



ALLIANCE BANK

# Building Alliances To Improve Lives



**Analyst Briefing  
FY2020**

**26 June 2020**

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- 4QFY20 & FY20 Financial Result



# Keeping Our Stakeholders and the Bank Safe During COVID-19

## Keeping Our Stakeholders Safe

## Keeping the Bank Safe

- Frequent COVID-19 task force meetings to closely monitor and discuss mitigation actions
- Successfully implemented business continuity plan

Employees	<p><b><i>Helping our staff to stay safe and protected at the workplace</i></b></p> <ul style="list-style-type: none"> <li>▪ <b>Split operations</b> and <b>work rotation</b> (work-from-home: ≥65% during Movement Control Order)</li> <li>▪ Enhanced <b>hygiene measures</b> within working environment &amp; encourage <b>virtual meetings</b> &amp; trainings</li> <li>▪ <b>Frequent communication</b> on maintaining physical and mental health &amp; also on new SOPs at the workplace.</li> <li>▪ <b>Expanded family medical benefit</b> to include medical claims for treatment of confirmed COVID-19</li> </ul>	Liquidity Management	<p><b><i>Ensuring the Bank continues to have ample liquidity</i></b></p> <ul style="list-style-type: none"> <li>▪ Strong <b>funding position</b> with Liquidity Coverage Ratio &gt;150% and Loan-to-funds ratio at 84%</li> <li>▪ <b>Sufficient cash float buffers</b> at branches</li> </ul>
Community	<p><b><i>Helping the underserved in our communities during this difficult time</i></b></p> <ul style="list-style-type: none"> <li>▪ <b>Contributed &gt;RM650k</b> to COVID-19 pandemic-related assistance funds</li> <li>▪ <b>Raised RM300k</b> via SocioBiz to help medical frontliners and supporting the sustainability of 11 social enterprises</li> </ul>		<ul style="list-style-type: none"> <li>▪ <b>Sufficient liquidity access</b> in place (in addition to liquidity buffer) <b>to mitigate any payment shock</b></li> </ul>

# Keeping Our Stakeholders and the Bank Safe During COVID-19

## Keeping Our Stakeholders Safe

### Helping our clients stay financially healthy during and post-pandemic

6-month automatic moratorium for individual & SMES

RM23.5 billion

- Encourage affluent customers to opt out, offer R&R or top-up if required
- **High opt out ratio:** 18%; helped to reduce Day-One Modification Loss
- For opt-in customers, **interest will not be compounded.** Bank incurs Day-One Modification Loss

Special Relief Facility ("SRF")

>RM620 million

- Focused on helping business to apply for SRF
- Helped >900 SMEs (6.2% of total SRF allocation)

Corporate & Commercial moratorium / R&R

RM1.6 billion

- Proactively engage with corporate & commercial customer
- 20% of loan book

#Support Lokal

>46,000 link clicks

- Help local businesses reach out to customers online
- Provides training in business management and digital marketing

## Keeping the Bank Safe

### Enhancing our credit controls

- Conducted **portfolio review** to **assess sectorial exposure** to **COVID-19**
- **Red sector - Significantly impacted by COVID-19** (e.g. Tourism, Restaurants & Hotels, Non-essential retail trade):
  - <5% of the loan exposure
  - No exposure to Aviation sector and 0.1% exposure to Oil & Gas sector
- **Pre-diagnostic:** Stratify borrowers based on risk assessment

Customer Sectors	High	Medium	Low
Red			
Amber			
Green			

- **Rolled-out three-pronged strategy:**
  - 1) Stratify customer segmentation and prioritise customers calls/visits
  - 2) Diagnostic tools for indicating high/medium/low risks
  - 3) Customized action plans for Watch/Maintain/Grow
- **Post-diagnostic: Reduce** exposure to **Red sectors** and **Grow Green Sectors**

