



ALLIANCE BANK

ANALYST BRIEFING

1H FY2018

30 November 2017



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1HFY18 Financial Performance

- Key Results
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- Effective Risk Management
- Transformation Progress

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Appendix - Financial Results:

- 2QFY18
- 1H FY18

Steady progress despite weak operating environment

1HFY18 Key Results

- **ROE: 10.0%** (BAU: 10.6%), above industry average
- **Net Profit After Tax (NPAT) (BAU):**
+3.5% y-o-y to RM274.3 million
- **NPAT:** -2.7% y-o-y to RM257.8 million,
due to transformation investments
- **Pre-Provision Operating Profit (PPOP):**
+6.9% y-o-y to RM413.9 million
(BAU: +12.5% y-o-y to RM435.7 million)

Effective Risk Management

- Strong **customer deposits growth**
(CASA ratio improved to 37.3%)
- **Healthy liquidity coverage ratio** at 161%
- **Credit cost** at 32.5 bps (annualized), within guidance
- Proactive actions to **reduce delinquencies & NPLs**
(FY18 credit cost target: <30bps)
- **MFRS 9 day-1 impact** <25% on existing provisions
- Sustainable **capital position**

Revenue & Profitability

- 1HFY18 Revenue up 7.9% y-o-y:
 - ✓ **Net interest margin** improvement
 - ✓ Continued focus on **better risk adjusted return loans**
 - ✓ Continued growth in **client based fee income**
- **Cost to income ratio** at 47.0% (with transformation)

Transformation Progress

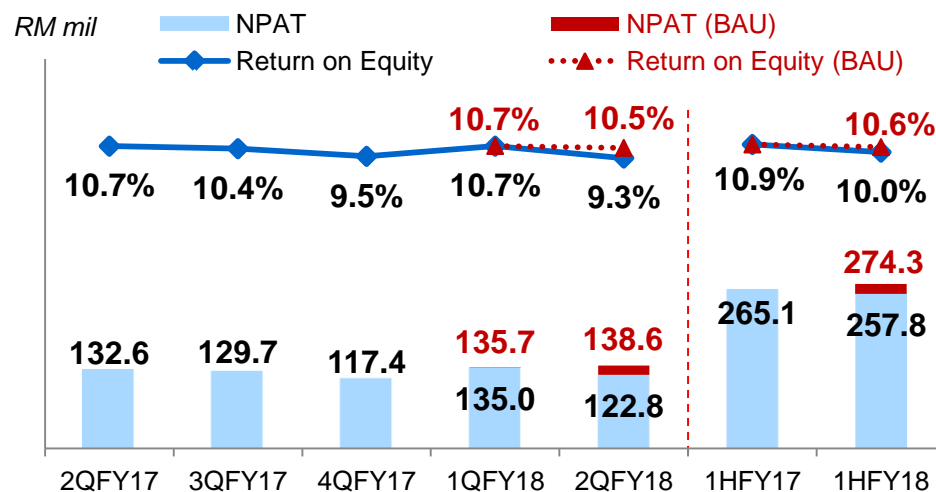
- **Alliance One Account:**
 - Strong sales acceptance:
>RM580 million (YTD Sep'17)
- **Alliance @ Work:**
 - On-boarding >200 companies, with 9,000 employees' account opened or in progress

ROE: 10.0%, PPOP grew >2x faster than historical CAGR

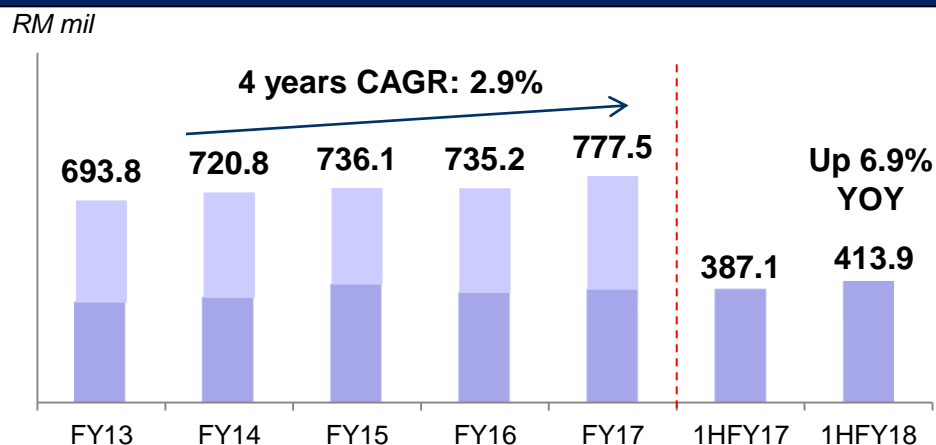
1HFY18:

- a) ROE : 10.0% (BAU: 10.6%)
(vs industry average of 9.8%)
- b) NPAT (BAU): +3.5% y-o-y to RM274.3 million
- c) NPAT: -2.7% y-o-y to RM257.8 million,
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- d) PPOP: +6.9% y-o-y to RM413.9 million,
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NPAT & ROE



PPOP

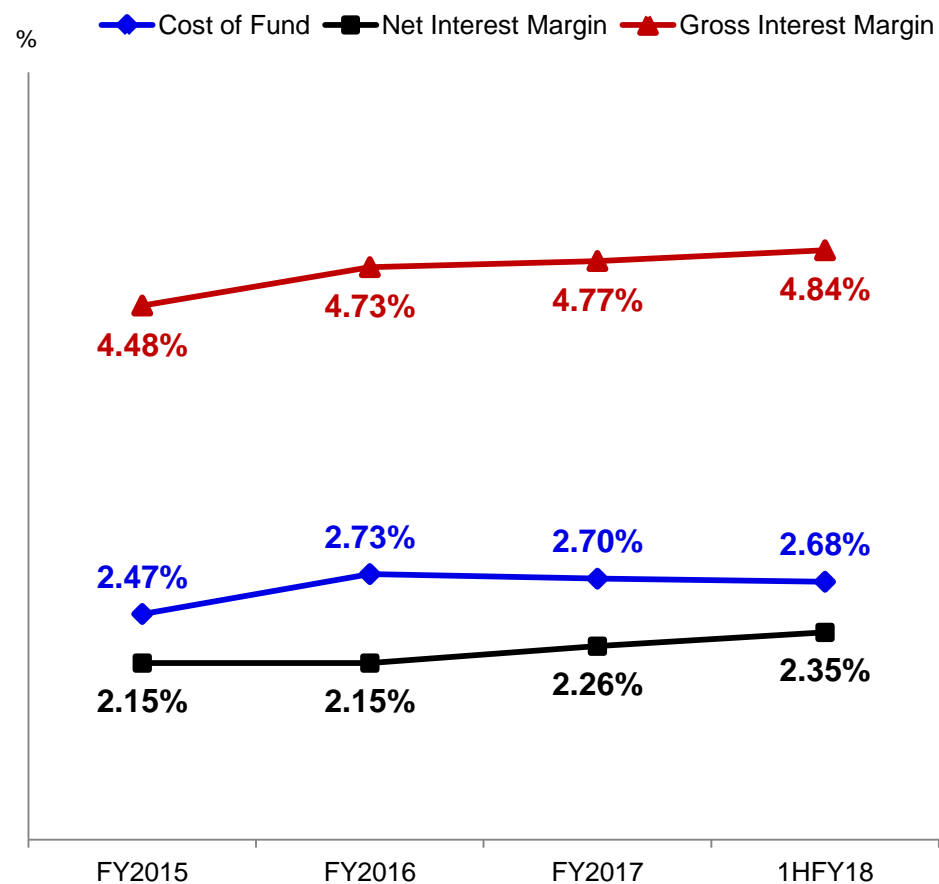


Note: Industry ROE is based on average of local banks (latest financials)

YTD net interest margin improvement

- a) YTD NIM: +9 bps
- b) YTD GIM: +7 bps YTD driven by improvement in yields contributed by higher RAR loans

Cost of Funds & Net Interest Margin Trend



Continued focus on better risk adjusted return loans

a) 1HFY18 Y-o-Y loans growth:

- Better risk adjusted return (“RAR”) loans: +11.8%
- Lower RAR loans: -5.9%

b) Improved loan mix:

- Better RAR loans: 33% of portfolio
- Strong build-up in Alliance One Account

c) Portfolio RAR at 1.09% (FY17: 1.04%)

Gross Loans Growth				
	1HFY17 Gross Loans (RM 'mil)	1HFY18 Gross Loans (RM 'mil)	Average Loans Growth Per Quarter (RM 'mil)	Y-o-Y Loans Growth %
Better RAR loans				
SME & Commercial	8,927	9,743	204	
Consumer Unsecured	1,786	1,965	45	
Share Margin	855	966	28	
Alliance One Account	-	264	132	
Total	11,568	12,938	343	+11.8%
	FY15: 27%	30%	33%	
Lower RAR loans				
Mortgage	17,157	16,254	(226)	
Biz Premises	3,911	3,871	(10)	
Hire Purchase	883	634	(62)	
Corporate	5,530	5,097	(108)	
Total	27,481	25,856	(406)	-5.9%
	FY15: 73%	70%	67%	

• 2QFY18 ENR: +181 mil q-o-q
 • Strong AOA sales acceptance ~ 2x loan disbursement

Note: RAR: Net Interest Margin less (Direct Variable Cost + Business as Usual Credit Cost) ÷ Average Loan Balance

Steady growth in client based fee income

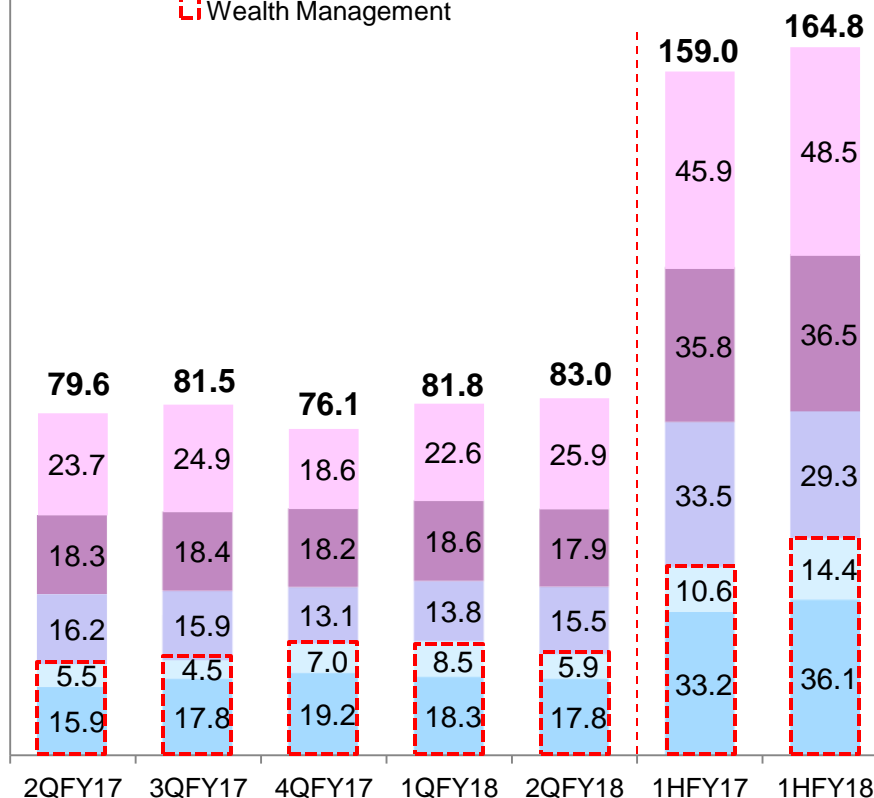
a) 1HFY18 client based fee income grew 3.6% y-o-y, with growth in:

- Wealth Management: +15.1%
- Trade fees: +1.7%
- Banking Services fees: +5.7%

Client Based Fee Income Trend

RM mil

- Insurance, Banca, Structured Inv & Unit Trust Fees
- Brokerage & Share Trading Fees
- FX Sales
- Trade Fees
- Banking Services Fees
- Wealth Management



Note: Client Based Fee Income in this Chart is inclusive of Islamic Banking

Cost to income ratio: 47% (with transformation)

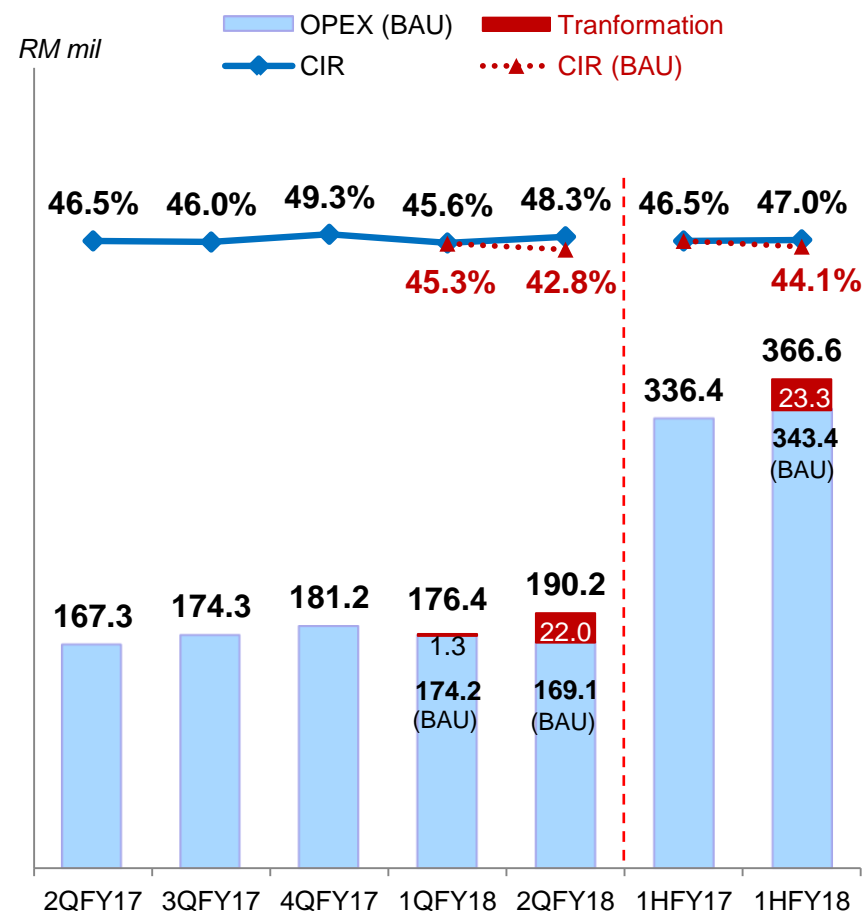
a) 1HFY18 operating expenses up 9.0% y-o-y (BAU: 2.0% y-o-y) due to transformation investments of RM23.3 million, of which:

- restructuring cost (+RM13.7 million)
- scaling-up sales personnel (+RM2.9 million)

b) 1HFY18 cost to income ratio: 47.0% (BAU 44.1%), below industry 48.7%^

Note: ^Based on average CIR of local banks' Jun'17 reporting

Operating Expenses Trend

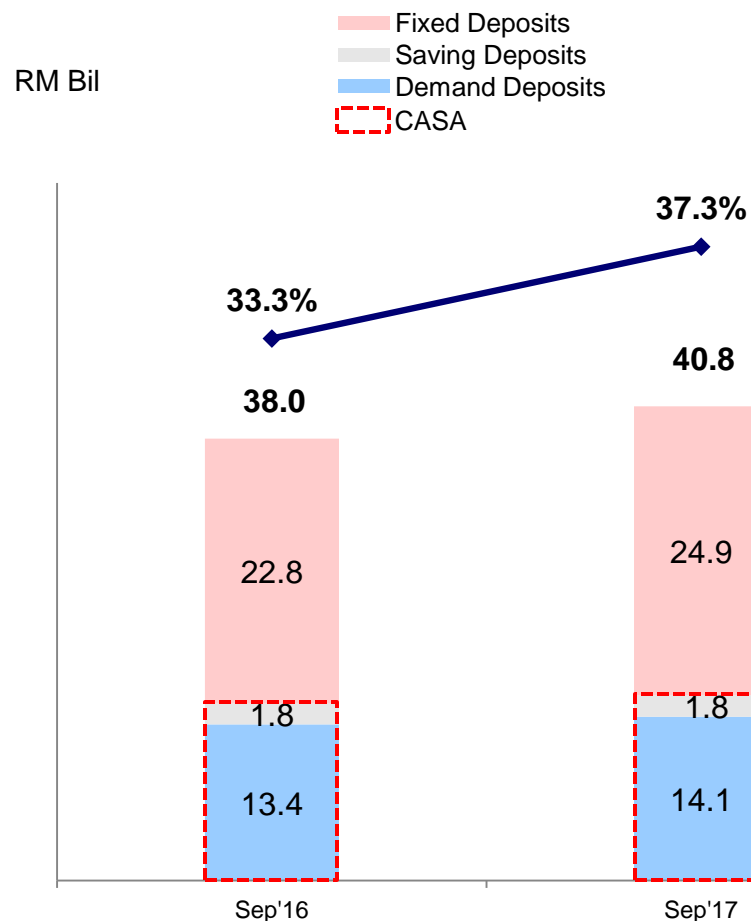


Strong customer deposits growth y-o-y

a) Focus on growing customer based funding:

- CASA : +4.6% y-o-y
- CASA ratio improved to 37.3%
- Core customer deposits: +7.3% y-o-y

Core Deposits Growth and CASA Ratio



Note: Core customer deposits = CASA + Fixed Deposits

Industry numbers are based on BNM Monthly Statistical Bulletin Sep 2017

Healthy liquidity coverage ratio at 161%

a) Healthy liquidity position:

- Liquidity coverage ratio¹ at 160.7% (industry*: 135.8%)
- Loan to fund ratio² at 86.8% (industry#: 85.9%)
- Loan to deposits ratio at 91.1% (industry*: 89.9%)

b) Net stable funding ratio (NSFR):

- Proforma NSFR already above 100%

Notes:

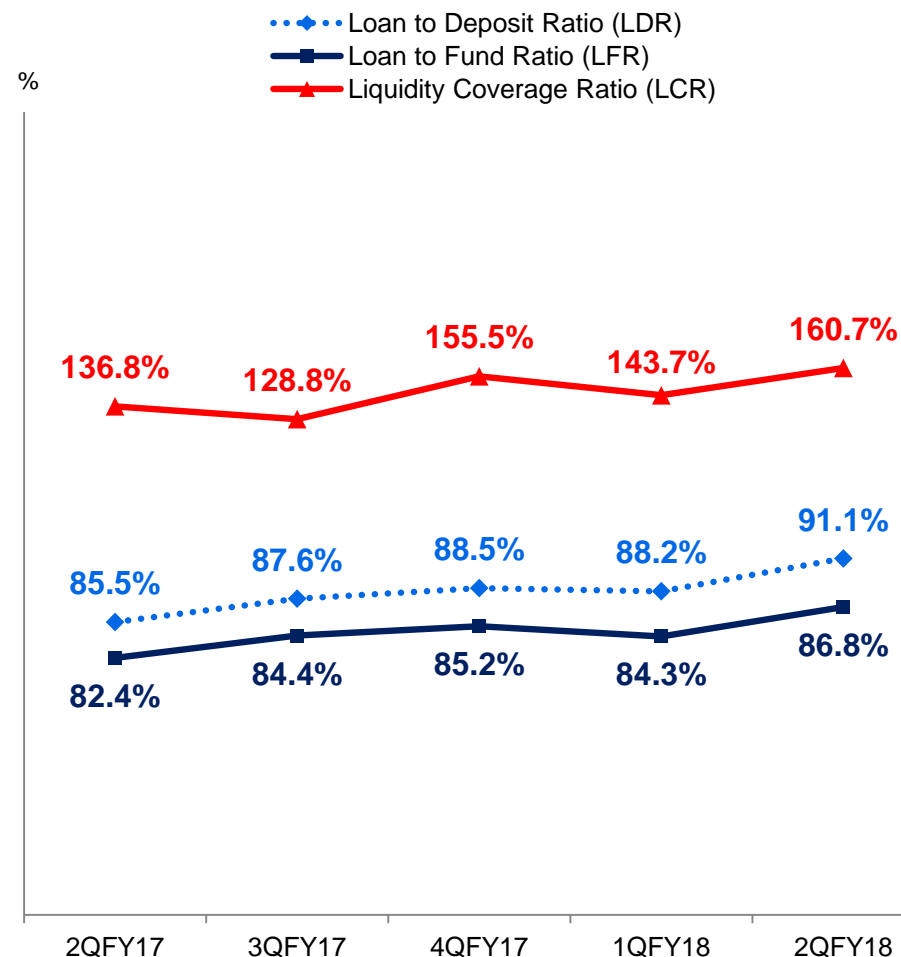
¹ Liquidity Coverage Ratio refers to highly liquid asset held by bank to meet short term obligation

² Loan to Fund Ratio is based on Funds comprising Customer Deposits and all debt instruments (such as senior debt, Cagamas and subordinated debt)

* Based on BNM Monthly Statistical Bulletin Sep 2017

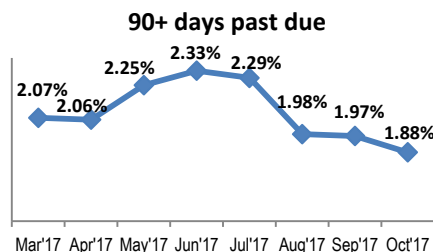
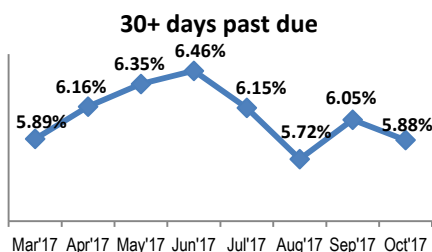
Based on Jun'17 local peers' average

Liquidity: LCR, LFR & LDR



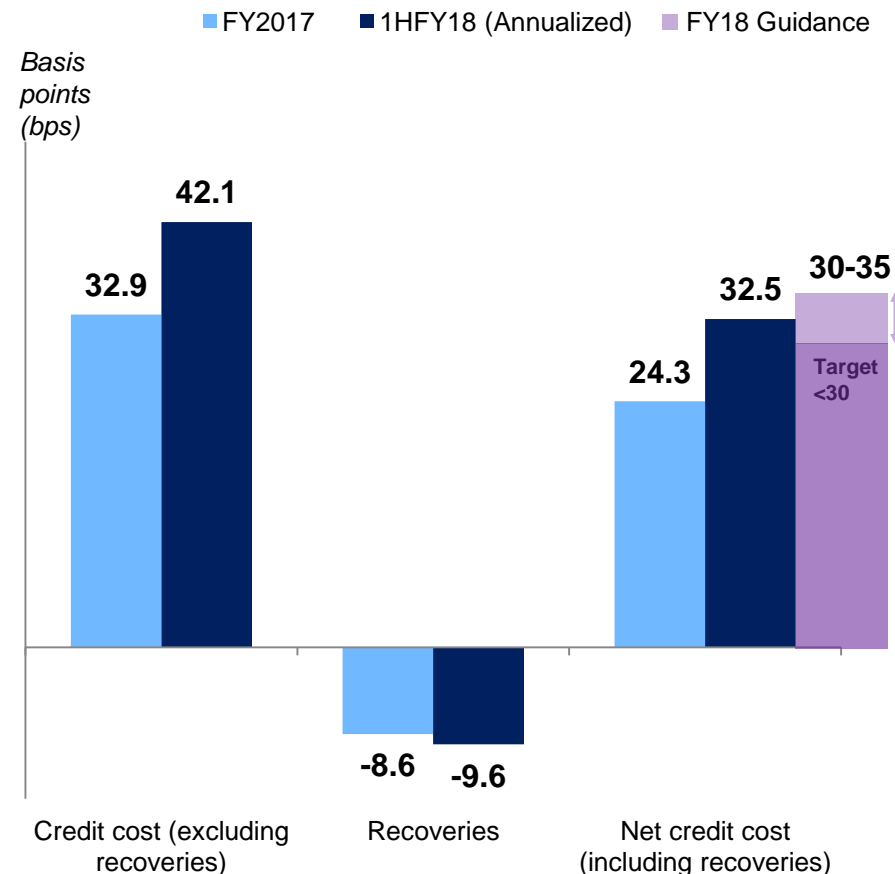
Credit cost at 32.5 bps (annualized), within guidance

- 1HFY18: Annualized net credit cost at 32.5 bps
- Higher credit cost in 1H but improving in 2H:
 - personal financing portfolio (2Q flow: -RM4.7m vs 1Q flow: +RM6.1m)
 - proactive SME remedial programmes (R&R)
- Other mitigating proactive actions:
 - enhanced credit underwriting policies
 - strengthened collections & recoveries
 - unsecured debt sale (new initiative)
- Personal financing delinquency rate is improving for 30+ & 90+ days past due:



- Targeting FY18 credit cost <30bps, with the stabilisation of personal financing portfolio & write back of R&R cases

Overall Credit Cost (bps)



Indicative MFRS9 impact of <25% on existing provisions

- a) MFRS 9: for ABMB, effective 1 April 2018
- b) Preliminary assessment submitted to BNM
- c) Major changes to provisioning methodology:
 - Expected Credit Loss (ECL) model

Stage 1 (Performing)	12-month ECL
Stage 2 (Under Performing)	Lifetime ECL
Stage 3 (Non-Performing)	Lifetime ECL
 - Include all credit exposures
 - BNM Regulatory Reserve: proposed to be based on a wider base of all credit exposures
- d) Indicative Day-1 impact:
 - <25% on existing provisions
 - around -0.6% to capital ratios

Loan Loss
Provisions
IA: 64.8mil
CA: 319.0mil
Total: 383.8mil

Indicative MFRS 9 Day-1 Impact

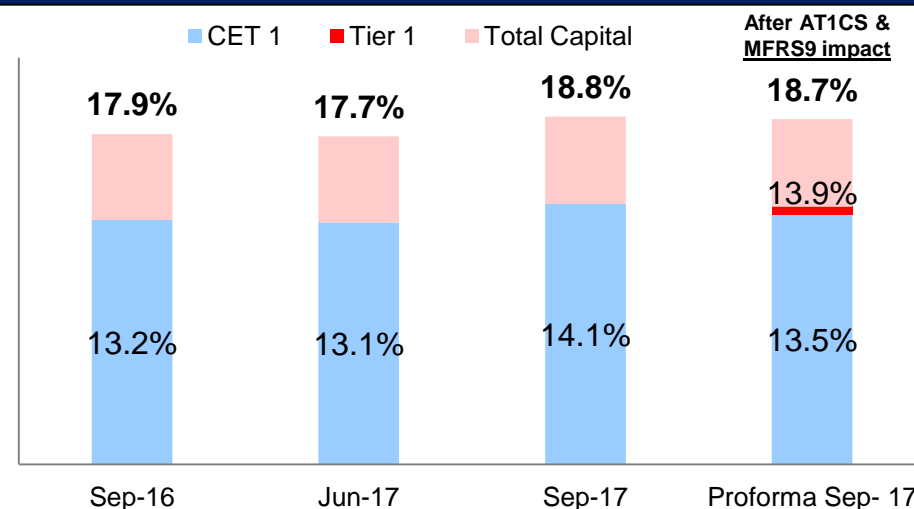
	Sep 2017 Position:		MFRS9 Day-1:	
	Provisions RM'mil	Add-back to Tier 2 RM'mil	Impact to Provisions	Impact to Capital Ratios
Individual Assessment (IA) (including impairment on AFS investments (AFS))	300.1 (IA =64.8 + AFS=235.3)	-	Higher by <25%	Lower by around 0.6%
Collective Assessment (CA)	319.0	225.3		
IA + CA	619.1	225.3		
Regulatory Reserve (RR)	147.4	147.4		
Provisions	766.5	372.7		

Sustainable capital ratios

- a) Strong capital position with CET-1 ratio at 14.1% and total capital ratio at 18.8%
- b) Proactive capital management to be supportive of future business expansion:
 - 29 Sep 2017: Alliance Islamic Bank issued new Tier 2 Subordinated Sukuk of RM130 million
 - 8 Nov 2017: ABMB issued RM150 million new Additional Tier-1 Capital Securities (AT1CS)
- c) Capital ratios will be able to withstand MFRS9 impact (potentially <25% on existing provisions) and remain stable:

Group capital ratios	Impact of AT1CS	Impact of MFRS9 (approx)
CET1	-	-0.6%
Tier 1	+0.45%	-0.6%
Total Capital	+0.45%	-0.6%

Capital Position



Capital Ratios (after proposed dividends)	Alliance Bank Group (ABG)	Alliance Bank (ABMB)	Alliance Islamic Bank (AIS)
CET 1 Capital Ratio	14.1%	12.5%	14.2%
Tier 1 Capital Ratio	14.1%	12.5%	14.2%
Total Capital Ratio	18.8%	16.8%	17.3%

