolio reviews
 - Closely monitor watchlist & delinquents individually
- Proactive **remedial** measures

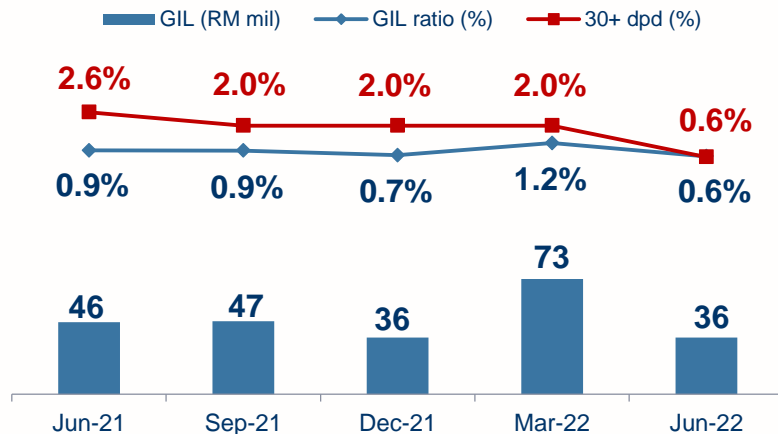
Commercial & Corporate: asset quality remained stable

Commercial



▪ **Commercial GIL ratio: 1.9%**

Corporate

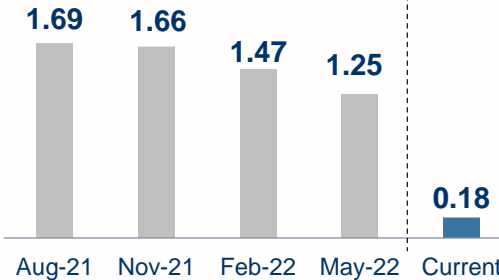


▪ **Corporate GIL ratio: 0.6%**

Proactive Credit Management Actions

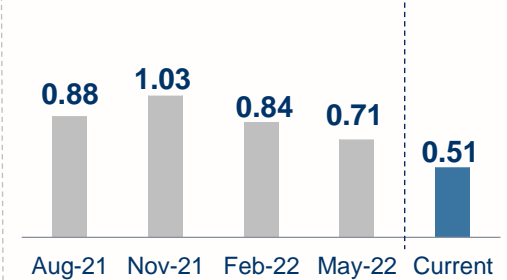
▪ **Commercial financial assistance:**
-RM1.07 billion q-o-q

RM bil



▪ **Corporate financial assistance:**
-RM201 million q-o-q

RM bil



Note: Red/Amber/Green classification has ceased since May 2022

▪ **Improved early warning process:**

- Portfolio reviews
- Closely monitor the watchlist individually

▪ **For high-risk accounts:**

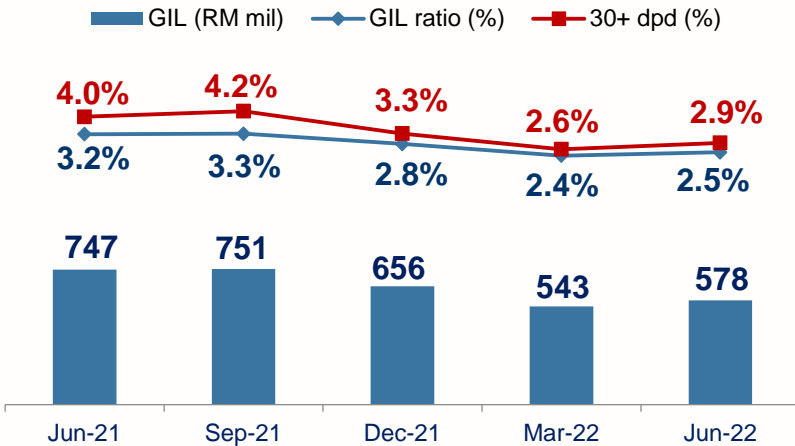
- De-risking actions: reducing exposure/line & obtain additional security
- Offer R&R to customers if required

▪ **For origination:**

- Enhancing credit policies
- More selective on new customer bookings

Consumer: proactive actions to contain delinquency

Consumer



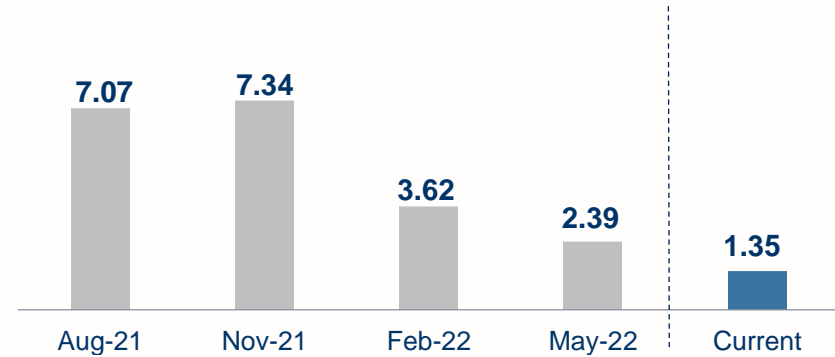
- GIL ratio & 30+dpd: uptick due to delinquent expired PRA accounts.