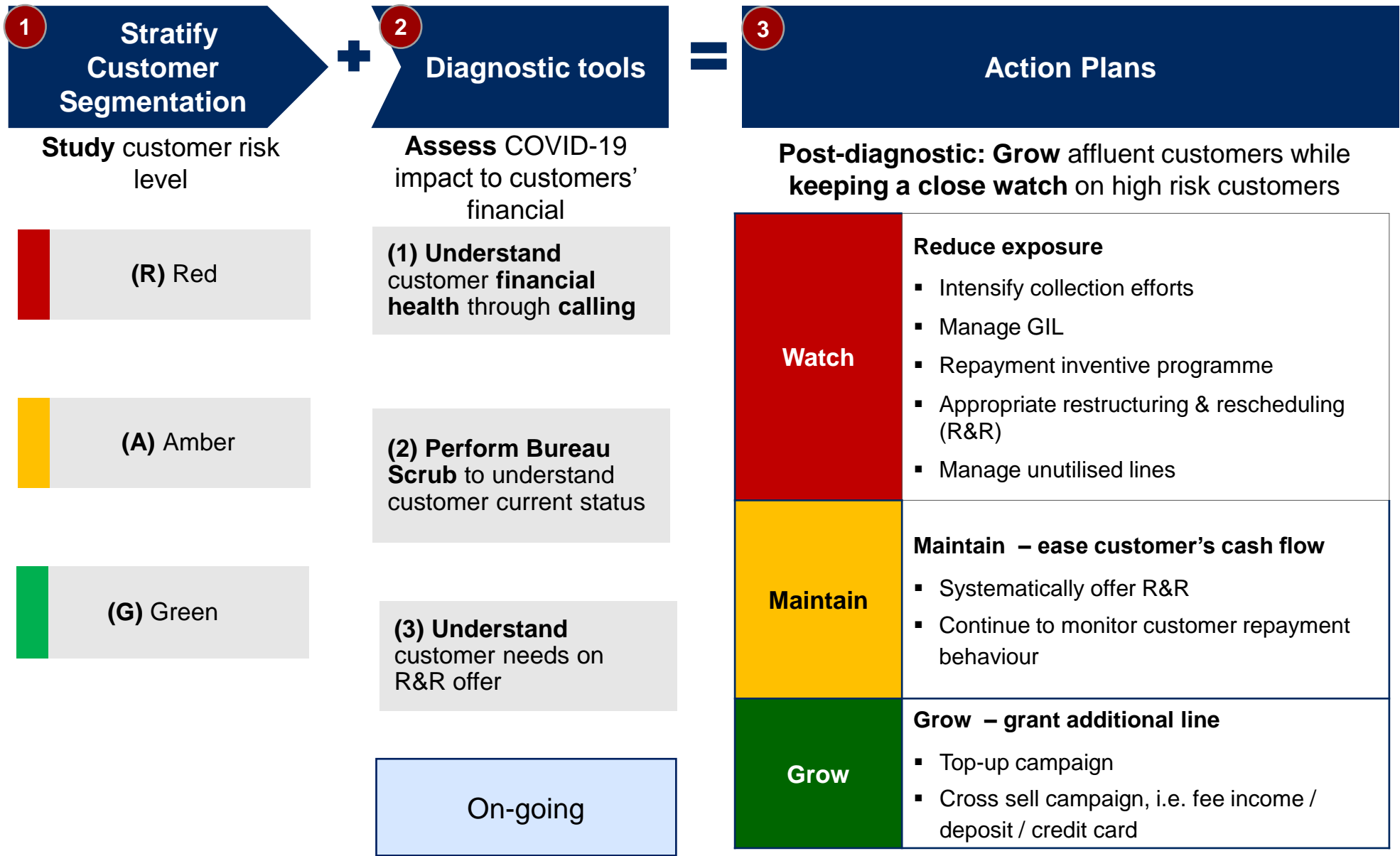
Credit Risk Management

Customers



# Overview of Consumer Banking Portfolio Stratification Strategy

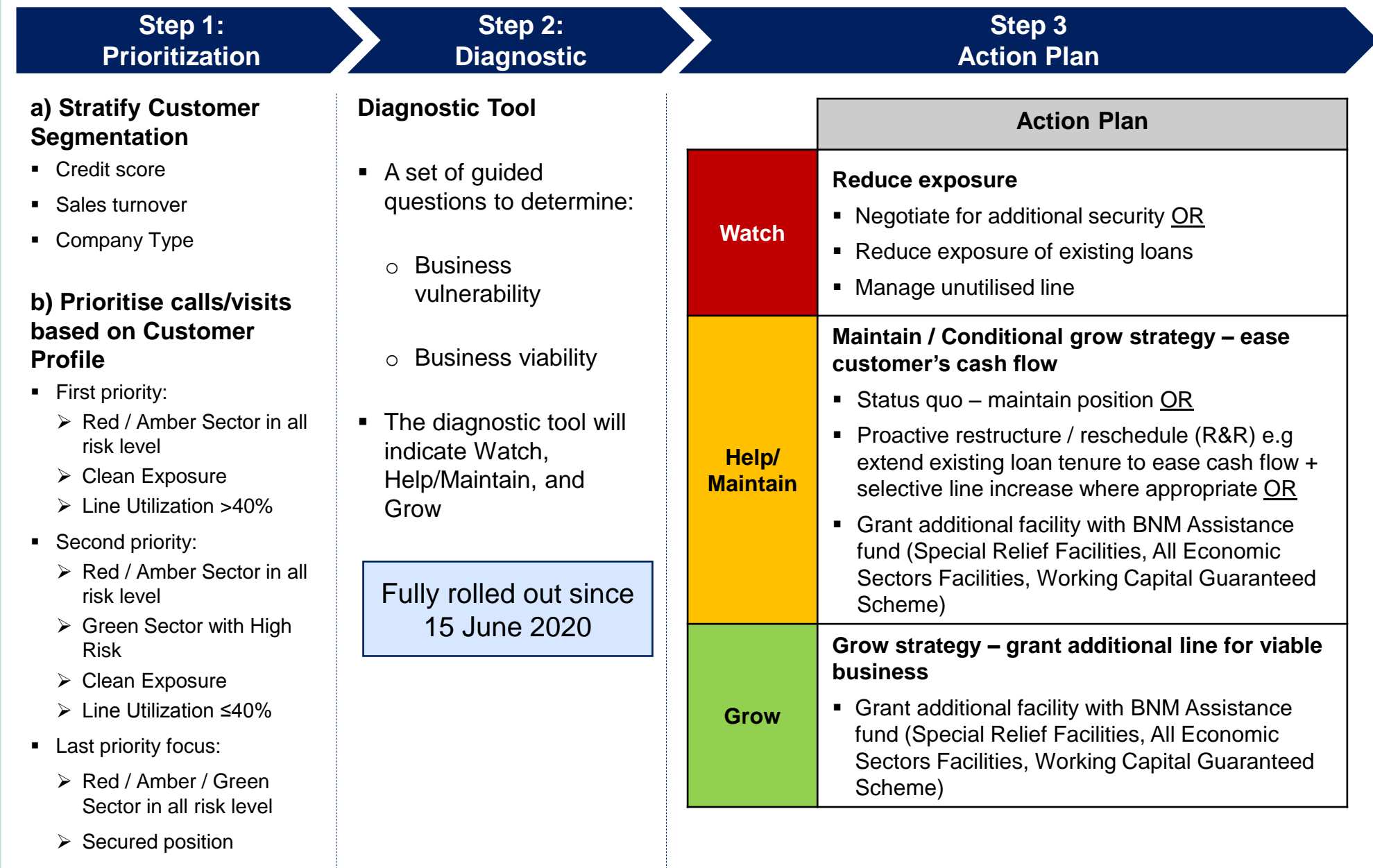
## Managing asset quality while growing affluent markets





# Overview of SME Banking Portfolio Stratification Strategy

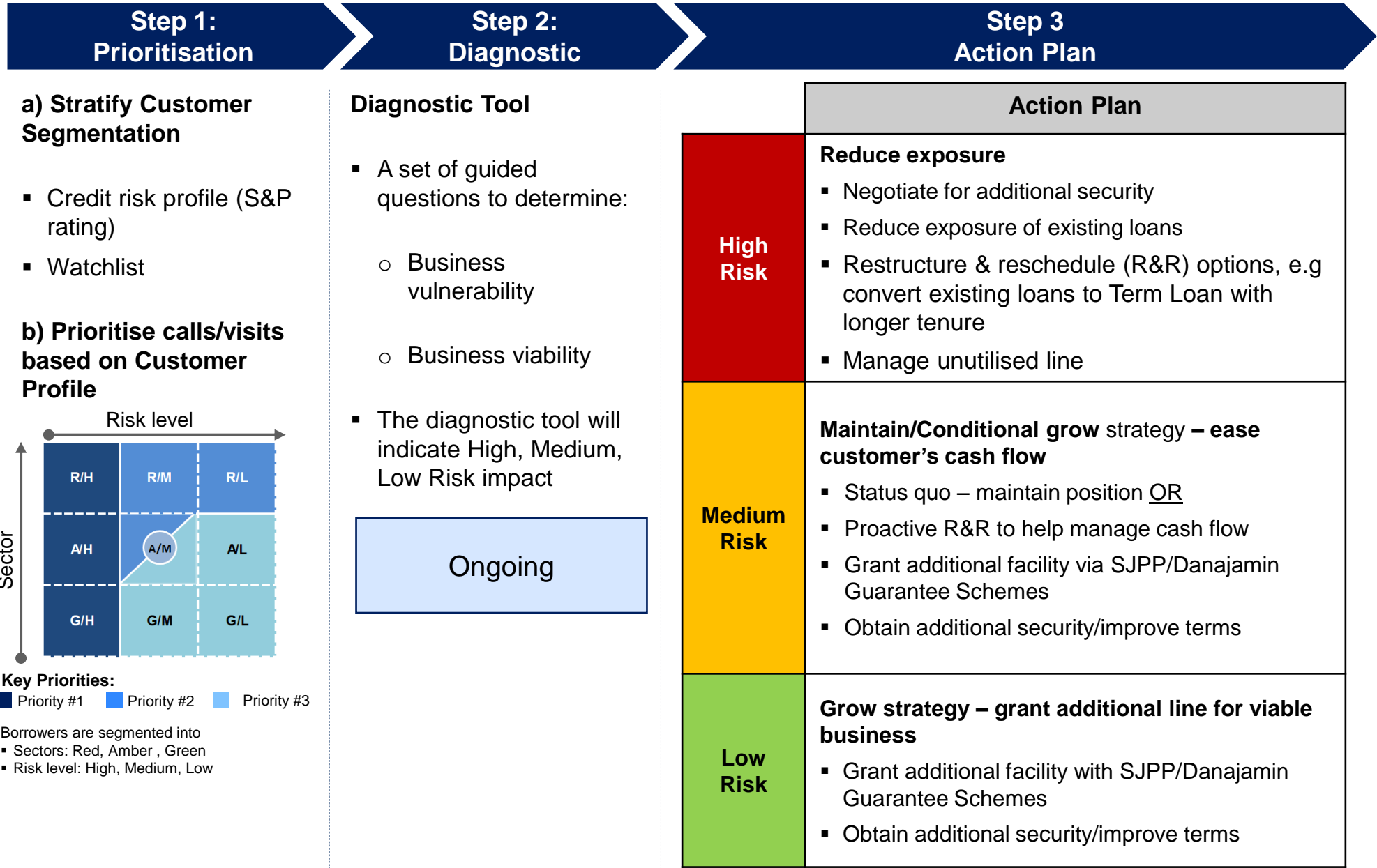
Identify risk and opportunity from the current borrowing portfolio