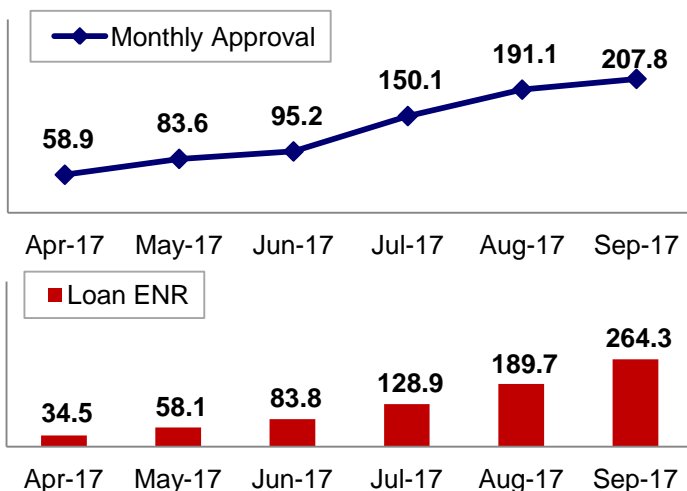
Key Transformation Priorities**Scaling Up Core
Business****1****Accelerate
Alliance One Account (AOA)****2****Accelerate SME****Transform the
Branch****3**

- a) Streamlining Branch Network & Restructuring**
- b) Increasing Sales at Branches**

**Industrialize Bulk
Acquisition****4****Alliance@Work**

Steady progress in key transformation priorities (1 of 4)

Key Initiatives	Timeline of Launch	Progress Update																								
<div>Scaling Up Core Business</div> <div>1 Accelerate Alliance One Account (AOA)<ul style="list-style-type: none">Debt consolidation service for consumers</div> <div>Loan Approval & ENR (RM mil)</div> <div>> 80% from new-to-bank customers</div> <div><div>Monthly Approval</div><table><tr><td>Apr-17</td><td>May-17</td><td>Jun-17</td><td>Jul-17</td><td>Aug-17</td><td>Sep-17</td></tr><tr><td>58.9</td><td>83.6</td><td>95.2</td><td>150.1</td><td>191.1</td><td>207.8</td></tr></table><div>Loan ENR</div><table><tr><td>Apr-17</td><td>May-17</td><td>Jun-17</td><td>Jul-17</td><td>Aug-17</td><td>Sep-17</td></tr><tr><td>34.5</td><td>58.1</td><td>83.8</td><td>128.9</td><td>189.7</td><td>264.3</td></tr></table></div>		Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	58.9	83.6	95.2	150.1	191.1	207.8	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	34.5	58.1	83.8	128.9	189.7	264.3	<div>1H FY18</div> <ul style="list-style-type: none">1HFY2018: +RM 264m new loansContinued strong build-up in sales acceptanceStrong acceleration in AOA loans growth will offset contraction of conventional mortgagesContinuous process and sales productivity improvementsScaling up sales force by 2.5X, in order to ramp up to RM500 million disbursement per month by end of FY19
Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17																					
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		<ul style="list-style-type: none">RAR for AOA is 3X that of a normal standalone mortgage																								



- RAR for AOA is 3X that of a normal standalone mortgage

Steady progress in key transformation priorities (2 of 4)

Key Initiatives	Timeline of Launch	Progress Update
Scaling Up Core Business		
2 Accelerate SME <ul style="list-style-type: none"> Scale up the SME business 	2H FY18	<ul style="list-style-type: none"> Continue to scale up the SME business with the goal to double monthly disbursements over the next 18 months Enhance the SME credit programs and approval methodology Enhance sales lead generation and sales productivity Digitize and re-engineer processes to deliver best-in-class turnaround time and customer experience

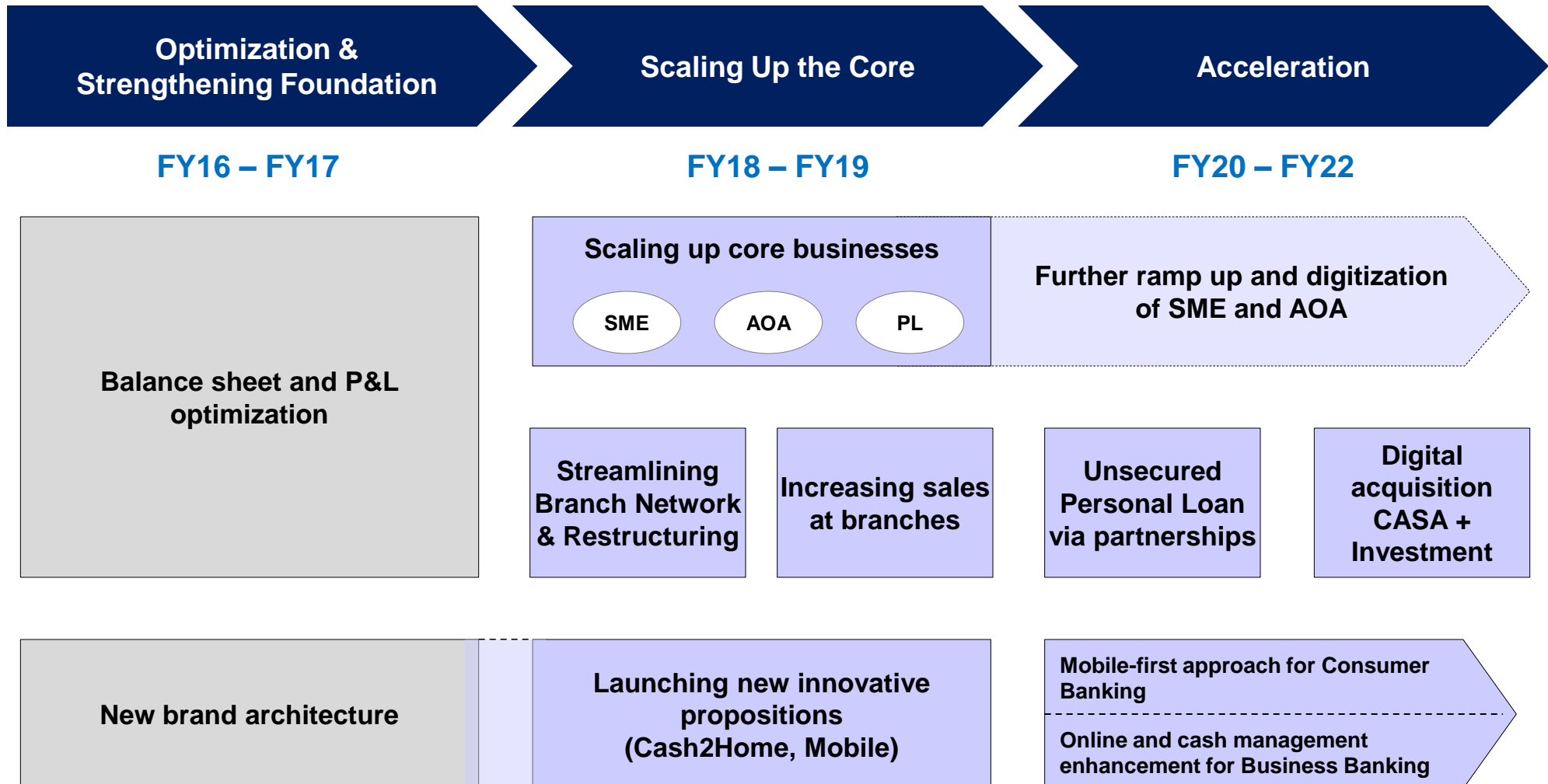
Steady progress in key transformation priorities (3 of 4)

Key Initiatives	Timeline of Launch	Progress Update
Transform the Branch		
3a Streamlining Branch Network & Restructuring <ul style="list-style-type: none"> Streamline and consolidate marginal profitability branches 	2H FY18	<ul style="list-style-type: none"> Reduced excess 212 non-sales FTEs, with high proportion of clerical / unionized staff via VSS / MSS Five marginal profitability branches have been identified for consolidation to nearby branches by March 2018: <ul style="list-style-type: none"> Bandar Baru Ayer Itam (Penang) Taman Desa Cheng Perdana (Melaka) Sri Gading (Johor) Ulu Tiram (Johor) Luyang Damai (Sabah) Annualized savings (PBT impact) of ~RM25 mil per year
Transform the Branch		
3b Increasing Sales at Branches <ul style="list-style-type: none"> Drive increase in branch sales and service productivity 	2H FY18	<ul style="list-style-type: none"> Streamline network based on micro-market potential and geographical proximity to nearby Alliance branch Increase sales capacity in branches via introduction of a multi-disciplinary 'Platform Banker' for sales fulfillment of walk-ins Reduction in back-office staff through centralization, automation and transaction migration Using bottom-up NPS to drive customer service improvements

Steady progress in key transformation priorities (4 of 4)

Key Initiatives	Timeline of Launch	Progress Update
Industrialize Bulk Acquisition		
4 Alliance@Work <ul style="list-style-type: none"> Differentiated consumer product propositions for the business owners and their local employees (e.g. minimal documents, eligibility criteria, credit policy, pricing) Mobile Foreign Remittance for foreign workers (Alliance Cash2Home) 	1H FY18	<ul style="list-style-type: none"> On-boarding >200 companies, with ~9,000 employees' account opened or in progress Companies in sales pipeline >360, Potential employees: >17,000 Working on strategic alliances for bulk acquisition

Where we are in the transformation journey



Focus on scaling up our core businesses over the short-term
Guiding principles
Identified initiatives
**Short term
priority**

Transform core business leveraging digital

- **Accelerate AOA sales:**
 - digitized 3rd party referral ecosystem
 - digitally assisted onboarding
 - near straight through processing
- **Transform SME business** – by a credit centric transformation:
 - Enhanced sales lead generation and productivity
 - Revamped product programs and approval methodology
 - Revamped credit processes

Upgrade IT support modules and digital channels to setup foundation for mid – longer term

- **Mobile, online banking** – offer mobile and online banking services, aligned to market benchmark for functionalities and customer experience
- **Contact center and CRM upgrades** – implement modules to upgrade capabilities of the servicing channels

**Mid – long
term priority**

Expand / enter new segments by participating in existing ecosystems

- **Offer unsecured personal loans leveraging partnerships** – for off-us customer data to augment credit underwriting power to serve the underserved segments
- **Digitally acquire upper mass CASA customers**

We are investing in our transformation for future acceleration

	FY17	FY18 (BAU)	FY18 (BAU and Transformation)	1HFY18 (BAU)	1HFY18 (BAU and Transformation)	FY20 Onwards [^]
Growth Y-o-Y						
Gross loans	1.5%	2%	4%	-1.1%	-0.4%	> 10%
Revenue	3.2%	7%	8%	7.7%	7.9%	7% - 10%
PPOP	5.8%	8%	-2%	12.5%	6.9%	9% -13%
NPAT	-1.9%	5%	-6%	3.5%	-2.7%	8% - 14%
Cost to income ratio	47.1%	<47%	<52%	44.1%	47.0%	
ROE	10.5%	~10.5%	~9.5%	10.6%	10.0%	
Progress Update		<u>Transformation Investments:</u> <ul style="list-style-type: none"> ▪ Total costs of ~RM90 million: <ul style="list-style-type: none"> ○ Restructuring (RM42mil) ○ Sales force (RM25mil) ○ Technology & Marketing (>RM20mil) <u>Cost savings:</u> <ul style="list-style-type: none"> ▪ RM6 million from restructuring <u>New revenue:</u> <ul style="list-style-type: none"> ▪ RM9 million new revenue stream 		<u>Investments in-progress:</u> <ul style="list-style-type: none"> ▪ YTD: RM23.3 million <u>Incremental revenue:</u> <ul style="list-style-type: none"> ▪ RM1.4 million from Alliance One Account & Alliance@Work 		<u>FY19:</u> <ul style="list-style-type: none"> ▪ NPAT rebounds > RM530 million ▪ ROE: 10% <u>FY20 - FY22:</u> <ul style="list-style-type: none"> ▪ Accelerated growth towards NPAT > RM700 million

Note: ^ management targets / based on 3-year CAGR

Focus on sustainable profitability and transformation

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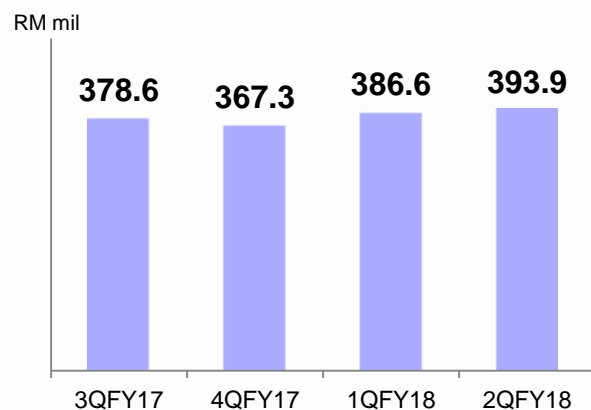
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Appendix - Financial Results:

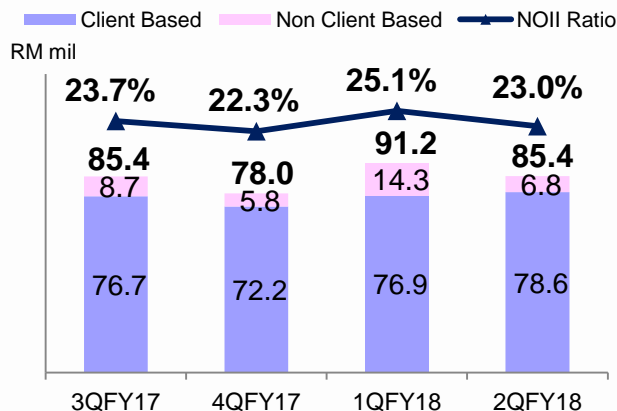
- 2QFY18
- 1H FY18

Net profit after tax: RM122.8 million

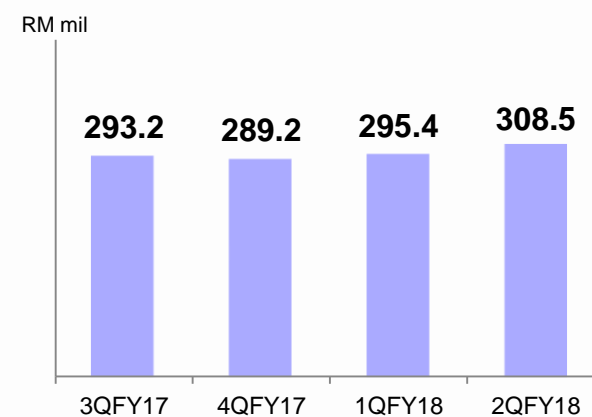
Revenue



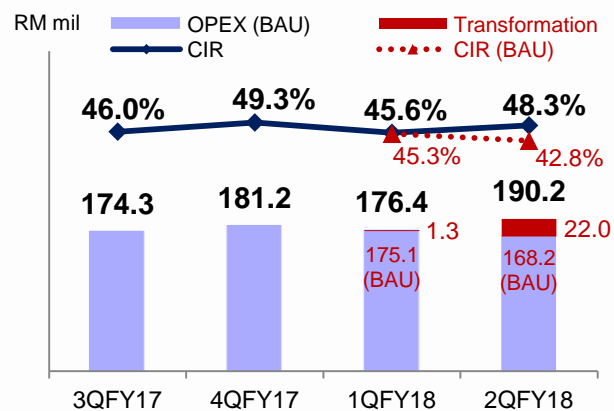
Non Interest Income^ & NOII Ratio



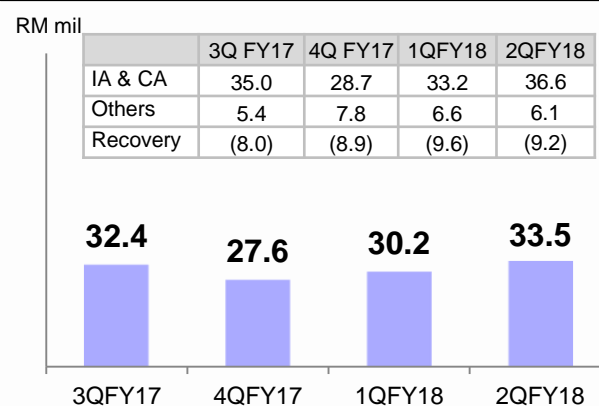
Net Interest Income & Islamic Banking Income



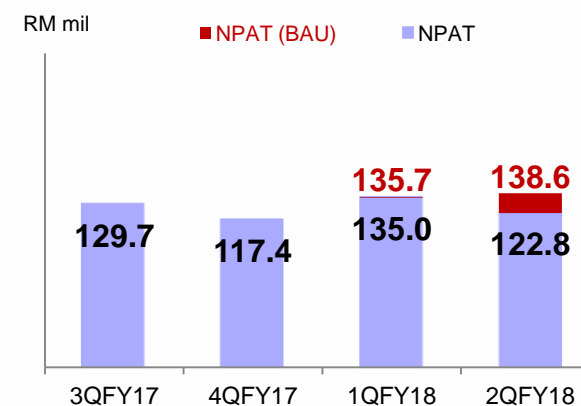
Operating Expenses & CIR Ratio



Credit Cost *



Net Profit



Notes: ^ excluding Islamic Banking Income

* allowance/(write back) for losses on loan & financing and other losses

Income Statement	1QFY18 RM mil	2QFY18 RM mil	Q-o-Q Change Better / (Worse)	
			RM mil	%
Net Interest Income	217.4	230.4	13.6	4.7%
Islamic Net Financing Income	72.3	72.9		
Islamic Non-Financing Income	5.7	5.2	(6.3)	(6.5%)
Non-Interest Income	91.2	85.4		
Net Income *	386.6	393.9	7.3	1.9%
Operating Expenses	176.4	190.2	(13.8)	(7.8%)
Pre-Provision Operating Profit	210.2	203.7	(6.5)	(3.1%)
Net Credit Cost ^	30.2	33.5	(3.3)	(11.0%)
Pre-tax profit	180.0	170.2	(9.8)	(5.5%)
Net Profit After Tax	135.0	122.8	(12.2)	(9.0%)
Net Profit After Tax (BAU)	135.7	138.6	2.9	2.1%

- **Revenue** grew 1.9% q-o-q:
 - +4.7% increase in net interest income⁺
 - -6.5% drop in non-interest income⁺
- **Net interest income** (including Islamic net financing income) grew 4.7% q-o-q, driven by higher risk adjusted return ("RAR") loans.
- **Client based fee income** grew RM1.1 million or +1.4% q-o-q mainly contributed by higher banking service fees and FX sales.
- **Non client based non-interest income** was lower by RM7.4 million q-o-q mainly due to lower gain in financial investment activities and FX trading income.
- **Operating expenses** increased RM13.8 million q-o-q due to higher transformation investments.
- **Pre-provision operating profit** reduced -3.1% q-o-q.
- Higher **credit cost** mainly due to proactive SME remedial programmes (R&R).

Notes:

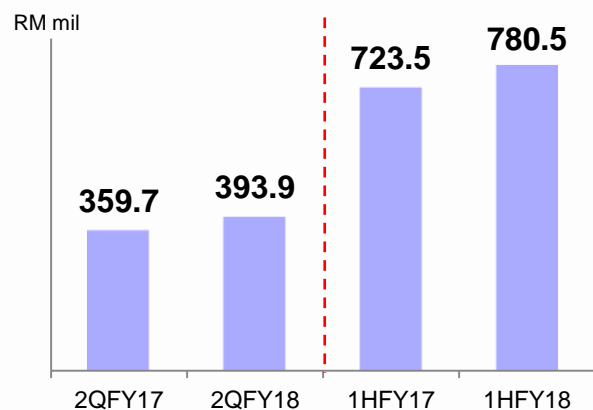
* Revenue

^ Allowance/ (Write back) for losses on loans & financing and other losses

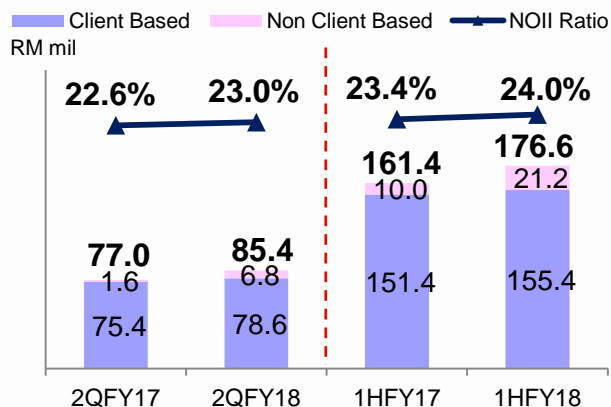
* Inclusive of Islamic Banking Income

1HFY18 net profit after tax: RM257.8 million

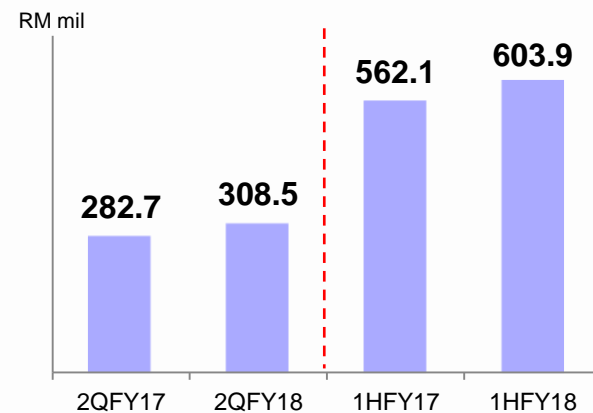
Revenue



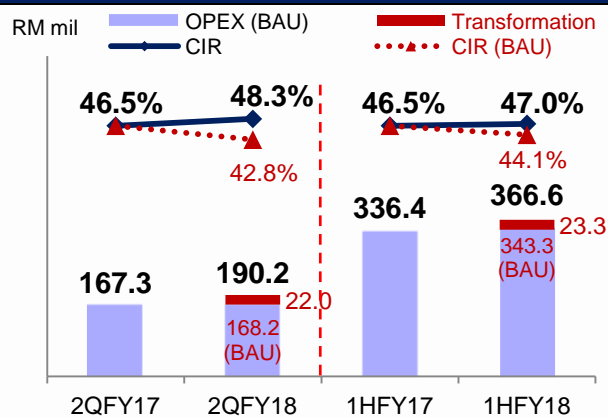
Non Interest Income ^ & NOII Ratio



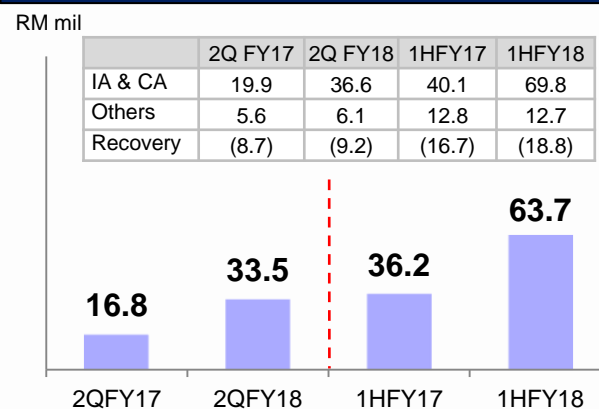
Net Interest Income & Islamic Banking Income



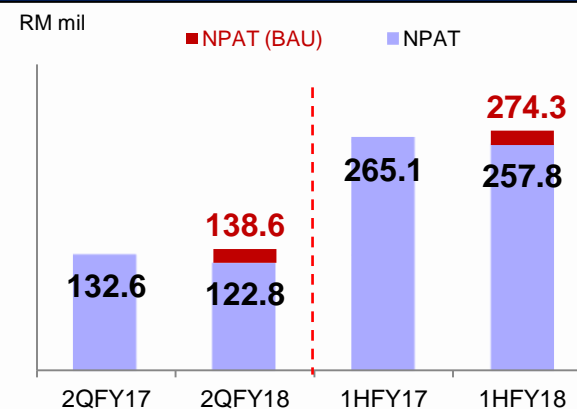
Operating Expenses & CIR Ratio



Credit Cost *



Net Profit



Notes: ^ excluding Islamic Banking Income

* allowance/(write back) for losses on loan & financing and other losses

Income Statement	2QFY17 RM mil	2QFY18 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	204.2	230.4	24.8	8.9%
Islamic Net Financing Income	74.3	72.9		
Islamic Non-Financing Income	4.2	5.2	9.4	11.5%
Non-Interest Income	77.0	85.4		
Net Income *	359.7	393.9	34.2	9.5%
Operating Expenses	167.3	190.2	(22.9)	(13.6%)
Pre-Provision Operating Profit	192.4	203.7	11.3	5.9%
Net Credit Cost ^	16.8	33.5	(16.7)	(99.5%)
Pre-tax profit	175.6	170.2	(5.4)	(3.1%)
Net Profit After Tax	132.6	122.8	(9.8)	(7.4%)
Net Profit After Tax (BAU)	132.6	138.6	6.0	4.6%

- **Revenue** grew 9.5% y-o-y, thanks to:
 - +8.9% increase in net interest income⁺
 - +11.5% improvement in non-interest income⁺
- **Net interest income** (including Islamic net financing income) grew 8.9% y-o-y, driven by higher risk adjusted return ("RAR") loans.
- **Client based fee income** increased RM3.4 million or +4.3% y-o-y was mainly contributed by higher wealth management fees and banking services fees.
- **Non client based non-interest income** grew RM6.1 million y-o-y due to higher FX trading income and higher treasury income from derivatives.
- **Operating expenses** increased RM22.9 million y-o-y due to higher transformation investments and admin expenses.
- **Pre-provision operating profit** grew 5.9% y-o-y.
- Higher **credit cost** mainly due to seasoning of personal financing portfolio and proactive SME remedial programmes (R&R).

Notes:

* Revenue

^ Allowance/ (Write back) for losses on loans & financing and other losses

* Inclusive of Islamic Banking Income

Income Statement	1HFY17 RM mil	1HFY18 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	416.3	447.8	38.8	7.0%
Islamic Net Financing Income	137.9	145.2		
Islamic Non-Financing Income	7.9	10.9	18.2	10.7%
Non-Interest Income	161.4	176.6		
Net Income *	723.5	780.5	57.0	7.9%
Operating Expenses	336.4	366.6	(30.2)	(9.0%)
Pre-Provision Operating Profit	387.1	413.9	26.8	6.9%
Net Credit Cost ^	36.2	63.7	(27.5)	(76.3%)
Pre-tax profit	351.0	350.2	(0.8)	(0.2%)
Net Profit After Tax	265.1	257.8	(7.3)	(2.7%)
Net Profit After Tax (BAU)	265.1	274.3	9.2	3.5%

- **Revenue** grew 7.9% y-o-y, thanks to:
 - +7.0% increase in net interest income⁺
 - +10.7% improvement in non-interest income⁺
- **Net interest income** (including Islamic net financing income) grew 7.0% y-o-y, driven by higher risk adjusted return ("RAR") loans.
- **Client based fee income** increased RM5.8 million or +3.6% y-o-y was mainly contributed by higher wealth management fees and banking services fees.
- **Non client based non-interest income** grew RM12.5 million y-o-y due to higher FX trading income and higher treasury income from derivatives.
- **Operating expenses** increased RM30.2 million y-o-y mainly due to higher transformation investments, and personnel and admin expenses.
- **Pre-provision operating profit** grew 6.9% y-o-y.
- Higher **credit cost** mainly due to seasoning of personal financing portfolio and proactive SME remedial programmes (R&R).

Notes:

* Revenue

^ Allowance/ (Write back) for losses on loans & financing and other losses

* Inclusive of Islamic Banking Income

Balance Sheet	Jun 17 RM bil	Sep 17 RM bil	Change Q-o-Q	
			RM bil	%
Total Assets	54.6	53.5	(1.1)	(1.9%)
Treasury Assets*	11.6	10.4	(1.2)	(9.8%)
Net Loans	38.6	38.6	-	Flat
Core Customer Deposits ⁺	39.2	40.8	1.6	4.0%
CASA Deposits	15.6	15.9	0.3	2.0%
Shareholders' Funds	5.2	5.3	0.1	2.9%
Net Loans Growth (y-o-y)	1.3%	(0.4%)		
Core Customer Deposit ⁺ Growth (y-o-y)	7.4%	7.3%		

- **Net loans remained flat** q-o-q mainly due to the challenging environment.
- Continued focus on **better RAR loans**:
 - SME loans growth of 3.4% q-o-q
 - Strong sales acceptance for Alliance One Account.
- **Core customer deposits** grew by 4.0% q-o-q
- **CASA deposits** growth of +2.0% q-o-q despite intensified market competition for deposits.
- **Liquidity coverage ratio**: 160.7%
(vs 143.7% in June 2017) (industry: 135.8%^).