Proactive Credit Management Actions

Portfolio Management

- **Financial assistance:** -RM1.04 billion q-o-q to RM1.35 billion

RM bil



- **Continue** to provide **assistance** (if require further help)

GIL Management

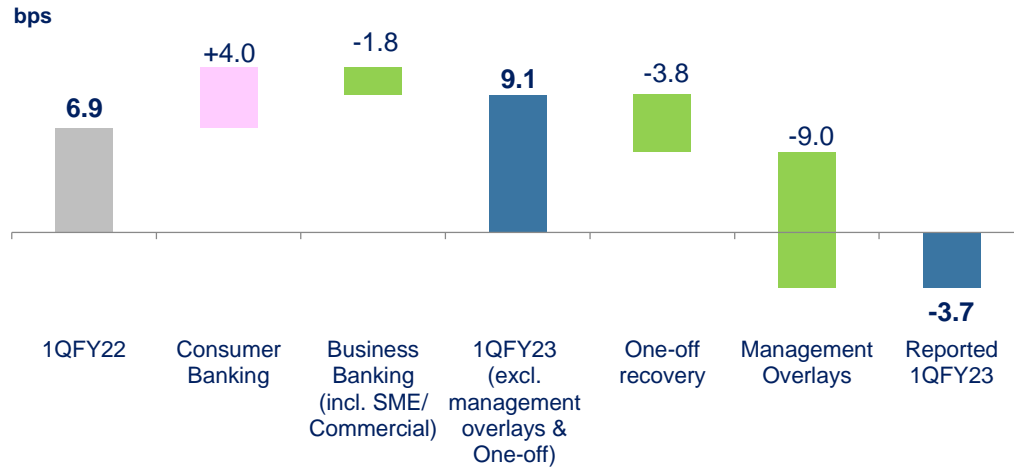
- **Offer interest rebate** to help customers regularise repayment
- **Offer R&R** to customers who need financial assistance
- Resumed **auction activities**
- **Outsourced** impaired collection to external agencies

Origination

- Continue **enhanced application duo score** for better booking quality
- **Focus** on lower risk **customers**

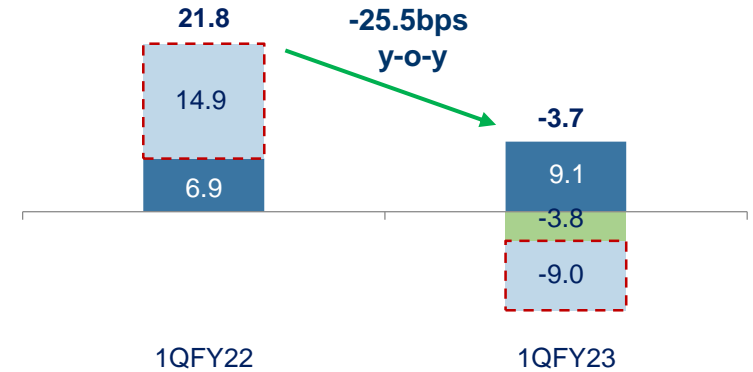
Normalised BAU net credit cost at 9.1 bps

- a) Net credit cost at -3.7 bps [vs 21.8 bps last year] due to:
- recovery from one account (RM17.5 million)
 - release of management overlays (RM41.4 million)
- b) Normalised BAU net credit cost was **9.1bps** or RM41.6million (+2.2 bps y-o-y):