# Overview of Corporate & Commercial Banking Portfolio Stratification Strategy

Identify risk and opportunity from the current borrowing portfolio

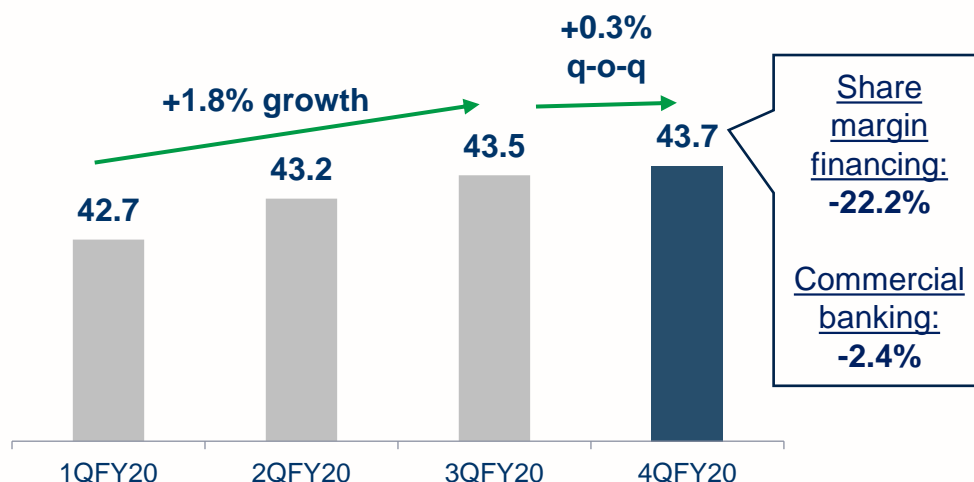


# Early COVID-19 impact

## 4QFY20 results was partly affected by early COVID-19 impact

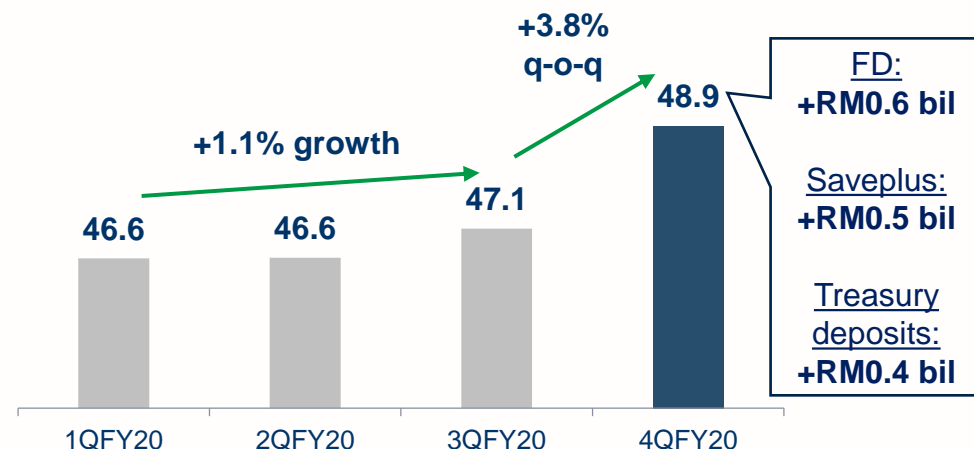
### Business growth slowed down

Gross loans – RM bil



### While funding improved

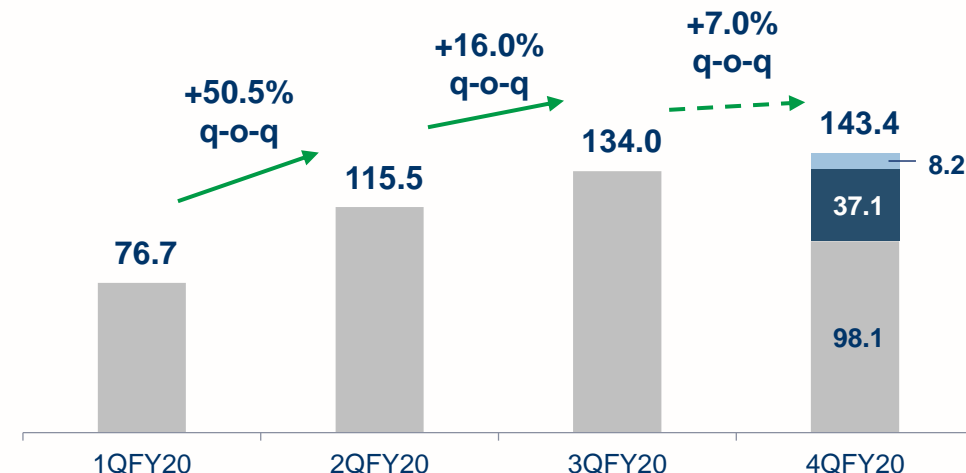
Customer based funding (RM bil)



### Underlying Net Profit After Tax

RM mil

■ Early COVID-19 impact ■ ECL model review



- 4QFY20 NPAT would have been higher by RM45.3 million to RM143.4 million if it had not been affected by:

- Early COVID-19 impact of RM37.1 million:

- ✓ Non-interest income: trading loss of RM10.7 million
- ✓ Net credit cost: +RM26.4 million from weaker macroeconomic variables (MEV) due to COVID-19 & Personal Financing delinquency from customer anticipation of moratorium

- ECL model review: RM8.2 million



# FY20 Performance Highlights

1

## Revenue & Franchise Development

- Revenue grew **4.1% y-o-y** to **RM1.69 billion**
- Net interest income was flat y-o-y despite OPR cut impact
  - ✓ Net interest margin at **2.40%**, within original guidance
  - ✓ Gross loans growth slowed down to **2.2% y-o-y**
- Non-interest income grew **25.2% y-o-y**
- Cost to Income Ratio at **47.8%**, within guidance

2

## Effective Risk Management

- Customer based funding grew **6.5% y-o-y**
- Liquidity coverage ratio at **156.7%**
- FY20 net credit cost at 72.1 bps (including early Covid-19 impact of 8.0 bps)
- Impaired loans inflow continue to reduce q-o-q (4QFY20: +RM61 million vs 3QFY20: +RM91 million)

3

## Key Results

- FY20 Pre-Provision Operating Profit (PPOP) grew **4.1% y-o-y** to **RM882.3 million**
- FY20 NPAT at **RM424.3 million** with **ROE of 7.3%**
- Prioritising capital conservation in order to support future business expansion:
  - ✓ No second interim dividend (will consider future dividend proposals once the full economic impact of the COVID-19 pandemic is clearer)
  - ✓ Total FY20 dividend: 6.0 sen (dividend payout of 22%)

4

## Transformation Progress

- Alliance ONE Account: +54% y-o-y to cross RM 5.0 billion mark
- Personal Financing: +10% y-o-y to RM2.2 billion
- SME Expansion: +8% y-o-y to RM9.4 billion mark (industry: -10.4% y-o-y<sup>#</sup>)
- Alliance@Work: Acquired >1,740 company payroll accounts & >29,000 employee CASA

\* BNM Monthly Statistical Bulletin March 2020

# BNM Financial Institution Network March 2020 statistics



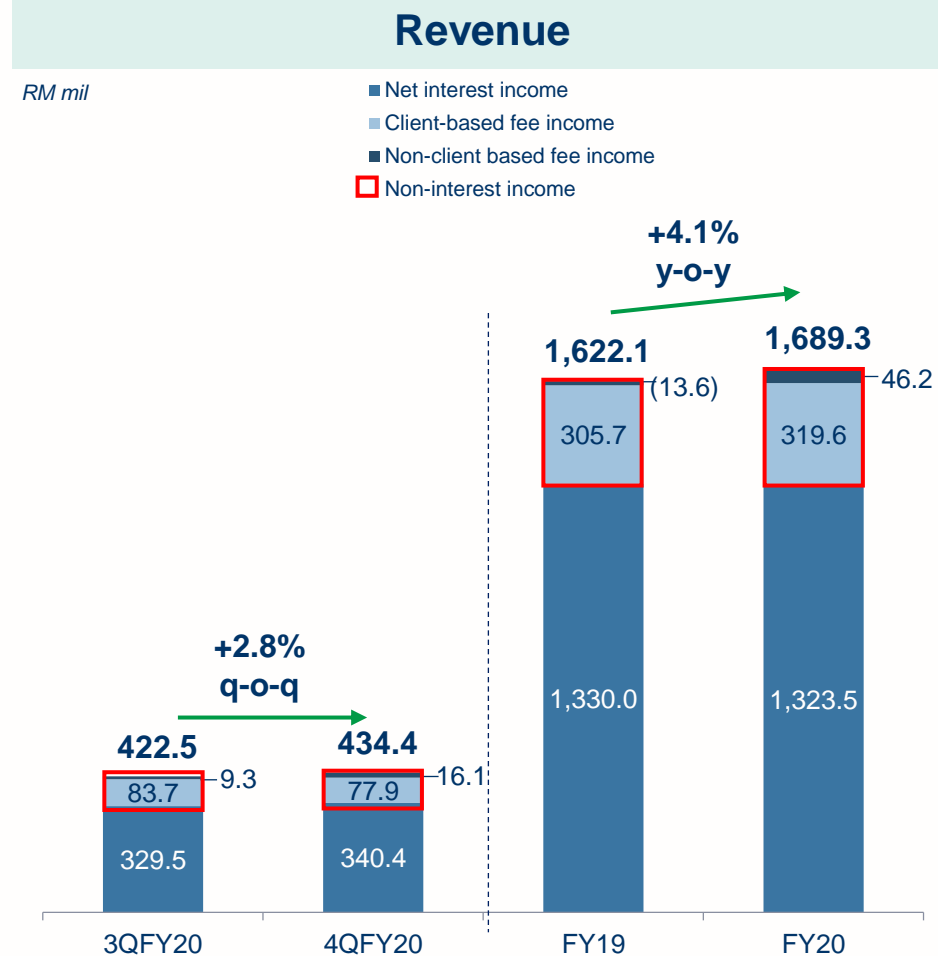
## Revenue grew 4.1% y-o-y to RM1.69 billion

a) Revenue grew 4.1% y-o-y to RM1.69 bil:

- Non-interest income: +25.2% or RM73.7 mil y-o-y
  - Client-based fee income: +4.5% or RM13.9 mil y-o-y
  - Non-client based fee income: +RM59.8 mil y-o-y
- Net interest income was flat y-o-y
  - Excluding OPR cut impact & delinquency pricing revision, normalised net interest income grew +4.0% y-o-y

b) Q-o-q revenue grew by 2.8% or RM12.0 mil:

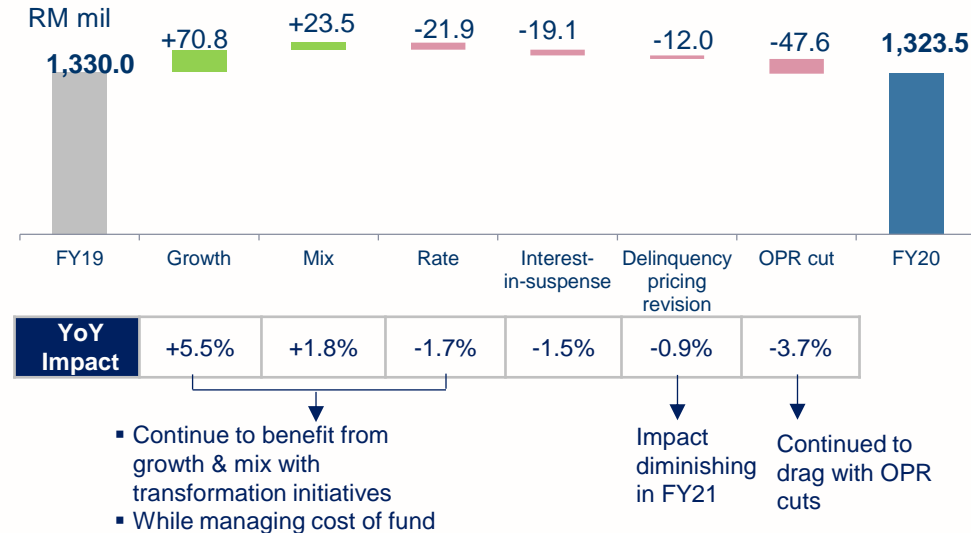
- Net interest income: +3.3% or +RM10.9 mil
- Non-interest income: +1.1% or +RM1.1 mil
  - Client-based fee income: -6.8% or -RM5.7 mil
  - Non-client based fee income: +RM6.8 mil



# Net interest income was flat y-o-y

## a) Net interest income was flat y-o-y:

- Excluding OPR cut impact & delinquency pricing revision, net interest income grew +4.0% y-o-y