Notes:

* Treasury assets comprise financial assets (HFT, AFS & HTM), derivative financial assets & placements with Financial Institutions

* Core Customer Deposits = CASA + Fixed Deposit

^ BNM Monthly Statistical Bulletin Sep 2017

industry SME loan growth based on Aug 2017 statistics (latest available)

Balance Sheet	Mar 17 RM bil	Sep 17 RM bil	Change YTD	
			RM bil	%
Total Assets	54.1	53.5	(0.6)	(1.0%)
Treasury Assets*	11.6	10.4	(1.2)	(9.9%)
Net Loans	39.0	38.6	(0.4)	(1.0%)
Core Customer Deposits ⁺	39.7	40.8	1.1	2.7%
CASA Deposits	15.5	15.9	0.4	3.0%
Shareholders' Funds	5.1	5.3	0.2	3.7%
Net Loans Growth (y-o-y)	1.5%	(0.4%)		
Core Customer Deposit ⁺ Growth (y-o-y)	5.4%	7.3%		

- **Net loans** contracted marginally by -1.0% year-to-date (YTD), mainly due to the challenging environment.
- **Better RAR loans** grew by 6.2% YTD while lower RAR loans contracted 4.4%:
 - YTD: SME loans growth of 4.3%
 - Strong sales acceptance for Alliance One Account.
- **Core customer deposits** grew +2.7% YTD
- **CASA deposits** increased by +3.0% YTD despite intensified market competition for deposits.
- **Liquidity coverage ratio:** 160.7% (vs 155.5% in March 2017) (industry: 135.8%^).

Notes:

* Treasury assets comprise financial assets (HFT, AFS & HTM), derivative financial assets & placements with Financial Institutions

* Core Customer Deposits = CASA + Fixed Deposit

^ BNM Monthly Statistical Bulletin Sep 2017

industry SME loan growth based on Aug 2017 statistics (latest available)

Balance Sheet	Sep 16 RM bil	Sep 17 RM bil	Change Y-o-Y	
			RM bil	%
Total Assets	54.8	53.5	(1.3)	(2.3%)
Treasury Assets*	9.5	10.4	0.9	9.6%
Net Loans	38.8	38.6	(0.2)	(0.4%)
Core Customer Deposits ⁺	38.0	40.8	2.8	7.3%
CASA Deposits	15.2	15.9	0.7	4.6%
Shareholders' Funds	5.1	5.3	0.2	4.7%
Net Loans Growth (y-o-y)	3.1%	(0.4%)		
Core Customer Deposit ⁺ Growth (y-o-y)	7.4%	7.3%		

- **Net loans** decreased by -0.4% y-o-y, mainly due to the challenging environment.
- **Better RAR loans** grew 11.8% y-o-y while lower RAR loans contracted 5.9% y-o-y.
 - SME loans grew +9.1% y-o-y
 - Strong sales acceptance for Alliance One Account.
- **Core customer deposits:** +7.3% y-o-y
- **CASA deposits** grew by +4.6% y-o-y despite intensified market competition for deposits.
- **Liquidity coverage ratio:** 160.7% (vs 136.8% in Sep 2016, industry: 135.8%^).

Notes:

* Treasury assets comprise financial assets (HFT, AFS & HTM), derivative financial assets & placements with Financial Institutions

* Core Customer Deposits = CASA + Fixed Deposit

^ BNM Monthly Statistical Bulletin Sep 2017

industry SME loan growth based on Aug 2017 statistics (latest available)

	Financial Ratios	2QFY17	1QFY18	2QFY18	1HFY17	1HFY18
Shareholder Value	Return on Equity	10.7%	10.7%	9.3%	10.9%	10.0%
	Earnings per Share	8.7sen	8.8sen	8.0sen	17.3sen	16.8sen
	Net Assets per Share #	RM3.27	RM3.33	RM3.43	RM3.27	RM3.43
Efficiency	Net Interest Margin	2.22%	2.32%	2.38%	2.23%	2.35%
	Non-Interest Income Ratio	22.6%	25.1%	23.0%	23.4%	24.0%
	Cost to Income Ratio	46.5%	45.6%	48.3%	46.5%	47.0%
Balance Sheet Growth	Net Loans (<i>RM bil</i>)	38.8	38.6	38.6	38.8	38.6
	Total Deposits (<i>RM bil</i>)	45.7	44.2	42.7	45.7	42.7
Asset Quality	Credit cost (basis points) (annualised)	17.2	30.9	34.1	17.9	32.5
	Gross Impaired Loans Ratio	0.9%	1.1%	1.2%	0.9%	1.2%
	Net Impaired Loans Ratio	0.5%	0.7%	0.8%	0.5%	0.8%
	Loan Loss Coverage Ratio ^	147.0%	122.1%	116.9%	147.0%	116.9%
Liquidity	CASA Ratio	33.3%	35.3%	37.3%	33.3%	37.3%
	Loan to Deposit Ratio	85.5%	88.2%	91.1%	85.5%	91.1%
	Loan to Fund Ratio	82.4%	84.3%	86.8%	82.4%	86.8%
	Liquidity Coverage Ratio	136.8%	143.7%	160.7%	136.8%	160.7%
Capital	Common Equity Tier 1 Capital Ratio	13.2%	13.1%	14.1%	13.2%	14.1%
	Tier 1 Capital Ratio	13.2%	13.1%	14.1%	13.2%	14.1%
	Total Capital Ratio	17.9%	17.7%	18.8%	17.9%	18.8%

Note:

^ Loan Loss Coverage includes Regulatory Reserve provision; excluding Regulatory Reserve, 84.5% at 2QFY18 (vs. 87.5% at 1QFY18)

THANK YOU

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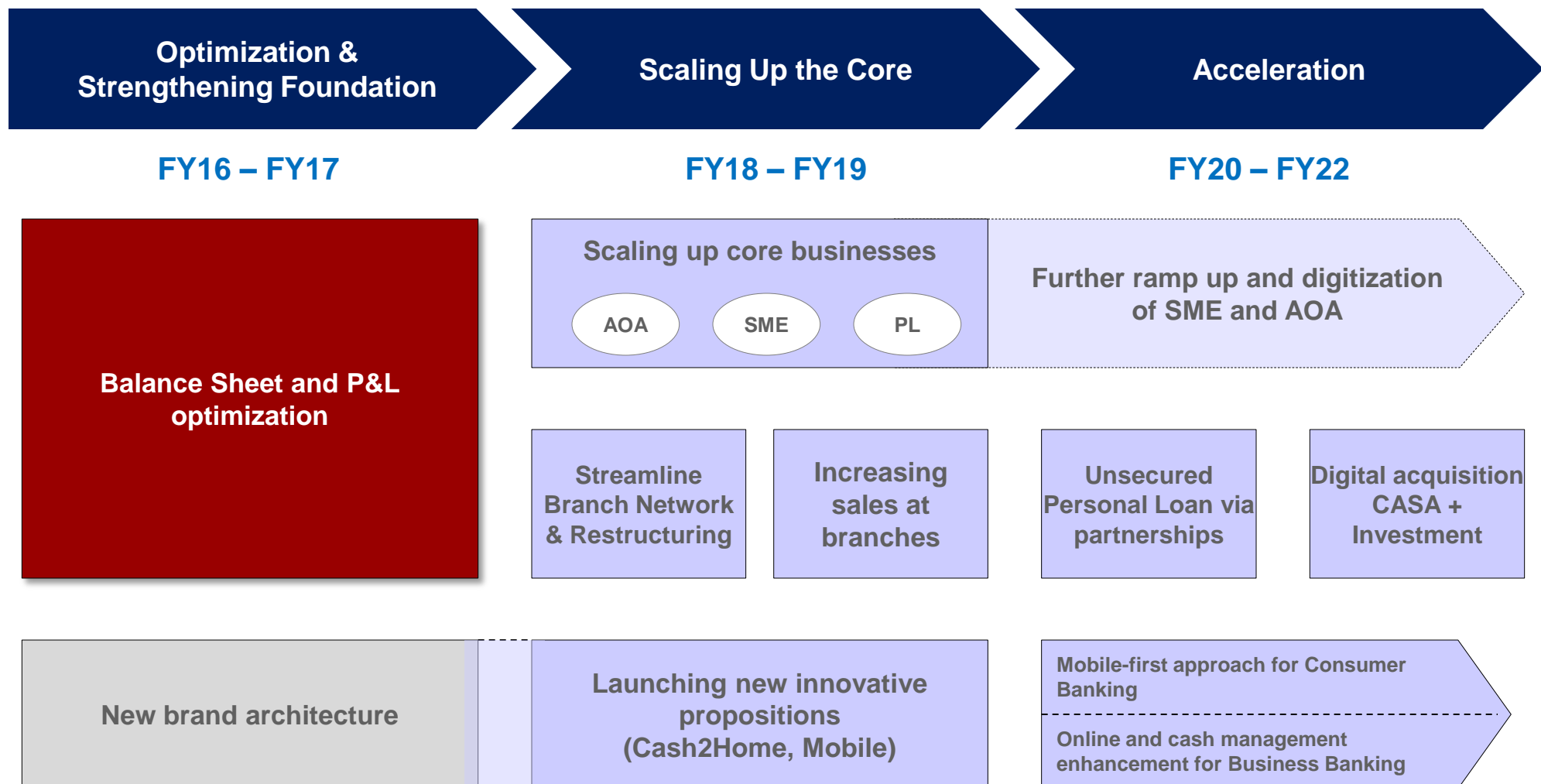
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Investor Relations

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Where we are in the transformation journey



Balance Sheet and P&L Optimization**Optimizing the Balance Sheet****Driving Client-based Fee Income****Keeping the Bank Safe**

- 1** Shifted mortgage book away from low RAR standalone housing loans, and replaced with new innovative loan consolidation product with better RAR

Results

Initial slowdown but approval volumes are now back at 2015 levels (i.e. > RM200mil monthly), with **3X** higher RAR

- 2** Ramped up unsecured personal lending through more effective referral network

Results

Grew the monthly bookings of personal loans by **1.5X** (i.e. from RM40 mil monthly to > RM60 mil monthly)

- 3** Continued to grow SME and Commercial loans faster than industry

Results

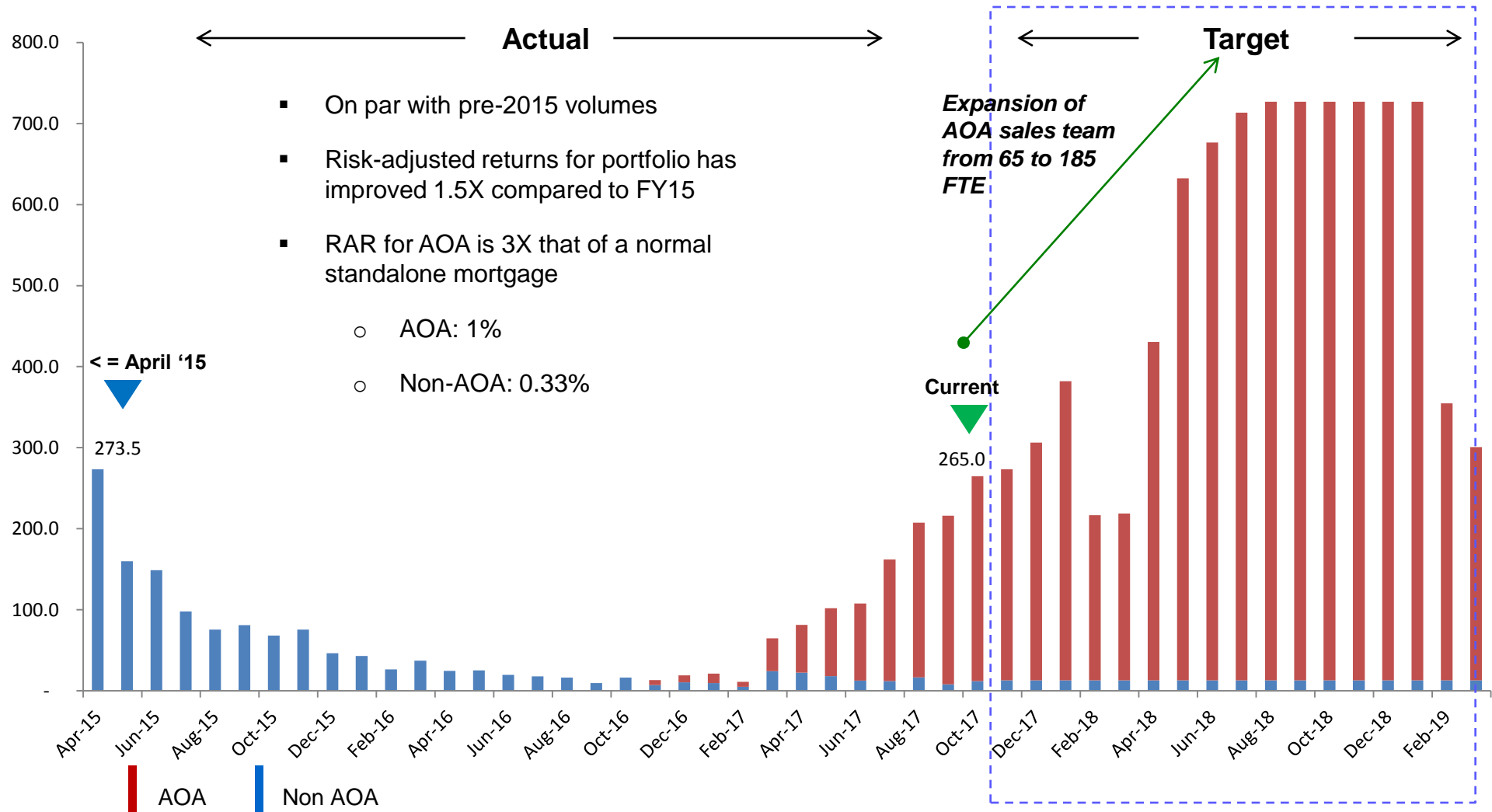
For SME, higher than average industry CAGR of **11.2%**