- c) FY23 net credit cost guidance: between 35 to 40 bps

■ Net Credit Cost
■ One-off recovery
■ Management Overlays



Loan Loss Coverage

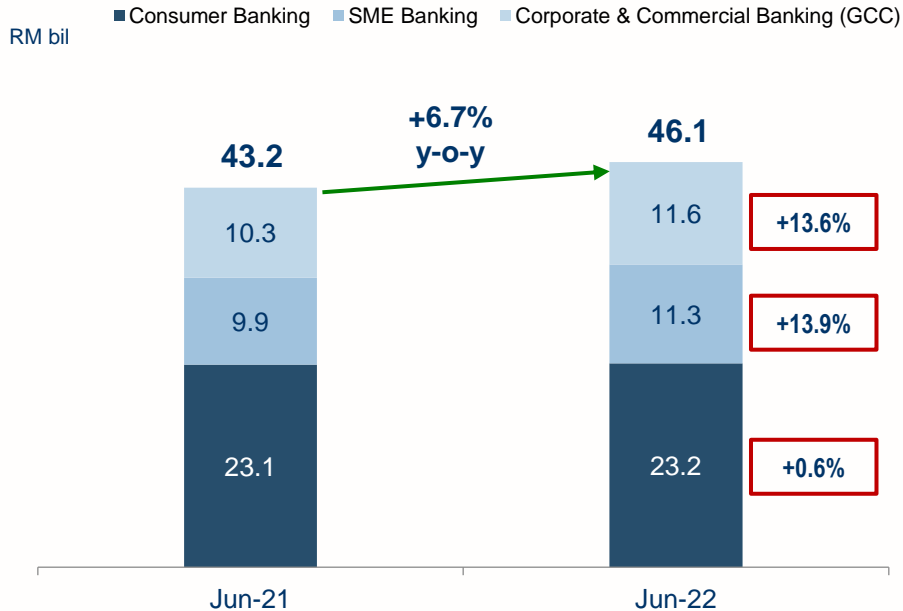
109.8%

133.2%



Funding and loans grew year-on-year

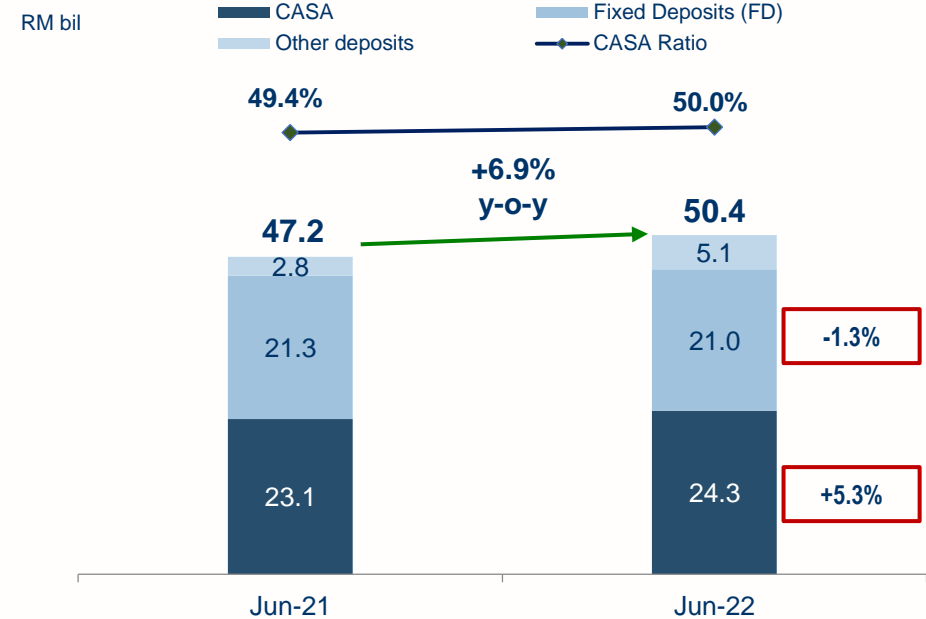
Gross Loans



a) Loans growth: **+6.7% y-o-y**

- SME: +13.9% y-o-y (mainly Term Loans & TRRF)
- GCC: +13.6% y-o-y
- Consumer Banking: +0.6% or +RM127 mil y-o-y
 - Personal Financing: +9.1% or +RM186 mil y-o-y