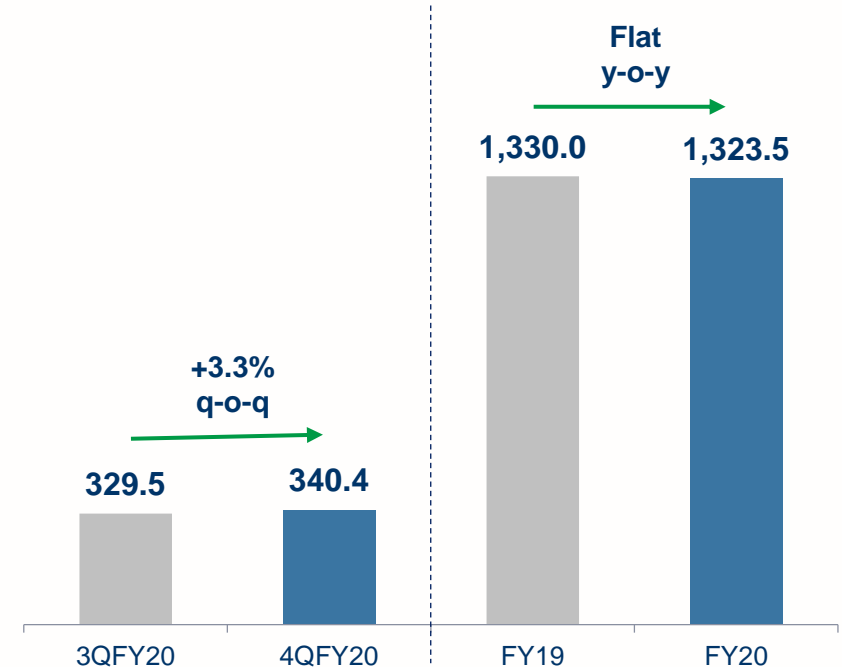
## b) Net interest income grew by 3.3% q-o-q contributed by:

- Loans growth of 0.3% q-o-q and treasury assets growth of 5.1% q-o-q



## Net Interest Income

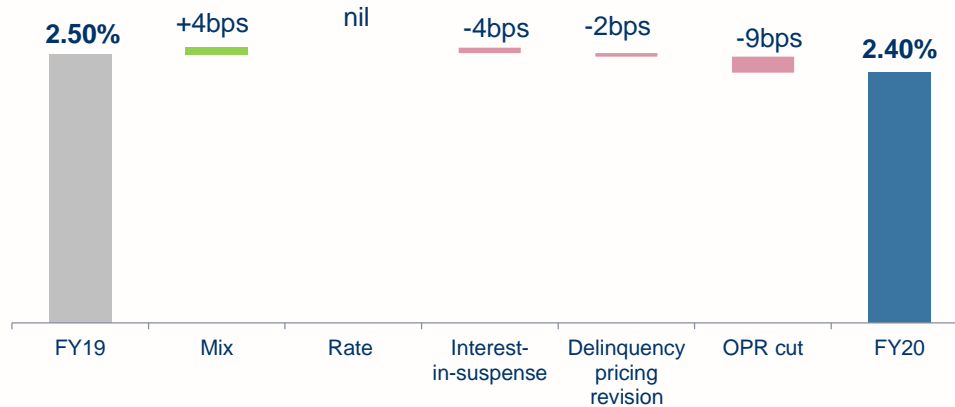
RM mil



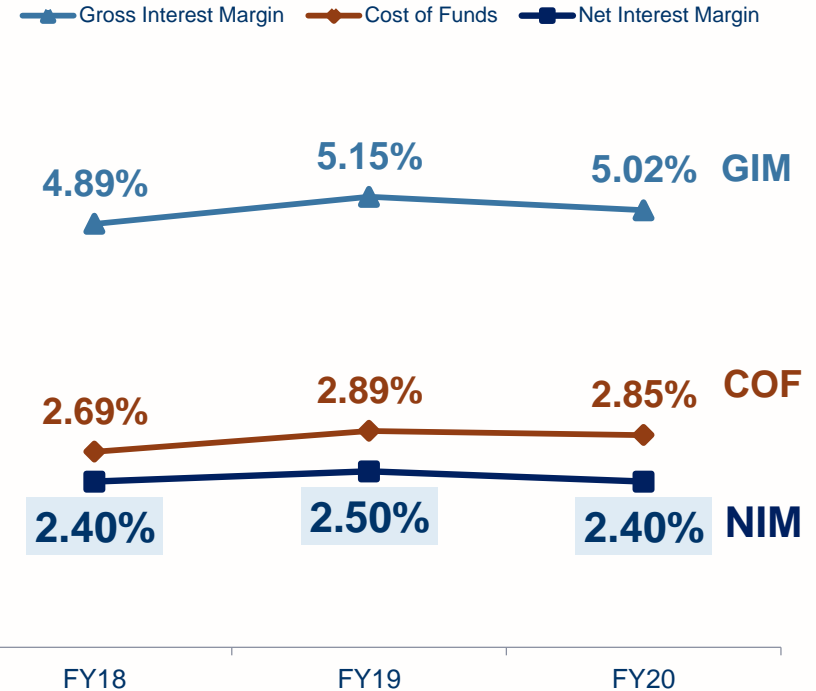


## NIM at 2.40%, within original guidance

a) NIM: 2.40%, within original guidance, helped by lower COF in 4QFY20 mainly from Saveplus repricing



### Interest Margin Trend





## Continue to focus on SME, AOA and personal financing

a) 4QFY20: Slower loans growth at 0.3% q-o-q impacted by COVID-19:

- Share margin financing: -RM223 mil/ -22.2%
- Commercial banking: -RM124 mil/ -2.4%
- SME banking, AOA and personal financing grew: +RM300 mil/ +2.1%

b) FY20 gross loans slowed down to 2.2% y-o-y

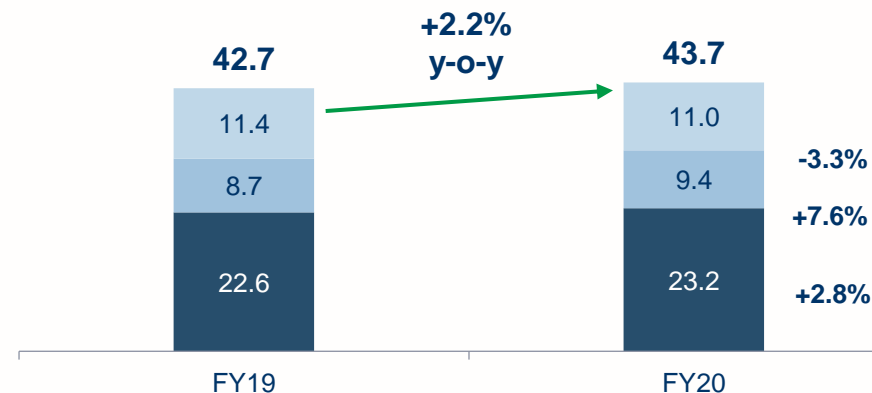
- SME Banking: +RM0.7 bil/ +7.6% (industry^: -10.4%)  
(SME CGC loans: +RM0.4 bil)
- Consumer Banking: RM0.7 bil/ +2.8%
  - AOA: +RM1.7 bil/ +54.6%
  - Personal Financing: +RM0.2 bil/ +10.6%

### Gross Loans QoQ Growth

(RM'bil)	Dec-19	Mar-20	Δ QoQ	Δ QoQ%
<b>Consumer Banking</b>	<b>23.4</b>	<b>23.3</b>	<b>-0.1</b>	<b>-0.9%</b>
- AOA (Post-Jun18)	2.7	2.9	0.2	5.8%
- AOA (Pre-Jun18)	2.1	2.1	-0.03	-1.3%
- Classic Mortgage	14.7	14.5	-0.2	-1.6%
- Personal Financing	2.1	2.2	0.04	1.8%
- Credit Card	0.6	0.6	-0.05	-7.6%
- Share Margin	1.0	0.8	-0.2	-22.2%
- Hire Purchase	0.2	0.2	-0.02	-11.9%
<b>SME Banking</b>	<b>9.3</b>	<b>9.4</b>	<b>0.1</b>	<b>1.1%</b>
<b>Commercial Banking</b>	<b>5.2</b>	<b>5.1</b>	<b>-0.1</b>	<b>-2.4%</b>
<b>Corporate Banking</b>	<b>5.6</b>	<b>5.9</b>	<b>0.3</b>	<b>6.3%</b>
<b>Total Gross Loans</b>	<b>43.5</b>	<b>43.7</b>	<b>0.2</b>	<b>0.3%</b>