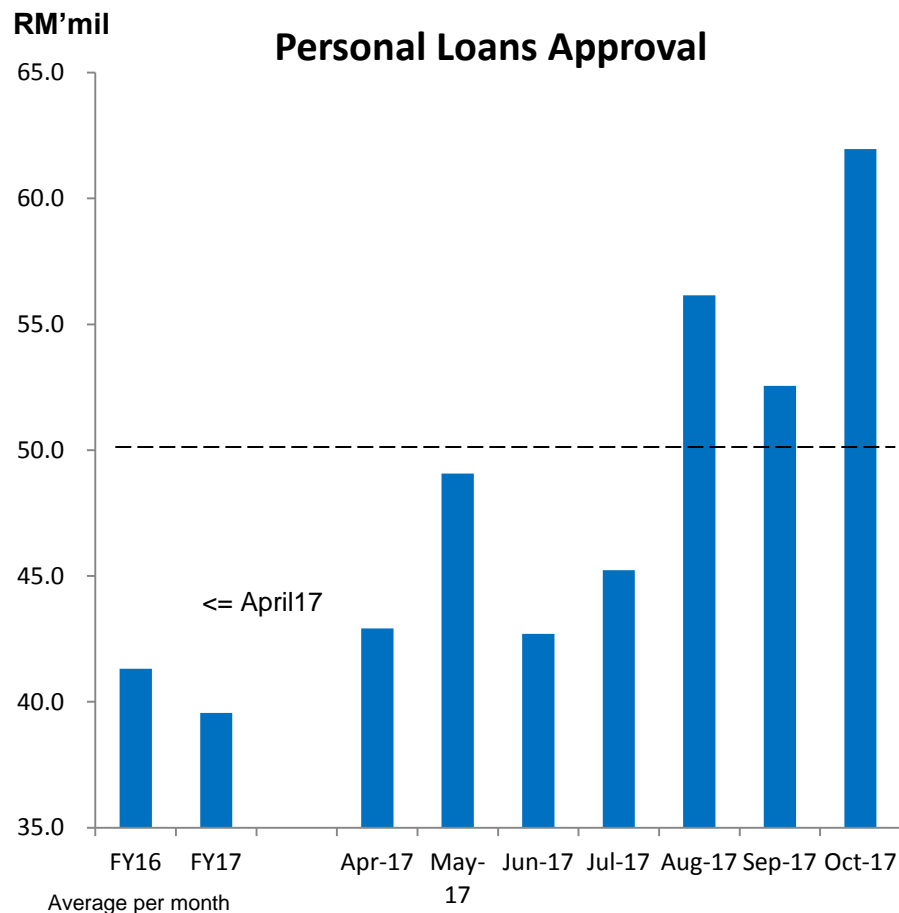
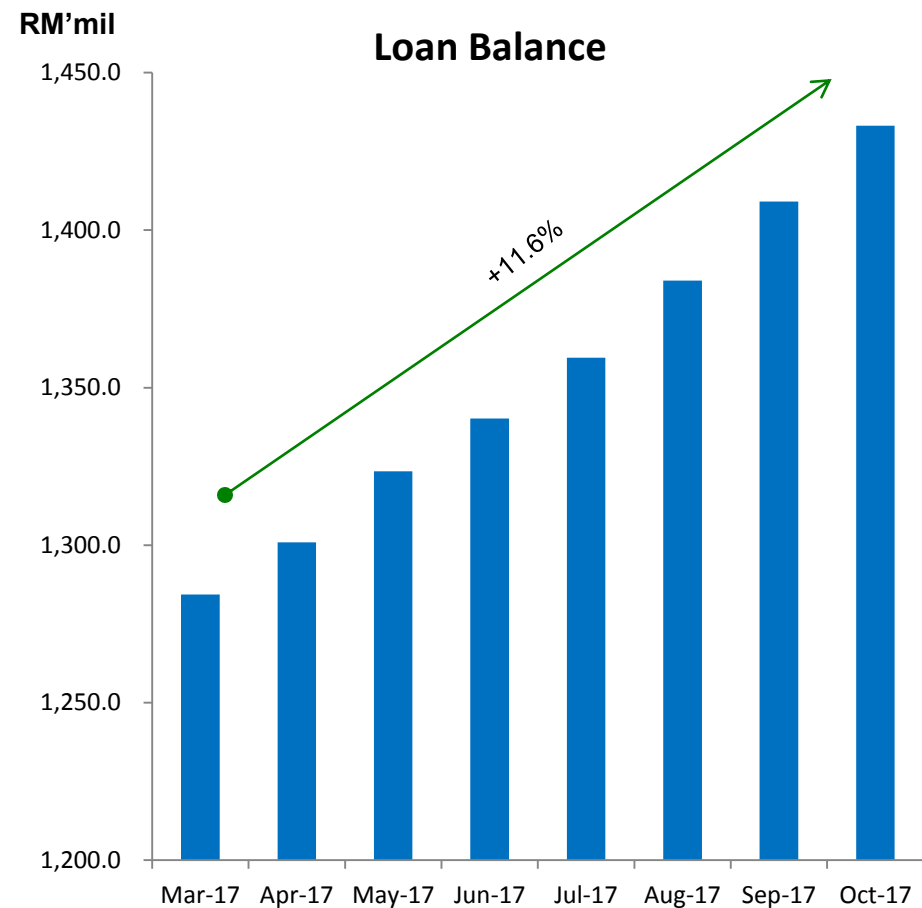
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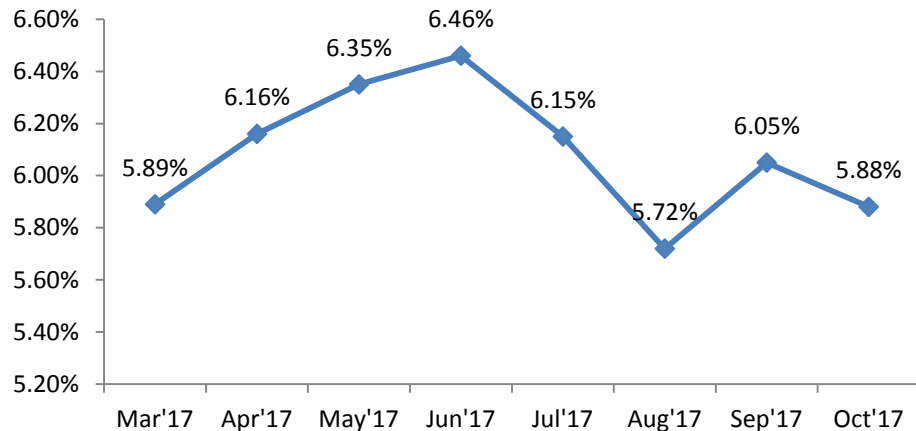
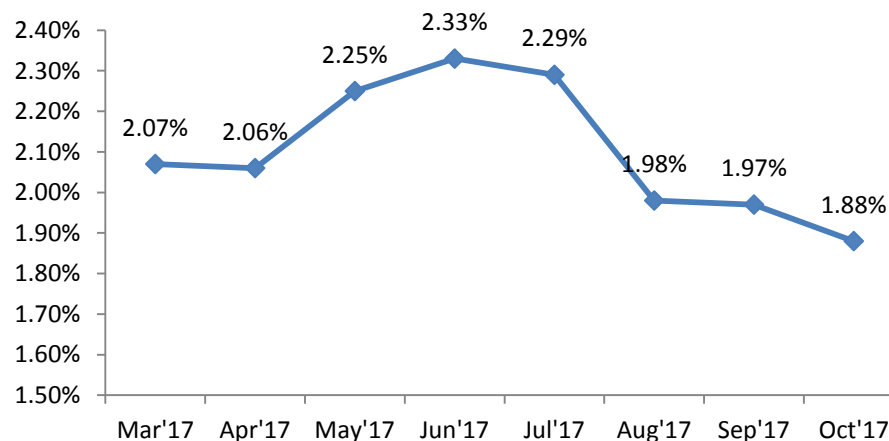
Shifted mortgage book away from low RAR standalone housing loans

RM'mil

Mortgage Approval Volumes



2
Ramped up unsecured personal lending through more effective referral network...
Sales approval exceeded RM50m mark in since Aug'17

YTD Oct'17 grew 11.6%


2 ... with stable delinquency trends
30+ dpd RM%

90+ dpd RM%

Key Activities
1) Enhanced credit underwriting policies

- Implemented Policy tightening for Personal Financing problematic segment
- Validation of CTOS bureau score version 2 (to commence in Dec17/Jan18)

2) Strengthened collections & recoveries

- Increase front-end collections capacity to reduce Account to Collector ratio to below 1000
- SMS reminder for Pre-delinquent (0 MIA accounts) with ever delinquent record
- Implemented pool calling strategy for front-end buckets
- Assignment of un-contactable accounts from 30dpd onwards to External Collection Agency
- Empanelment of 3 additional External Collections Agencies
- Additional capacity for in-house recovery collector
- Periodic randomized review of External Collections Agencies, including review of agent performance & agency incentive structure

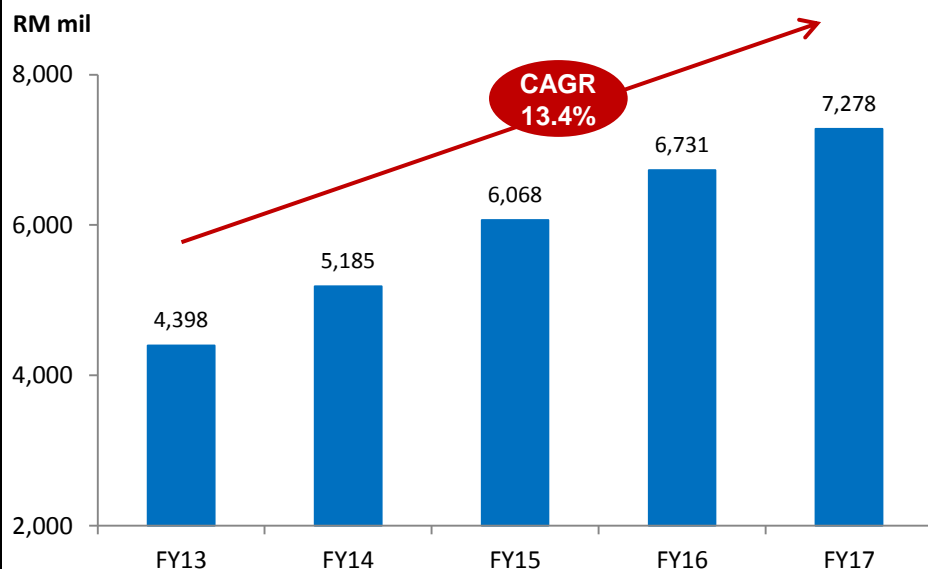
3) Unsecured Debt Sale (New Initiative)

- Due Diligence in progress for Unsecured Debt Sale. Target to complete by 31st March 2018

3

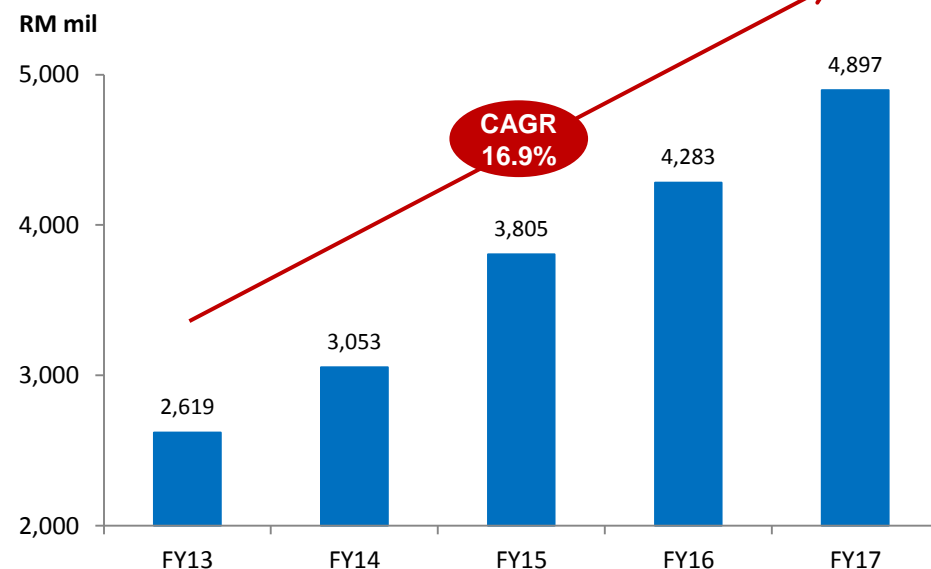
Continued to grow SME and Commercial loans faster than industry

SME Loans Growth



- SME loans have grown at 13.4% CAGR for past 4 years
- Higher than average industry CAGR¹ of 11.2%

Commercial Loans Growth



- Commercial loans have grown at 16.9% CAGR for past 4 years

¹ Source: Competitors Annual Reports

² SME and Commercial loan is based on gross loan (net IIS)