Customer Based Funding

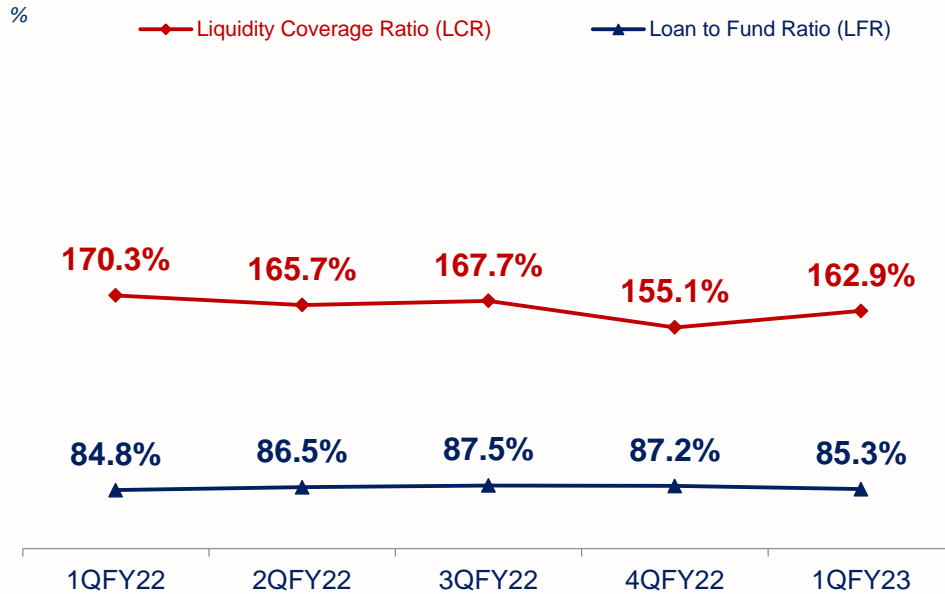


a) Customer based funding: **+6.9% y-o-y**

- Customer based funding: **+6.9% y-o-y**
- CASA grew 5.3% (or RM1.2 bil) y-o-y mainly from SME:
 - Alliance SavePlus remained flat y-o-y
- CASA ratio at 50.0% (top of the industry)

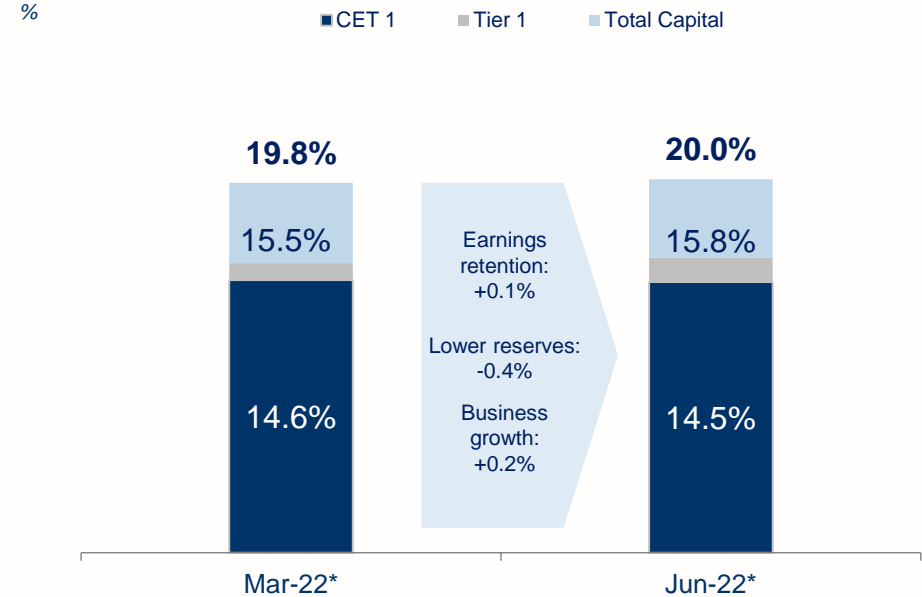
Liquidity and capital position remain strong

Liquidity: LCR, LFR



- a) Liquidity coverage ratio (LCR): 162.9% (industry*: 148.4%)
- b) Loan to fund ratio: 85.3% (industry*: 81.8%)
- c) Net stable funding ratio (NSFR): 120.6%

Capital Position



- a) Strong capital position (without transitional arrangement)
- b) Stable capital levels will continue to support future business expansion

* Capital ratios without transitional arrangement
[with transitional arrangement: CET 1 ratio: 15.4%, Tier 1 ratio: 16.7% & Total Capital ratio: 20.9%].



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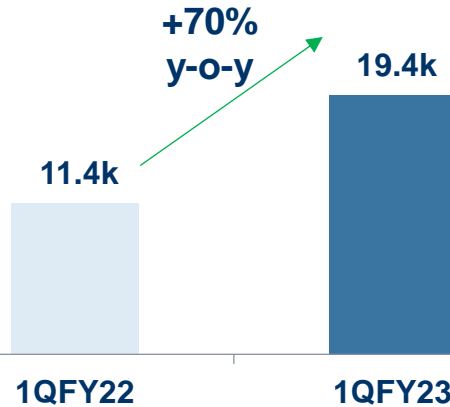
- 1QFY23 results
- Financial ratios



Growth momentum continued into 1QFY23

1 Acquire more customers

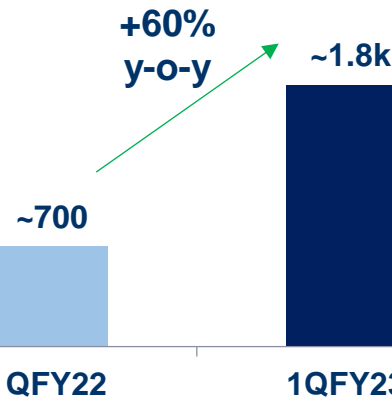
Number of New-to-Bank customers



- Strong New-to-bank customers acquisition:
 - ✓ +70% y-o-y to 19.4k

2 Deepen customer engagement

Number of new dual-relationship business owners (#)