### Gross Loans YoY Growth

RM bil ■ Consumer Banking ■ SME Banking ■ Corporate & Commercial Banking

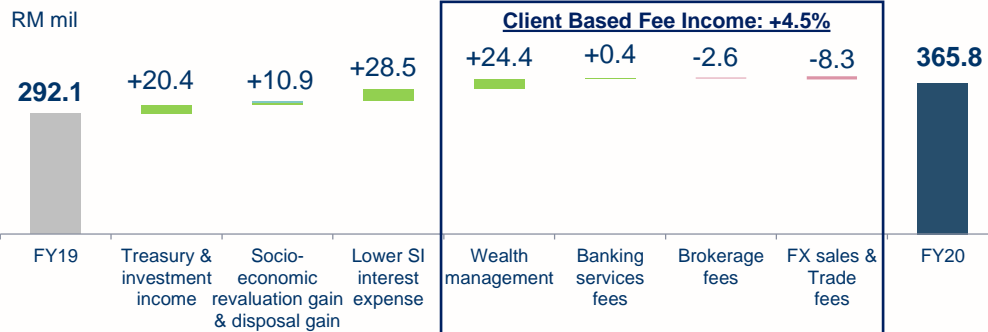


\*BNM Monthly Statistical Bulletin March 2020

^BNM Financial Institution Network March 2020 statistics

# Non-interest income grew 25.2% y-o-y

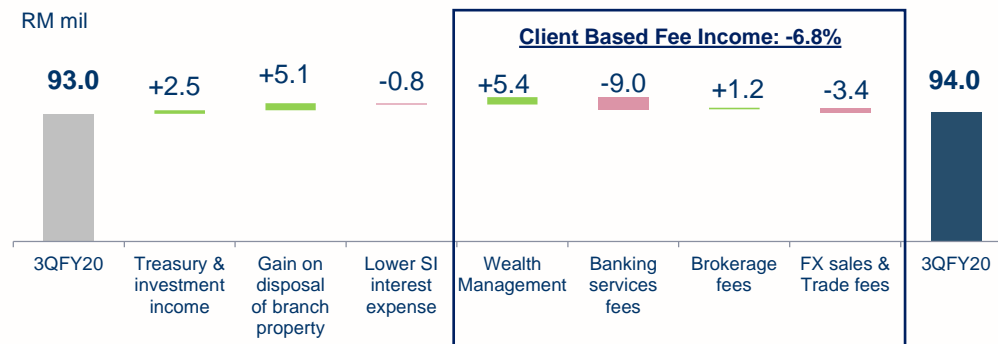
a) Non-interest income grew 25.2% or +RM73.7 mil y-o-y:



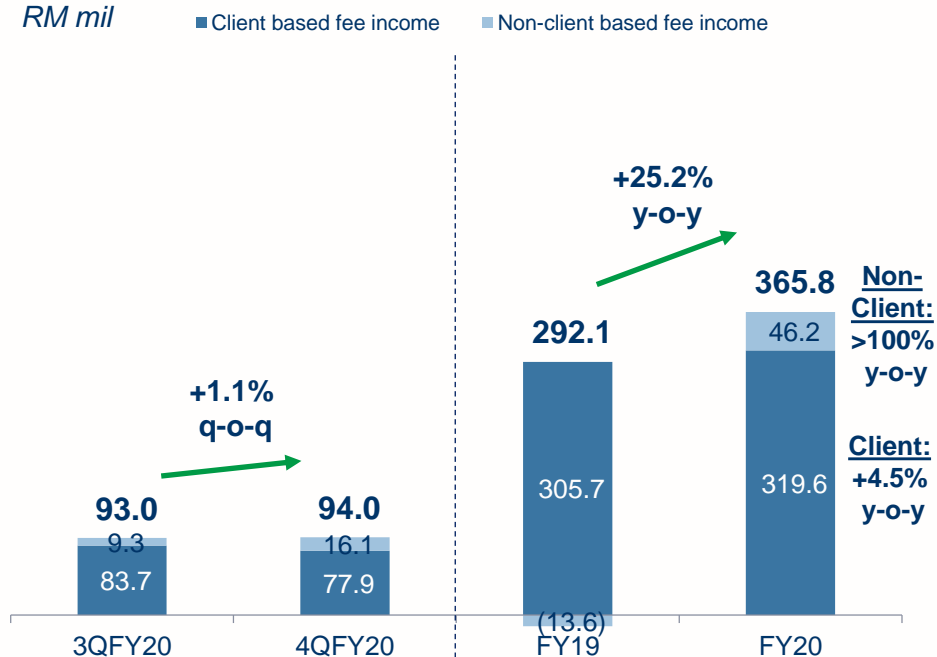
- Higher treasury income & gain: +RM20.4 mil
- Higher revaluation gain from social economic investments: +RM5.8 mil; gain on disposal of branch property: +RM5.1m
- Higher wealth management & banking services: +RM24.8 mil
- Partly offset by lower brokerage, FX sales & trade fee of RM10.9 mil, impacted by challenging external environment

b) FY20 non-interest income ratio improved to 21.7% (FY19: 18.0%)

c) Q-o-q non-interest income grew 1.1% or RM1.0 mil due to higher non-client based fee income of RM6.8 mil offset by lower client based fee income of RM5.7 mil



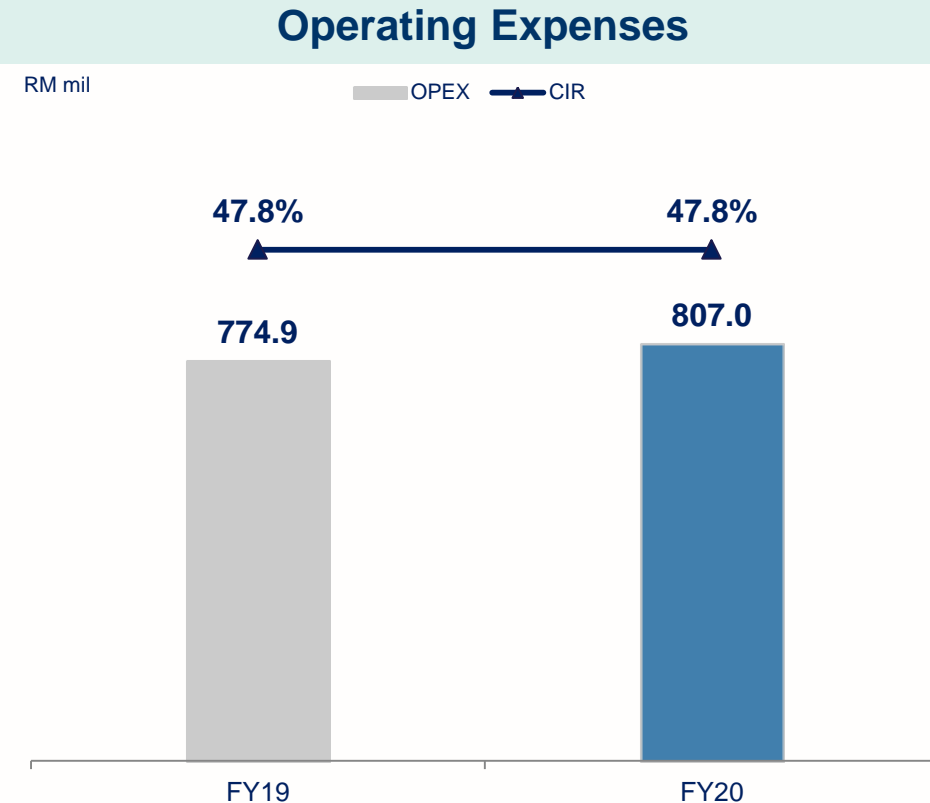
## Non-interest income





## FY20 Cost to Income Ratio at 47.8%, within guidance

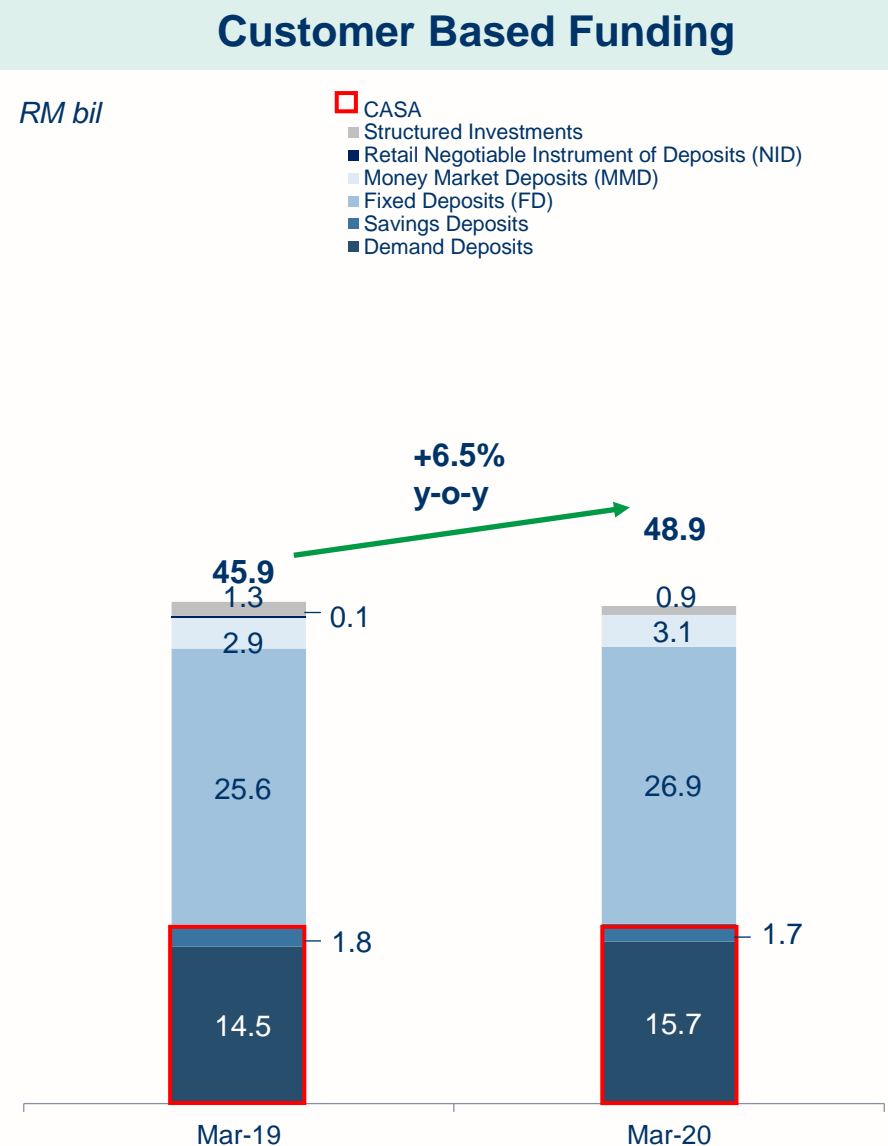
- a) FY20 cost to income ratio at 47.8%, within guidance
- b) FY20 operating expenses: +RM32.1 mil or 4.1% y-o-y:
  - Prioritised recruitment in collection & SME expansion (+RM4.8 mil)
  - Investment in IT infrastructure (+RM8.4 mil) to future proof the Bank and enhance business continuity