Balance Sheet and P&L Optimization

Optimizing the Balance Sheet

Driving Client-based Fee Income

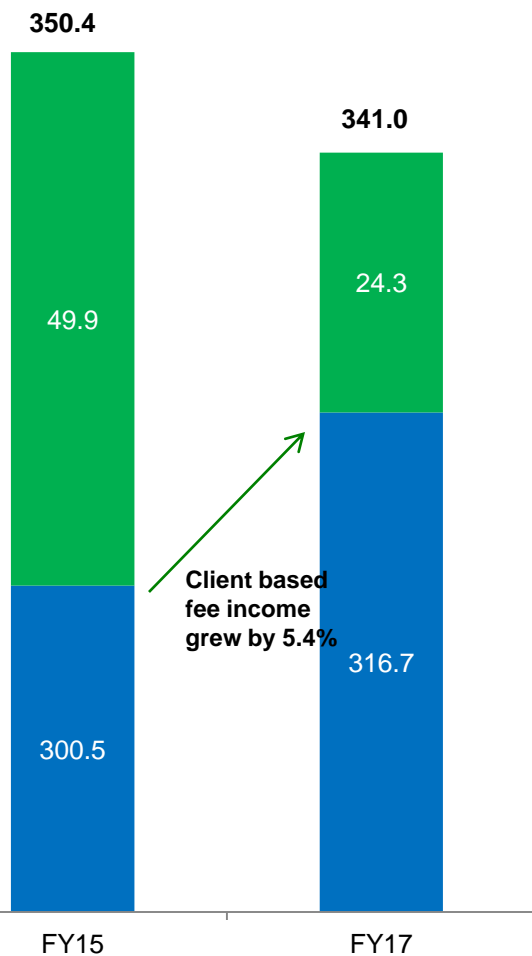
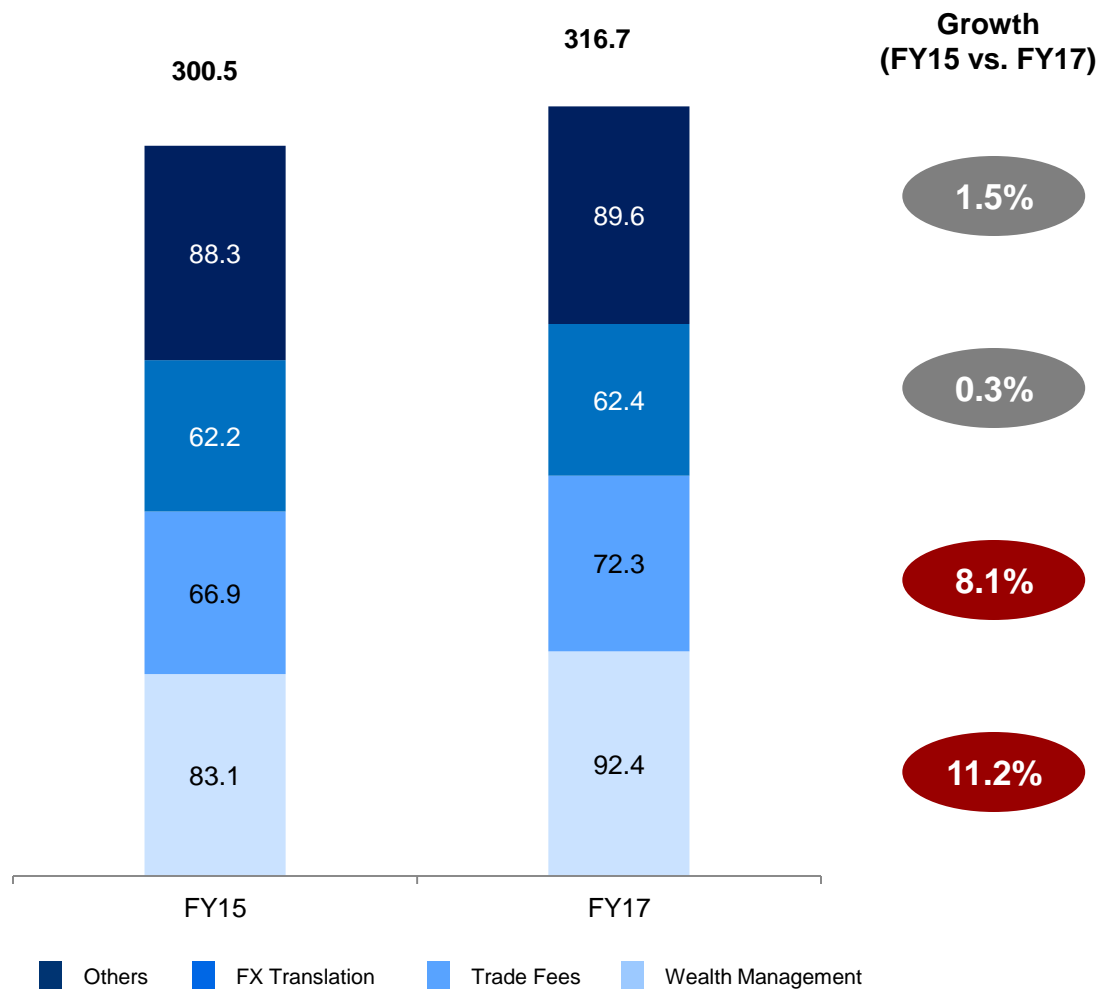
Keeping the Bank Safe

4**Growth in client-based fee income****Results**

Client based fee income grew by **5.4%** from FY15 to FY17

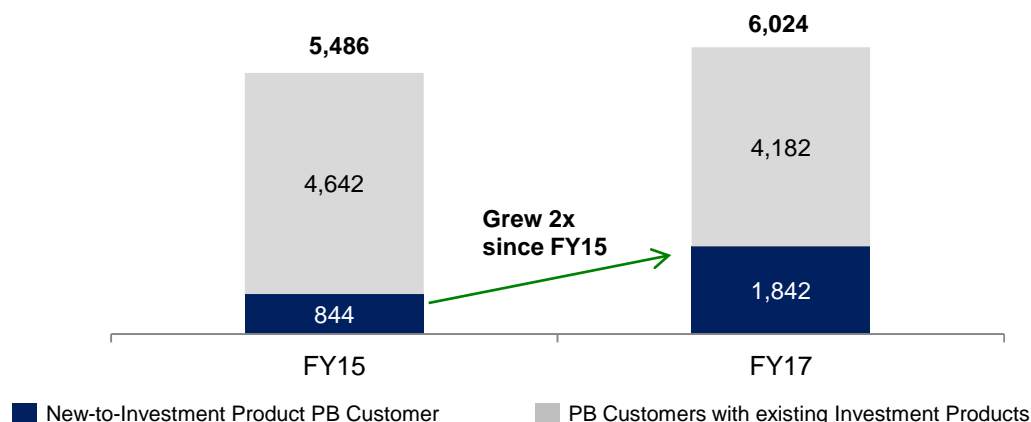
5**Grew Consumer Banking's Wealth and enhanced portfolio management****Results**

- New-to-Investment Product PB customers **grew 2x since FY15**
- Proportion of GCB's Wealth fee income against GCB's total income grew from **49% in FY15 to 57% in FY17**

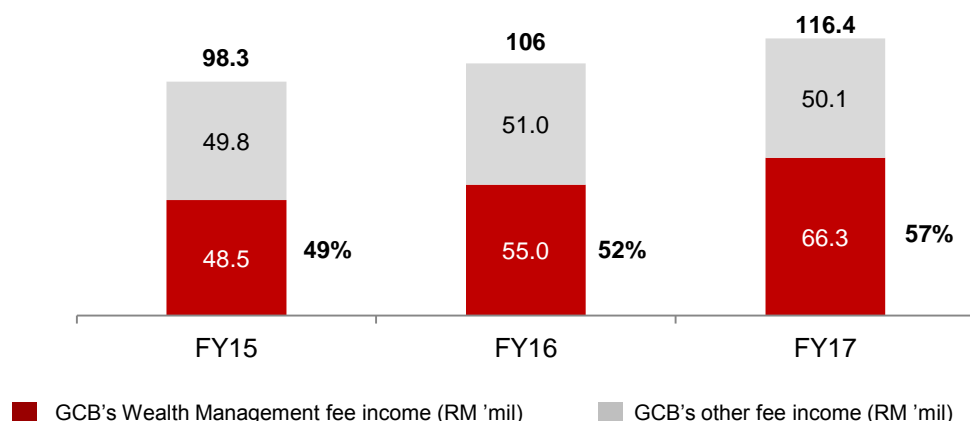
4 Growth in Client-based Fee Income
Total fee income

Client-based fee income: Driven by Wealth Management & Trade


5 Grew Consumer Banking's Wealth and enhanced portfolio management

New-to- Investment Product PB Customers



Proportion of GCB's Wealth Fee Income against GCB's Total Income (%)



Actions taken to grow the Wealth business:

- Product innovation via structured investments
- Customer RMs deliver improved client investment experience based on the following methodology:
 - Acquire and improve their skills in product knowledge and financial markets
 - Structured advisory to clients
 - Strengthen client contact management
 - Research and advisory by providing market updates, close monitoring of fund performance, and recommending tailored solutions with quick turnaround time
 - Continuous pre and post fund due diligence to meet client's financial needs and expectations

Note: * exclude RM10m Banca business model fee from Manulife

Balance Sheet and P&L Optimization

Optimizing the Balance Sheet

Driving Client-based Fee Income

Keeping the Bank Safe

6**Capital Management****Results**

- **New capitalization programs** in place, adequate for longer-term expansion plans

7**Liquidity Management****Results**

- Diversification into **medium / longer-term funding** (e.g. CAGAMAS)
- **Scaled up SI balances by >150%** from RM377 mil in YTD Oct 2016 to **RM956 mil** in YTD Oct 2017

8**Credit Risk Management****Results**

- **Mortgage stratification**; clear actions established for each risk segment
- Measures to **improve through-the-door origination profiles** (for personal loans)

6

New capitalization programs in place, adequate for longer-term expansion plans

Capital Management Program

Sustainability

Recap FY16:

- Raised RM 1.2 billion Tier 2 Subordinated Medium Term Notes ("Sub-MTNs")
- Completed recapitalization of RM100 million for AIS (via an equity capital injection by ABMB)

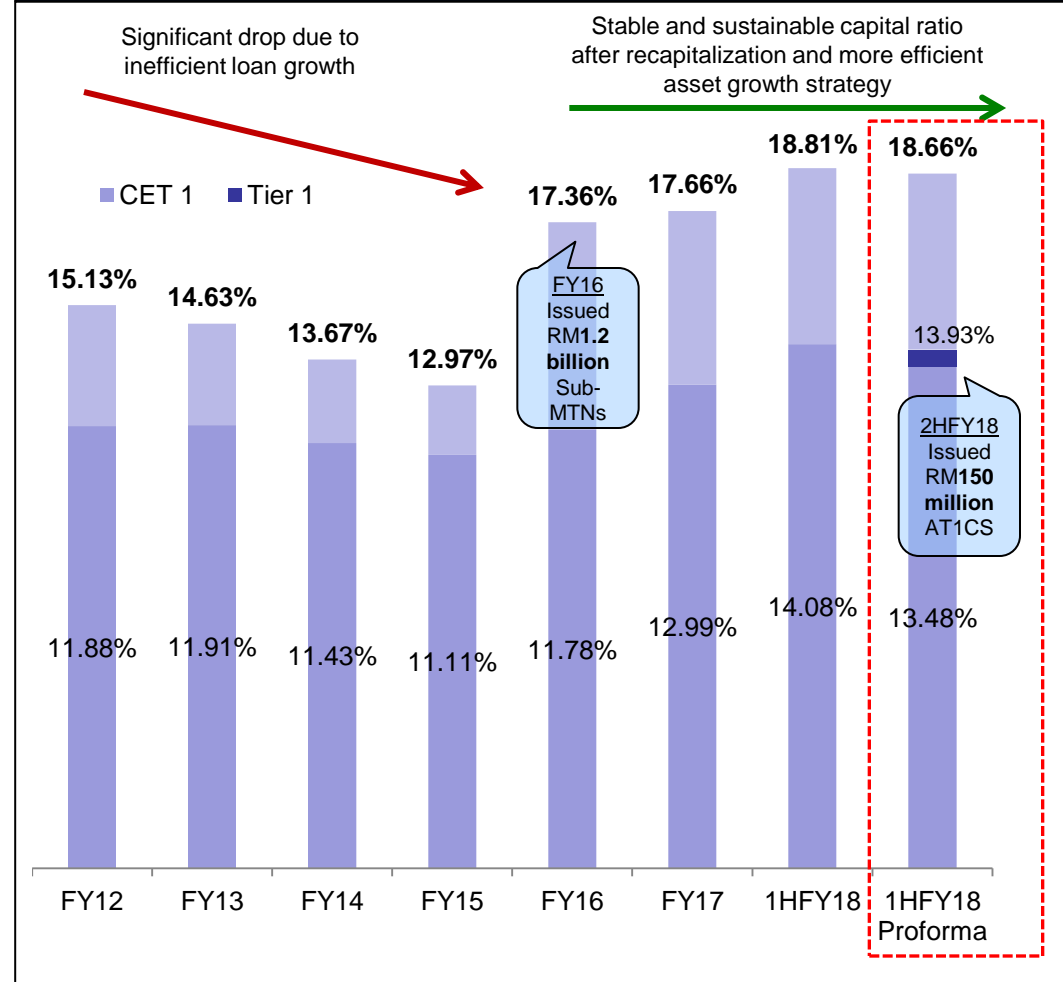
FY18:

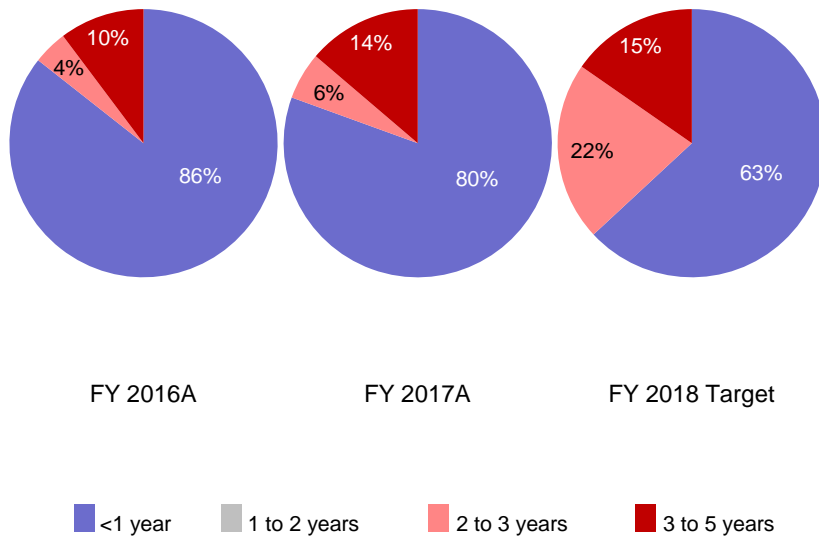
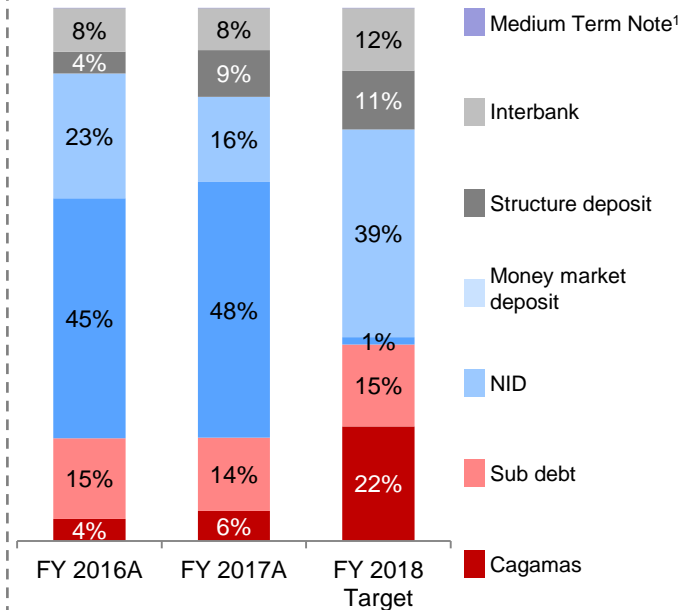
- Established RM 1.0 billion Additional Tier 1 Capital Securities ("AT1CS") Program. First issuance of RM150 million new AT1CS
- AIS issued RM130 million Unrated Tier 2 Subordinated Sukuk Murabahah ("Sub-Sukuk") (out of a RM180 million program)