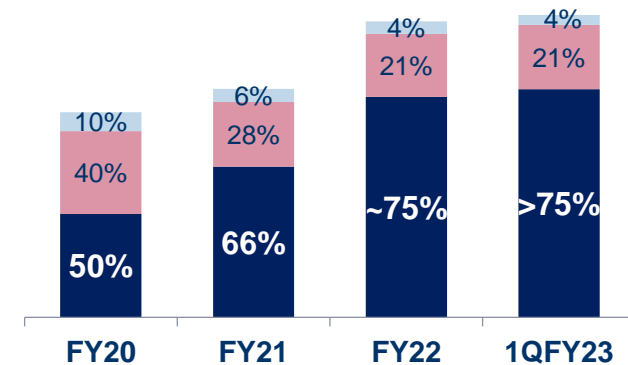
- Continued strong momentum for dual relationship business owners acquisition:
 - ✓ Acquired ~1.8k new business owners, +60% y-o-y

3 Gain efficiencies

Customer digital adoption

Account Transactions by Channel (Average/Month)

■ Digital / Remote ■ SST ■ OTC



- Maintained high proportion of digital transaction (~75%) even when total transaction grew by 19% y-o-y driven by all channels
 - ✓ Digital channels transactions: +24% y-o-y

Sustainability

Sustainability Achievements in FY2023 on track to realize Topline Goals

<u>FY2025 Topline Goals</u>	<u>FY2023 Target</u>	<u>Key FY2023 Updates</u>
1 Grow RM10.0 billion in new sustainable banking business	<ul style="list-style-type: none"> Target RM2.6 billion in new sustainable business (<i>cumulative RM4.0 billion</i>) 	<ul style="list-style-type: none"> Achieved RM1.9 billion in new sustainable business (<i>cumulative RM3.3 billion</i>) Rolled out Low Carbon Transition Facility
2 Help customers adopt sustainable lifestyles and business practices	<ul style="list-style-type: none"> Reduce customers under C5 category to <60% 	<ul style="list-style-type: none"> Reduced C5 category to 65% Conducted ESG Webinar in partnership with AGV Sustainability ESG Survey to understand our SME customers' challenges in ESG adoption
3 Reduce the Bank's greenhouse gas (GHG) emissions footprint	<ul style="list-style-type: none"> Announce reduction targets Implement Task Force on Climate-related Financial Disclosures ("TCFD") 	<ul style="list-style-type: none"> Commitment to be Carbon Net Zero by 2050 Alignment to TCFD standards in annual report



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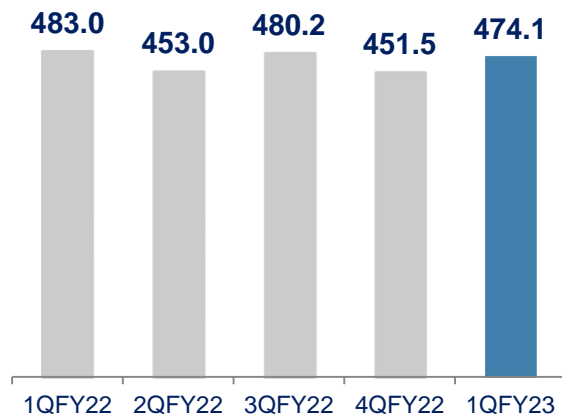
3 Appendix: Financial Results

- 1QFY23 results
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1QFY23 NPAT grew 45.3% y-o-y to RM212.2 mil