## Customer based funding grew 6.5% y-o-y

- a) Customer based funding grew 6.5% y-o-y
- b) CASA grew RM2.1 bil or 13.6% y-o-y mainly from:
  - Alliance SavePlus: +RM1.7 bil y-o-y
  - Alliance@Work payroll/ CASA: +RM321 mil y-o-y
- c) CASA ratio increased to 37.4%
- d) Funding growth was utilised mainly to fund SME, AOA and Personal Financing
- e) Continue to strengthen funding through deposit campaigns to ensure sufficient liquidity



*Note: Customer based funding = CASA + Fixed Deposits (FD) + Money Market Deposits (MMD) + Retail Negotiable Instrument of Deposits (NID) + Structured Investments*





## FY20 Liquidity Coverage Ratio at 156.7%

### a) Healthy liquidity position:

- Liquidity coverage ratio (LCR) at 156.7% (industry\*: 141.4%)
- Loan to fund ratio at 83.6% (industry\*: 83.2%)
- Proforma Net stable funding ratio (NSFR) remained above 100%

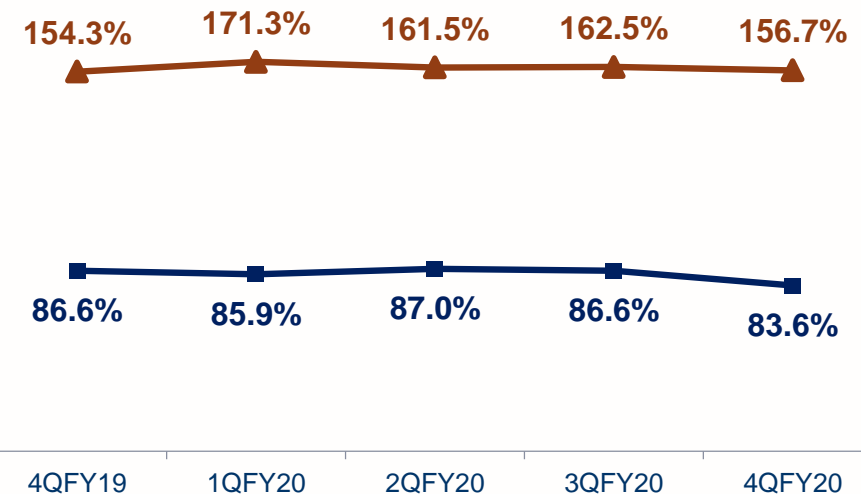
### b) Relaxation of regulatory requirement by BNM until 30 September 2021

- Operate below minimum LCR of 100%
- Maintain NSFR at minimum 80% upon implementation from 1 July 2020

### Liquidity: LCR, LFR

%

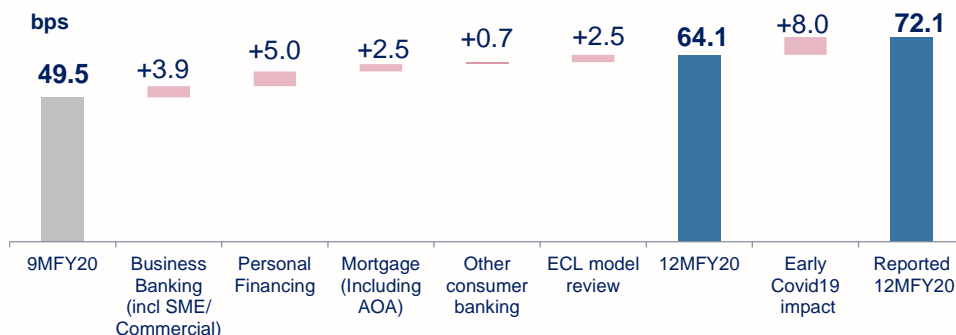
— Loan to Fund Ratio (LFR)  
— Liquidity Coverage Ratio (LCR)





# FY20 net credit cost\* at 72.1 bps

## a) FY20 net credit cost\* at 72.1 bps

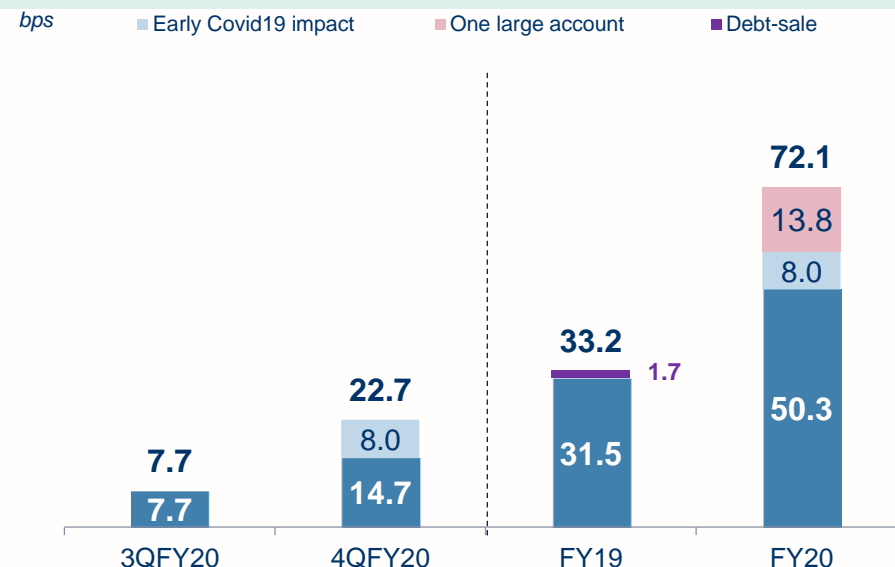


- Early Covid-19 impact: +8.0 bps
  - Additional provision in ECL model due to weaker macroeconomic variables (MEV): +5.2 bps
  - Higher Personal Financing delinquency on consumer anticipation of moratorium: +2.8 bps
- Excluding the above, FY20 net credit cost at 64.1 bps

## b) Missed guidance of 55 bps – 60 bps due to:

- +2.5 bps: yearly ECL model review
- +3.0 bps: planned debt sale did not materialised

## Net Credit Cost\* (bps)



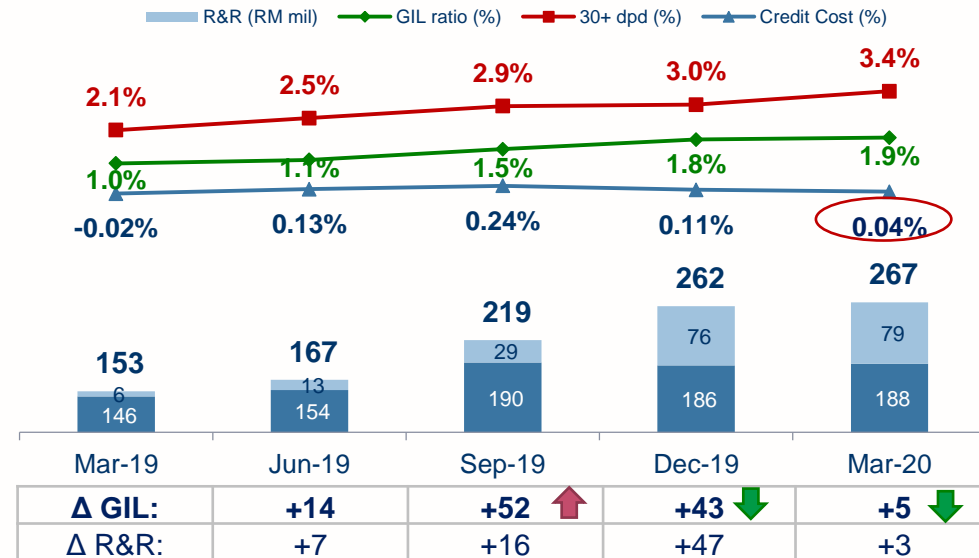


# Residential credit cost improved with lower GIL net inflow

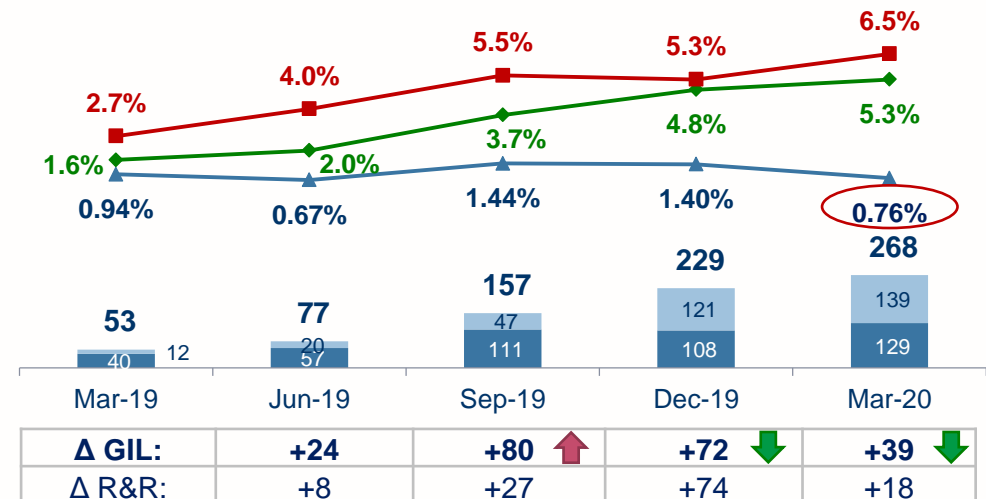
a) Credit cost for both classic mortgage and AOA has improved q-o-q contributed by:

- Lower gross impaired loans (GIL) q-o-q due to intensified collection efforts

## Classic Mortgage GIL



## Alliance ONE Account GIL



# Post-Jun18 AOA asset quality performing better

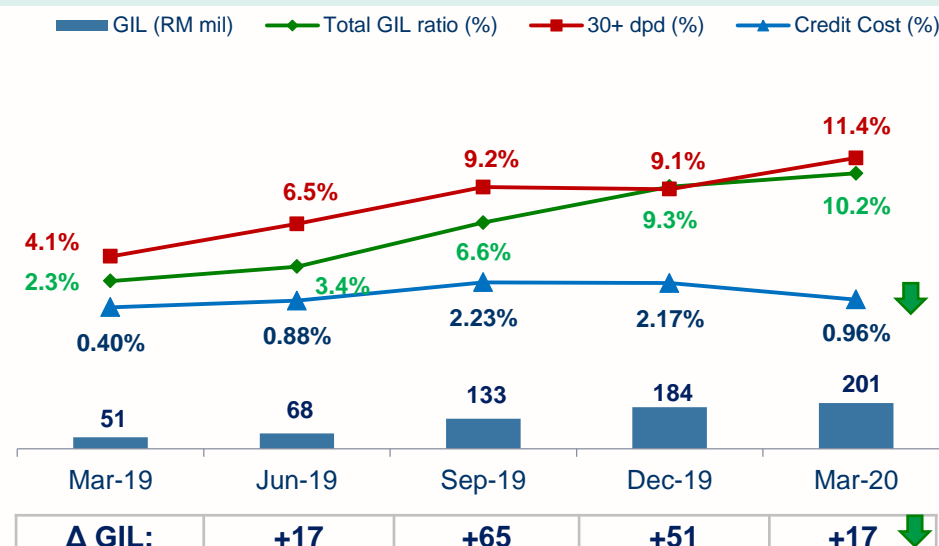
- a) Lower GIL & delinquency ratios for Post-Jun18 AOA (vs Pre-Jun18 AOA), thanks to credit tightening:

#	Date	Origination
1	Jun18	<ul style="list-style-type: none"> <li>Revised OD amortization policy</li> <li>Revised Debt-Service-Ratio (DSR) computation for refinancing</li> </ul>
2	Apr19	<ul style="list-style-type: none"> <li>Lower OD limit for new applications</li> <li>More differentiated risk-based pricing</li> </ul>
3	Aug19	<ul style="list-style-type: none"> <li>Implemented duo score strategy (internal + CTOS score)</li> </ul>

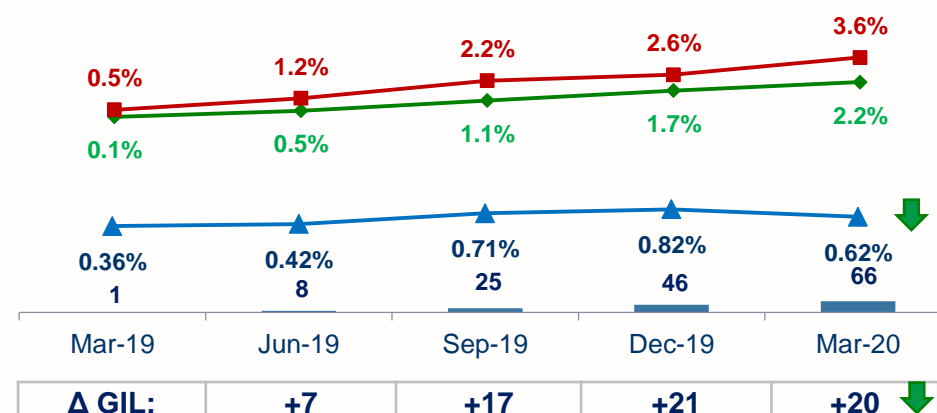
- b) Delinquency increased q-o-q due to moratorium anticipation
- c) GIL inflow: Pre-Jun18 AOA reduced q-o-q due to intensified collection efforts; Post-Jun18 AOA maintained ~RM20 mil per quarter with a growing portfolio

- d) Action plans to control delinquency and GIL:
- Further tightening of origination credit policy
  - Rolled-out three-pronged strategy:
    - 1) Stratify customer segmentation and prioritise customers calls/visits
    - 2) Diagnostic tools for indicating high/medium/low risks
    - 3) Customized action plans for Watch/Maintain/Grow

## AOA: Pre-Jun18



## AOA: Post-Jun18

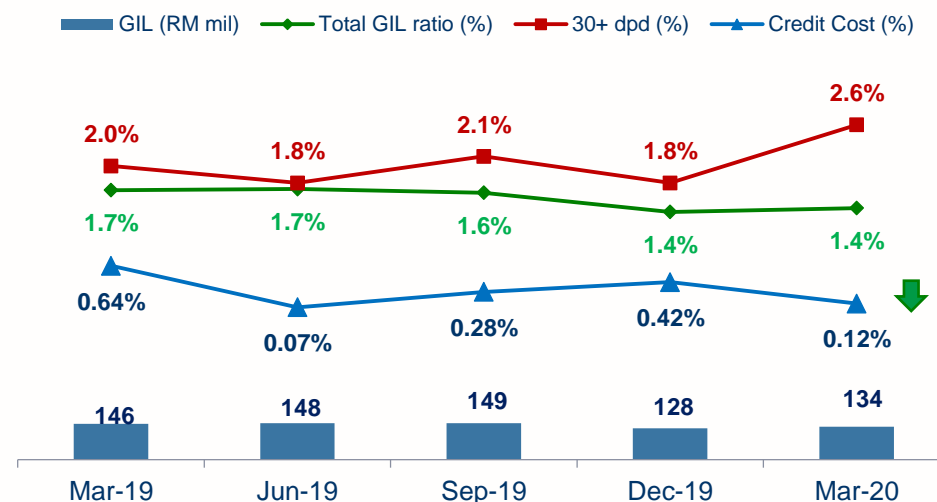




# SME & Personal Financing asset quality under control

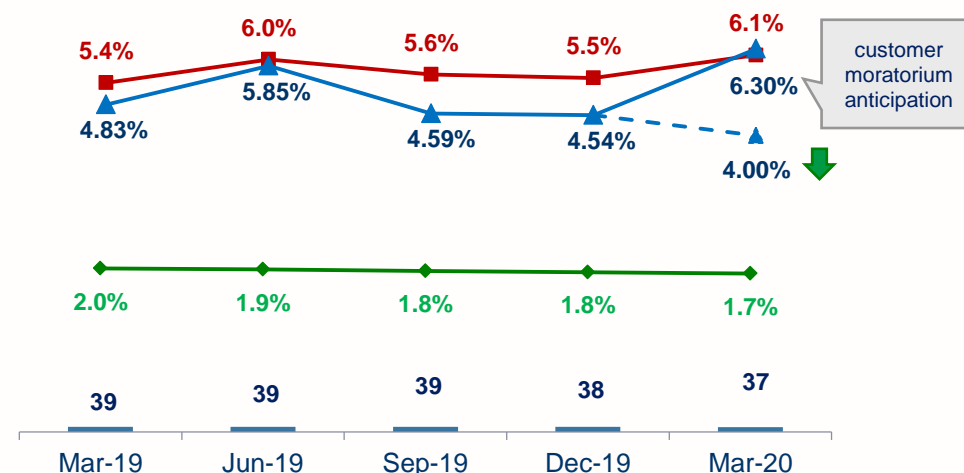
- a) SME: lower credit cost q-o-q; GIL ratio stable
- b) SME delinquency increased q-o-q due to moratorium anticipation but improved post Mar-20
- c) Action plans to manage delinquency and GIL:
- Focus on existing customer base in 1QFY21
  - Rolled-out three-pronged strategy:
    - 1) Stratify customer segmentation and prioritise customers calls/visits
    - 2) Diagnostic tools for indicating high/medium/low risks
    - 3) Customized action plans for Watch/Maintain/Grow

## SME



- a) PF GIL remained <RM40m; GIL ratio reduced to 1.7%
- b) PF delinquency and credit cost increased q-o-q due to moratorium anticipation but improved post Mar-20
- c) Action plans to manage delinquency and GIL:
- Further tightening of origination credit policy
  - Rolled-out three-pronged strategy:
    - 1) Stratify customer segmentation and prioritise customers calls/visits
    - 2) Diagnostic tools for indicating high/medium/low risks
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## Personal Financing