Flexibility

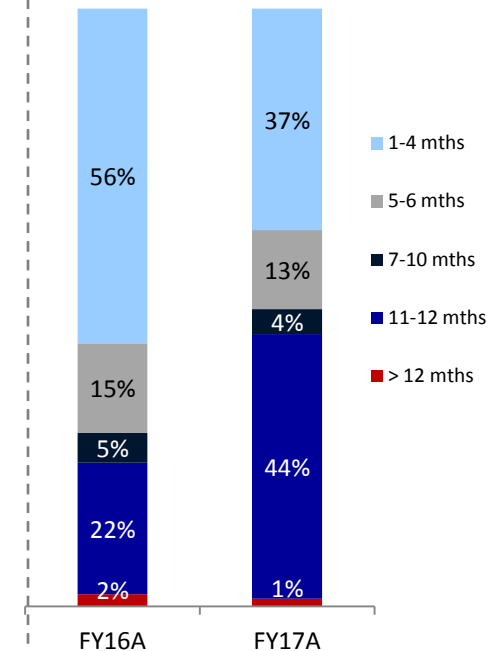
- Flexibility for additional issuances if required:
 - RM800 million of Sub-MTNs
 - RM850 million of AT1CS
- With efficient asset growth strategy, capital ratios will be able to withstand MFRS9 impact (potentially <25% on existing provisions) and remain stable

More Sustainable Capital Ratios



7 Diversification in medium-term funding
Strengthened Medium-term Funding
Treasury Funding by Tenure

Treasury Funding Mix


¹ MTN contributes less than 0.1% to the funding mix

Fixed Deposit Tenure


8 Mitigating risks on existing portfolios ...

Reduced the Help and Watch mortgage segments by up to 65% and re-priced 55% of the total accounts in those segments

	Total No. of Accounts			ENR (RM 'mil)		
	Help	Watch	Grow	Help	Watch	Grow
Portfolio Position as of Mar ' 15	12,169	2,305	58,692	1,829	512	13,900
Portfolio Position as of Sep '17 ¹	6,648	821	52,216	1,032	172	13,038
Change (%)	-45.4%	-64.3%	-11.0%	-43.6%	-66.3%	-6.2%

Note: 1. There are 13,481 accounts of total portfolio, closed as of Sep 2017

Key Actions Taken in FY17
Help

1) Re-priced upwards 58.1% of total 'Help' segment

Watch

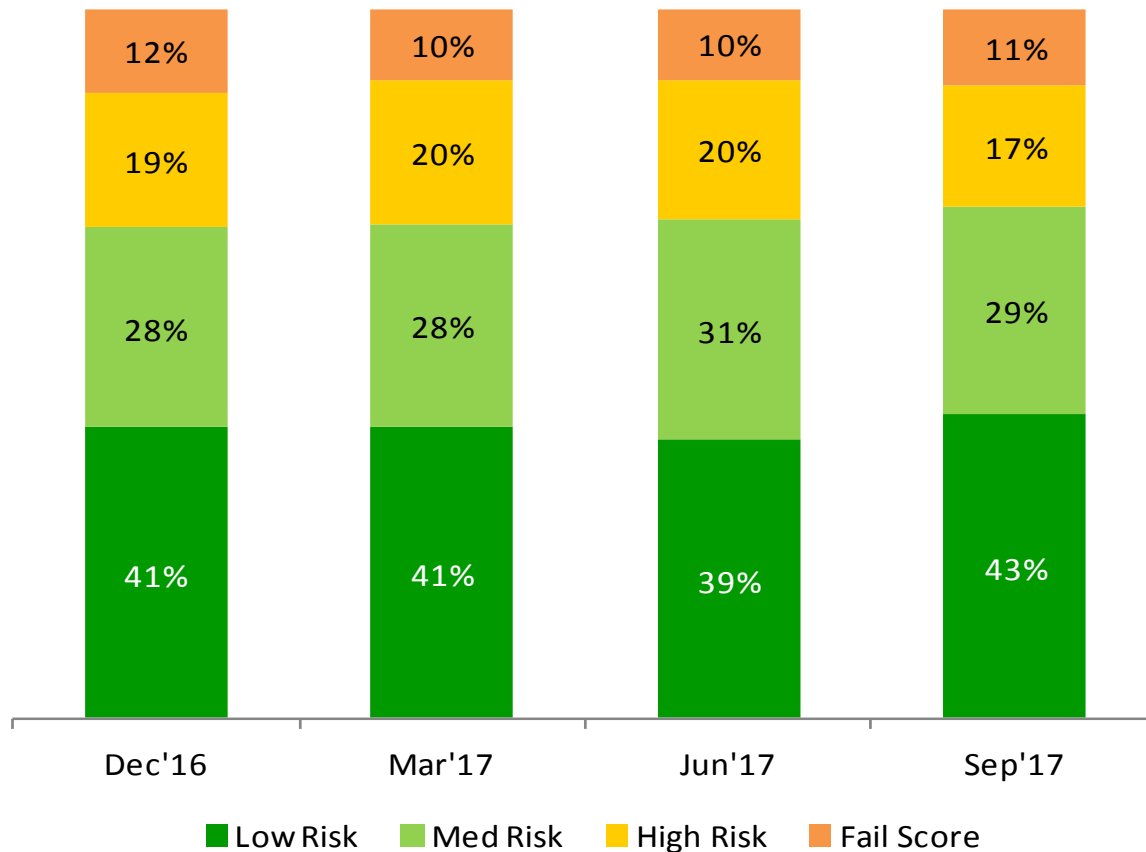
1) Re-priced upwards 38.6% of total 'Watch' segment

Grow

1) Identified 3,462 Islamic accounts (RM 350 million) for **Cagamas Securitization**

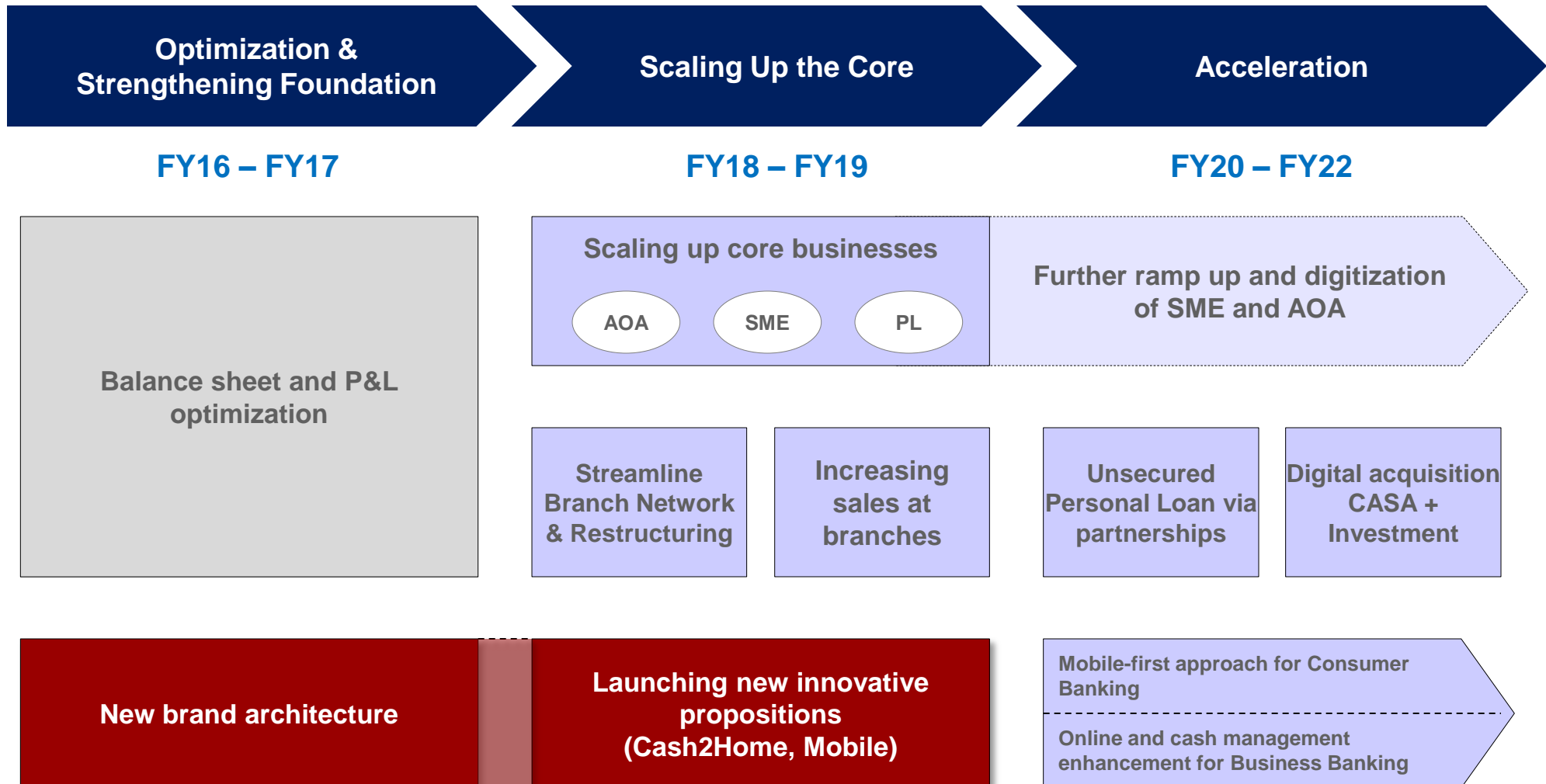
Legend:

	Help	Watch	Grow
Stress Loss Coverage	<1.0x	1.0 to 1.5x	>1.5x

8 ... and improving through-the-door profiles
Personal Loan Through-the-Door Origination Profiles

Actions we have taken to improve the through the door profile

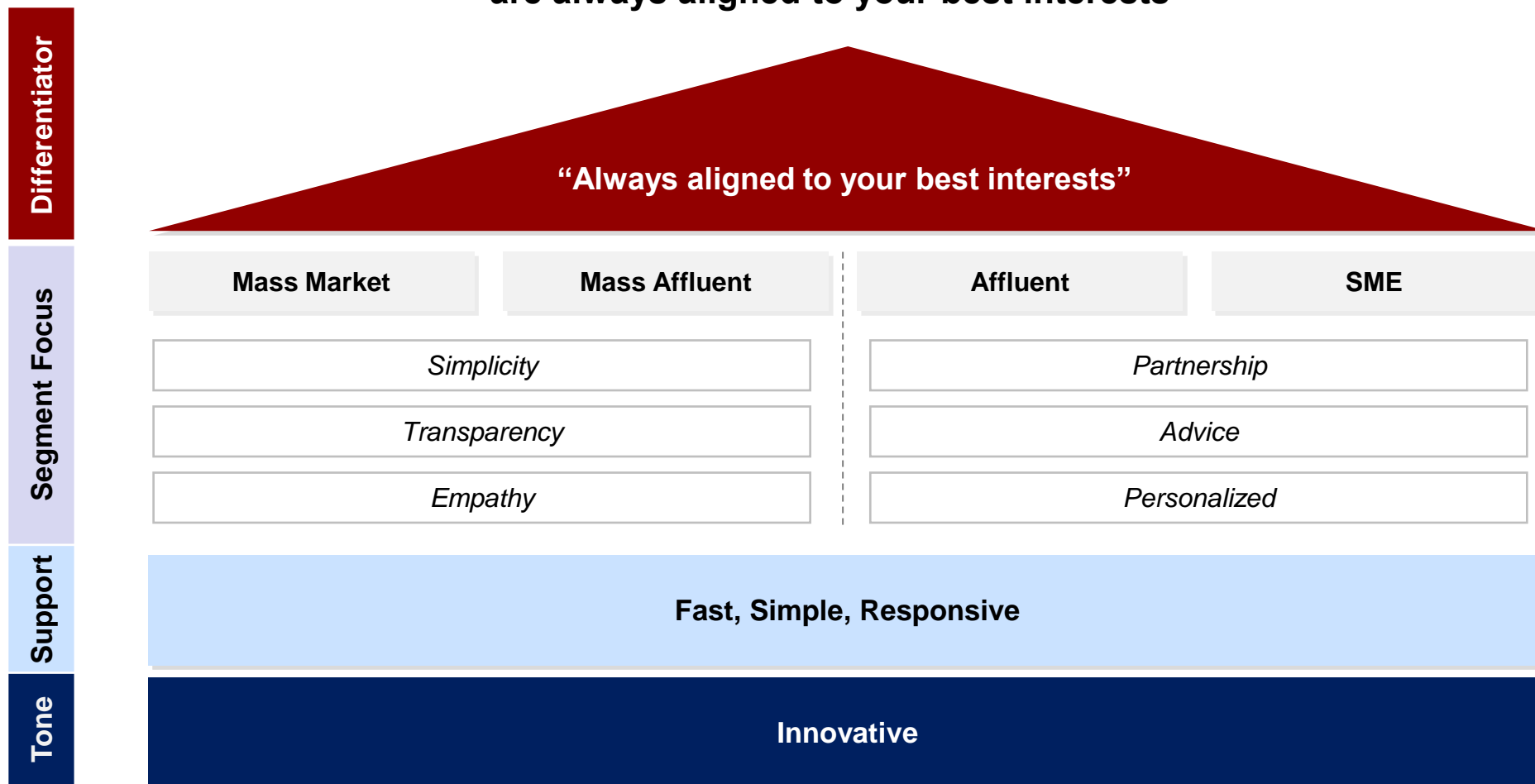
- Implementation of Application Duo Score Strategy in June 2016
- Discontinuation of booking of Personal Loan High Risk Segment with bureau credit card utilization > 90% in June 2017
- Discontinued booking of salaried segment with negative RAR based on applicant bureau vintage and score band in September 2017

Where we are in the transformation journey



Our New Brand Architecture

“A Bank that uses innovation to bring you simple, fast and responsive solutions that are always aligned to your best interests”



New Brand Architecture
New Innovative Propositions
1
Alliance One Account

“Debt consolidation using the mortgage”



PAY LESS EVERY MONTH



SAVE ON TOTAL INTEREST/
FINANCING COST



MORE CASH IN HAND

2
Alliance Cash2Home

“Mobile remittance for foreign workers”


Proposition to Business Owners

- ✓ Automated payroll, eliminate cash handling
- ✓ Positioned as a service or “HR benefit” to their employees to enhance employee loyalty

Proposition to Foreign Workers

- ✓ Fast, simple remittance (at competitive rates) via mobile phone
- ✓ Security (minimize cash handling)
- ✓ Prepaid reload incentives for repeated remittances

3
Mobile Banking

“New platform for our Mobile-first approach”

Innovative

- ✓ Industrialize local employees on-boarding
- ✓ Intuitive interface by saving all previous payees

Fast, Simple, Responsive

- ✓ Remember customers’ last 3 months’ payments based on customer’s behavior and support aggregated payments
- ✓ Jompay biller code assist

Customer’s Best Interest

- ✓ Provide push notification reminders to make relevant payments
- ✓ Inform customers when there are incoming funds and prior to FD maturity