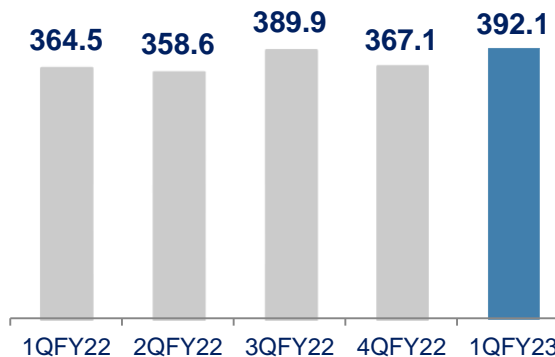
Revenue

RM mil



Net Interest Income & Islamic Net Financing Income

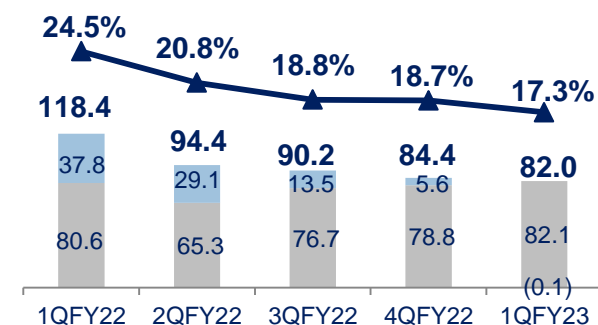
RM mil



Non Interest Income & NOII Ratio

RM mil

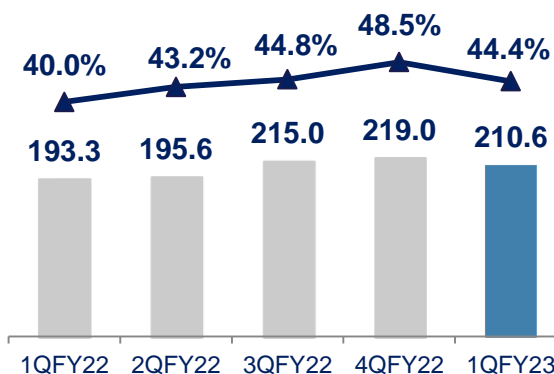
Non Client Based Client Based
NOII Ratio



Operating Expenses & CIR Ratio

RM mil

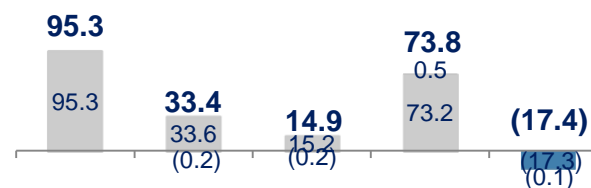
OPEX CIR



Expected Credit Losses ("ECL") & Goodwill Impairments

RM mil

ECL on Financial Investments & Impairments



1QFY22* 2QFY22* 3QFY22* 4QFY22* 1QFY23^

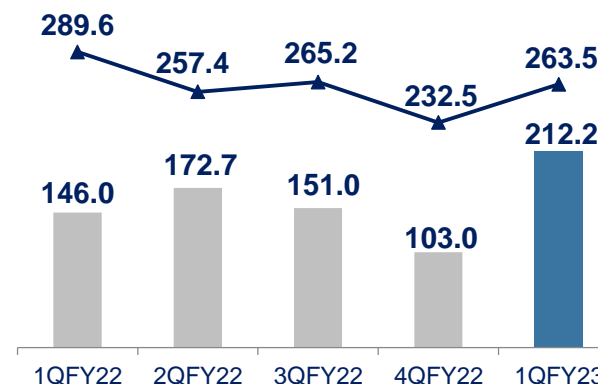
* Management overlays in FY22: 1Q (RM65.3m), 2Q (RM21.1m), 3Q (RM30.7m) & 4Q (RM20.3m) incorporate habitual delinquency, PEMULIH moratorium and enhanced S2 ECL overlay basis for Mortgages and Personal loan/financing.

^ 1QFY23 (-RM41.4m) due to successful graduation, account collections and settlement and overlays consumed.

Pre-Provision Operating Profit & Net Profit

RM mil

NPAT PPOP



Note: Revenue and non interest income includes Islamic banking income



Income Statement	4QFY22 RM mil	1QFY23 RM mil	Q-o-Q Change Better / (Worse)	
			RM mil	%
Net Interest Income	276.1	290.4	25.0	6.8%
Islamic Net Financing Income	91.0	101.7		
Islamic Non-Financing Income	4.4	4.7	(2.4)	(2.9%)
Non-Interest Income	80.0	77.3		
Net Income*	451.5	474.1	22.5	5.0%
OPEX	219.0	210.6	8.5	3.9%
Pre-Provision Operating Profit (PPOP)	232.5	263.5	31.0	13.3%
Net Credit Cost	73.2	(17.3)	90.5	>100%
- BAU	52.9	24.1	28.8	54.4%
- Management Overlays	20.3	(41.4)	61.7	>100%
Expected Credit Losses on Financial Investments	0.5	(0.1)	0.6	>100%
Pre-tax Profit	158.7	280.9	122.1	76.9%
Net Profit After Tax	103.0	212.2	109.1	>100%

▪ **Revenue** grew by 5.0% q-o-q:

- Net interest income: +RM25.0mil or 6.8% q-o-q mainly due to lower modification loss and net interest margin improved to 2.57%.
- Non-interest income: -RM2.4mil q-o-q:
 - ✓ Higher client based fee income (+RM3.3mil)
 - ✓ Lower treasury & investment income (-RM5.7mil)

▪ Lower **operating expenses** by RM8.5mil mainly from lower personnel expenses, administrative expenses and IT expenses.

▪ **Pre-provision Operating Profit (PPOP)** grew 13.3% q-o-q to RM263.5mil.

▪ Lower **net credit cost** by RM90.5mil due to lower BAU net credit cost and management overlays write-back of RM41.4mil.

▪ **Net profit after tax** increased by RM109.1mil mainly due to higher revenue and lower net credit cost.

Notes:

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



Income Statement	1QFY22 RM mil	1QFY23 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	276.6	290.4	27.5	7.6%
Islamic Net Financing Income	87.9	101.7		
Islamic Non-Financing Income	16.0	4.7	(36.4)	(30.8%)
Non-Interest Income	102.5	77.3		
Net Income*	483.0	474.1	(8.9)	(1.8%)
OPEX	193.3	210.6	(17.2)	(8.9%)
Pre-Provision Operating Profit (PPOP)	289.6	263.5	(26.1)	(9.0%)
Net Credit Cost	95.3	(17.3)	112.6	>100%
- BAU	30.0	24.1	5.9	19.6%
- Management Overlays	65.3	(41.4)	106.7	>100%
Expected Credit Losses on Financial Investments	0.0	(0.1)	0.1	>100%
Pre-tax Profit	194.3	280.9	86.5	44.5%
Net Profit After Tax	146.0	212.2	66.1	45.3%

- **Revenue** declined by 1.8% y-o-y:
 - Net interest income: +RM27.5mil, driven by higher volume and rate improvement.
 - Non-interest income: -RM36.4mil y-o-y:
 - ✓ Higher client based fee income (+RM1.5mil)
 - ✓ Lower treasury & investment income (-RM37.9mil)
- **Operating expenses** higher by RM17.2mil, mainly from higher personnel expenses, IT expenses and administrative expenses.
- **Pre-provision Operating Profit (PPOP)** declined 9.0% y-o-y to RM263.5mil.
- Lower **net credit cost** by RM112.6mil mainly due to management overlays write-back of RM41.4mil.
- **Net profit after tax** grew by 45.3% y-o-y mainly due to lower net credit cost.

Notes:

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



Balance Sheet	Mar 22 RM bil	Jun 22 RM bil	Q-o-Q Change	
			RM bil	%
Total Assets	61.8	63.1	1.3	2.1%
Treasury Assets*	11.9	11.2	(0.7)	(5.6%)
Net Loans	45.1	45.1	-	-
Customer Based Funding ⁺	49.1	50.4	1.3	2.7%
CASA Deposits	23.6	24.3	0.7	3.1%
Shareholders' Funds	6.4	6.3	(0.1)	(1.4%)
Net Loans Growth (y-o-y)	4.4%	6.8%		
CASA Deposits Growth (y-o-y)	3.4%	5.3%		
Customer Based Funding ⁺ Growth (y-o-y)	0.8%	6.9%		

- **Net loans** remained flat q-o-q:
 - **SME loans:** remained flat q-o-q.
 - **Consumer loans:** +0.4% q-o-q.
 - **GCC loans:** -1.9% q-o-q mainly due to repayment from few corporate accounts.
- **Customer based funding** grew by 2.7% q-o-q:
 - CASA deposits increased by RM0.7bil q-o-q mainly from Corporate.
 - Structured investments increased by RM0.7bil q-o-q.
- **Liquidity coverage ratio:** 162.9% (vs 155.1% in Mar 2022; industry: 148.4%^).

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 2022



Balance Sheet	Jun 21 RM bil	Jun 22 RM bil	Y-o-Y Change	
			RM bil	%
Total Assets	59.2	63.1	3.9	6.6%
Treasury Assets*	12.7	11.2	(1.5)	(11.7%)
Net Loans	42.2	45.1	2.9	6.8%
Customer Based Funding ⁺	47.2	50.4	3.3	6.9%
CASA Deposits	23.1	24.3	1.2	5.3%
Shareholders' Funds	6.3	6.3	(0.0)	(0.1%)
Net Loans Growth (y-o-y)	-1.3%	6.8%		
CASA Deposits Growth (y-o-y)	25.0%	5.3%		
Customer Based Funding ⁺ Growth (y-o-y)	-4.7%	6.9%		

- **Net loans** grew by 6.8% y-o-y:
 - **SME loans:** +13.9% y-o-y mainly due to higher loan growth from Term Loan and Targeted Relief & Recovery Facility (TRRF).
 - **Consumer loans:** +0.6% y-o-y mainly from Personal Financing (+9.1%).
 - **GCC loans:** +13.6% y-o-y mainly due to higher drawdown from several major accounts.
- **Customer based funding** grew by 6.9% y-o-y:
 - CASA deposits grew 5.3% y-o-y mainly from SME.
 - Money Market deposits and Structured Investment increased by RM2.3bil.
- **Liquidity coverage ratio:** 162.9% (vs 170.3% in Jun 2021, industry: 148.4%^).

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 2022

	Financial Ratios	1QFY22	4QFY22	1QFY23
Shareholder Value	Return on Equity	9.4%	6.7%	13.5%
	Earnings per Share	9.4sen	6.7sen	13.7sen
	Net Assets per Share	RM4.09	RM4.14	RM4.09
Efficiency	Net Interest Margin	2.50%	2.50%	2.57%
	Non-Interest Income Ratio	24.5%	18.7%	17.3%
	Cost to Income Ratio	40.0%	48.5%	44.4%
Balance Sheet Growth	Net Loans (RM bil)	42.2	45.1	45.1
	Customer Based Funding (RM bil)	47.2	49.1	50.4
Asset Quality	Period End net credit cost (basis points)	21.8	15.6	-3.7
	Gross Impaired Loans Ratio	2.3%	1.8%	1.8%
	Net Impaired Loans Ratio	1.7%	1.1%	1.2%
	Loan Loss Coverage Ratio^	109.8%	141.5%	133.2%
Liquidity	CASA Ratio	49.4%	48.9%	50.0%
	Loan to Deposit Ratio	92.4%	95.9%	94.8%
	Loan to Fund Ratio	84.8%	87.2%	85.3%
	Liquidity Coverage Ratio	170.3%	155.1%	162.9%
Capital	Common Equity Tier 1 Capital Ratio	16.9%	16.0%	15.4%
	Tier 1 Capital Ratio	17.9%	16.9%	16.7%
	Total Capital Ratio	22.2%	21.0%	20.9%

Note: ^ Loan Loss Coverage includes Regulatory Reserve provision [excluding Regulatory Reserve: 127.6% at 1QFY23 (vs. 135.9% at 4QFY22)]



Thank You.

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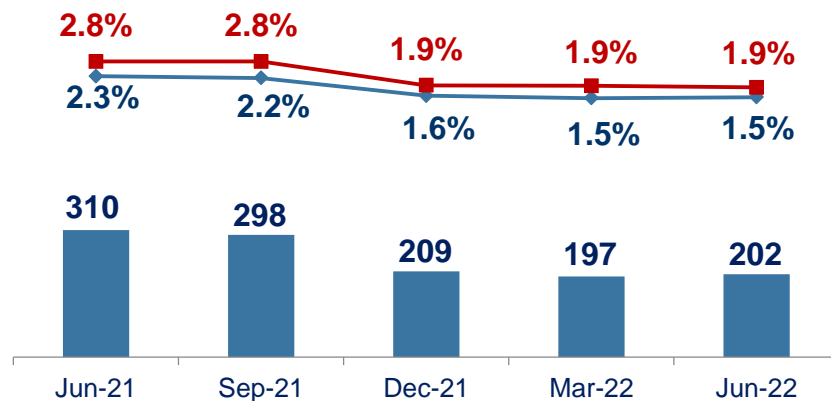
Investor Relations
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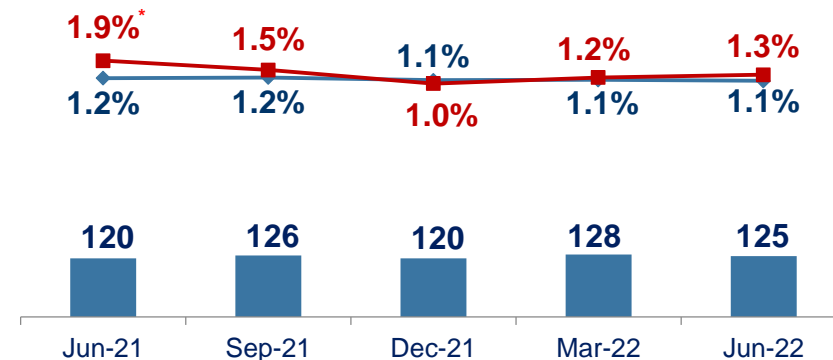
Classic Mortgage

■ GIL (RM mil) ◆ GIL ratio (%) ■ 30+ dpd (%)



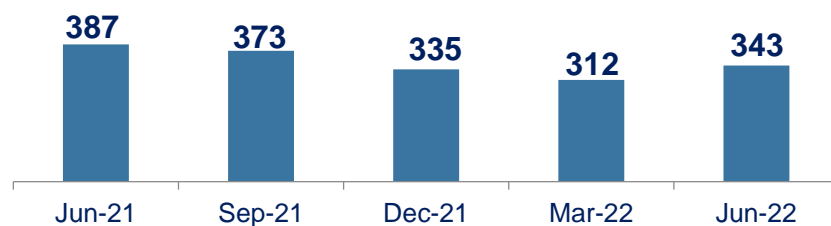
SME

■ GIL (RM mil) ◆ GIL ratio (%) ■ 30+ dpd (%)



Alliance ONE Account

◆ GIL ratio (%) ■ 30+ dpd (%)



Personal Financing