## PPOP grew 4.1% y-o-y; FY20 NPAT at RM424.3 million

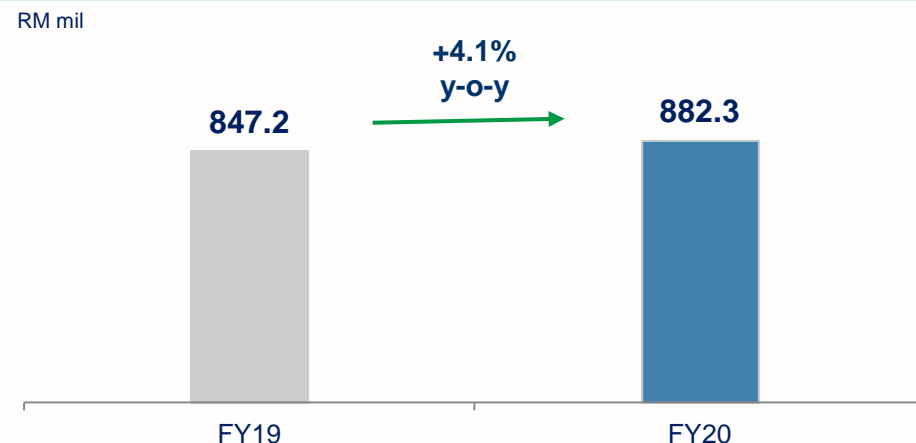
a) FY20 Pre-Provision Operating Profit (PPOP) grew 4.1% y-o-y to RM882.3 million

b) FY20 PBT at RM567.9 million mainly impacted by:

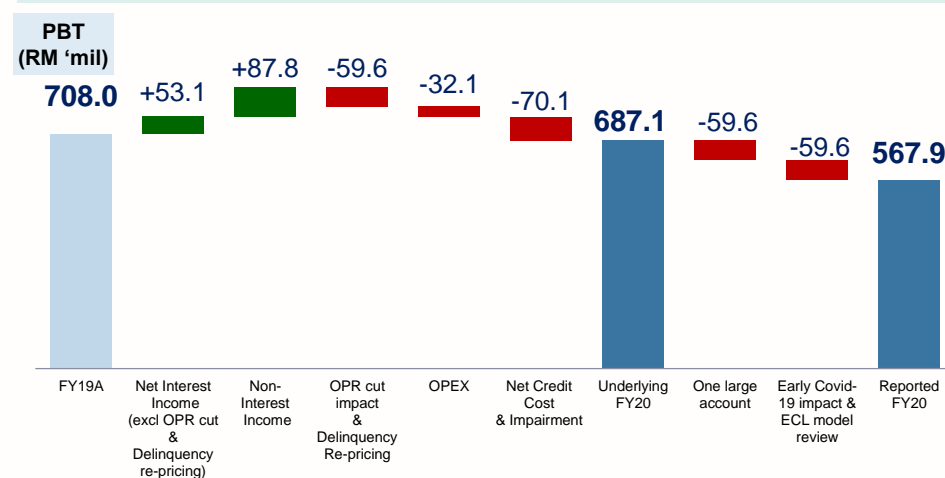
- OPR cut & delinquency pricing revision of RM59.6 million
- A large account impairment of RM59.6 million
- Early Covid-19 impact of RM48.8 million
  - Higher net trading loss: RM14.1 million
  - Weaker future MEV: RM22.4million
  - PF delinquency on consumer anticipation of moratorium: RM12.3 million
- ECL model review of RM10.8 million

c) FY20 NPAT at RM424.3 million with ROE of 7.3%

### Pre-Provision Operating Profit



### Profitability & ROE



NPAT 537.6

ROE 9.9%

514.9

8.9%

424.3

7.4%



## Prioritising capital conservation

### a) Capital position remains strong:

- CET-1 ratio: 13.8%
- Tier 1 ratio: 14.6%
- Total capital ratio: 18.9%

### b) Prioritising capital conservation in order to support future business expansion :

- No second interim dividend (will consider future dividend proposals once the full economic impact of the COVID-19 pandemic is clearer)
- Active capital programmes to issue Additional Tier 1 and Total Capital if needed



Capital Ratios (after proposed dividends)	Alliance Bank Group (ABG)	Alliance Bank (ABMB)	Alliance Islamic Bank (AIS)	Alliance Investment Bank Group (AIB)
CET 1 Capital Ratio	13.8%	12.9%	10.5%	97.3%
Tier 1 Capital Ratio	14.6%	13.8%	11.6%	97.3%
Total Capital Ratio	18.9%	18.6%	14.2%	98.2%

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- 4QFY20 & FY20 Financial Result





## Results of FY20 Priorities

### FY20 Achievement

1

#### Accelerate core businesses

Consumer

- a. AOA: **+54%** y-o-y to **>RM5.0 billion**
- b. Personal Loan: **+10%** y-o-y to **~RM2.2 billion**
- c. CASA: **56k** new consumer CASA

Business

- d. SME loans: **+8%** y-o-y to **RM9.4 billion**
- e. Alliance@Work: **+26%** y-o-y to **~1,750** new Payroll Companies

2

#### Partnerships + Digital

##### a. Ecosystem partnerships

- Signed Memorandum of Understanding (MOU) with Celcom Axiata Berhad in Jan 2020

3

#### Branch in a Tablet / Streamlining

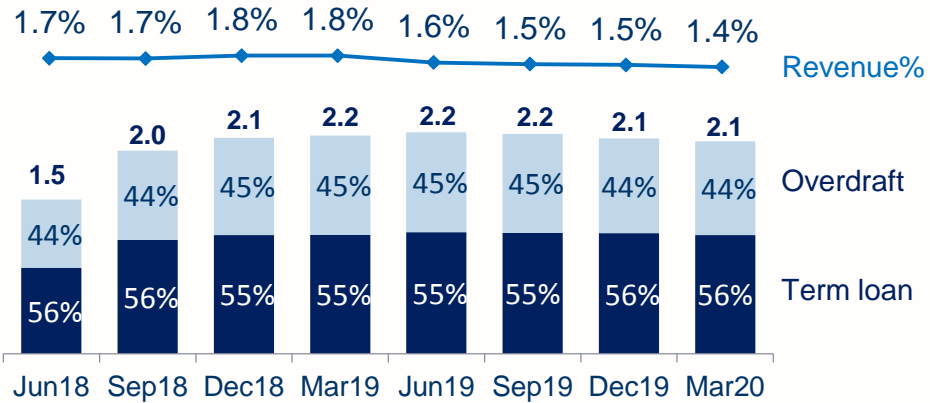
##### a. Digital / Straight-Through Processing (STP) account opening



## FY20 Achievement: AOA grew 54% y-o-y to RM5.0 billion

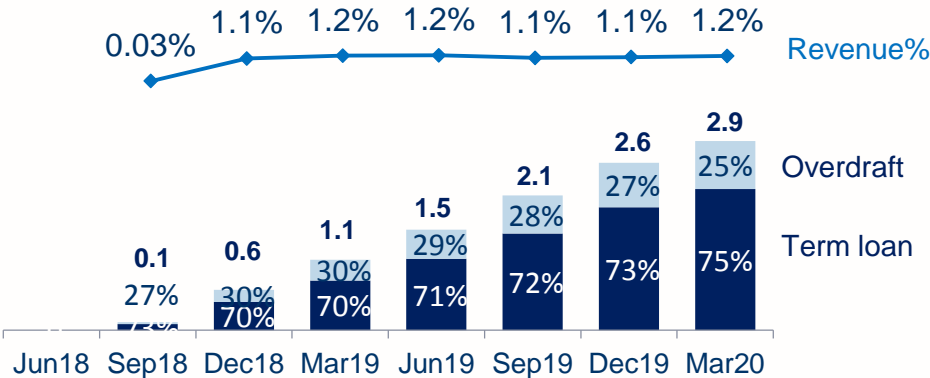
### Alliance ONE Account (“AOA”) Pre-Jun18

AOA ENR (RM ‘bil)



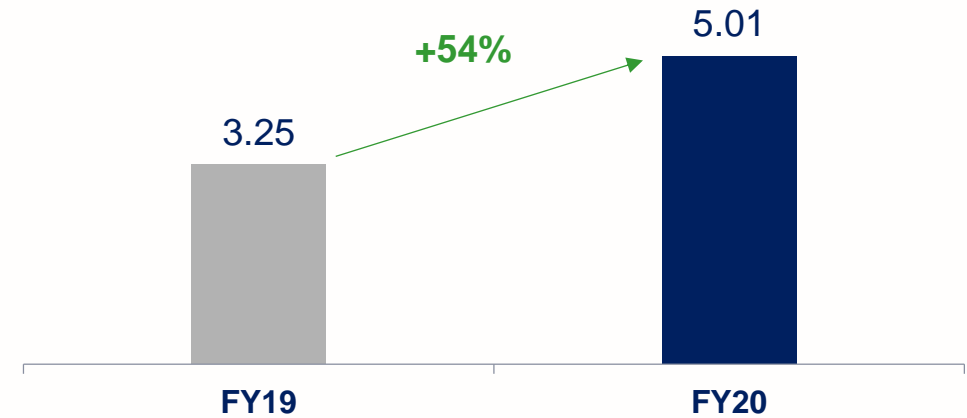
### Alliance ONE Account (“AOA”) Post-Jun18

AOA ENR (RM ‘bil)



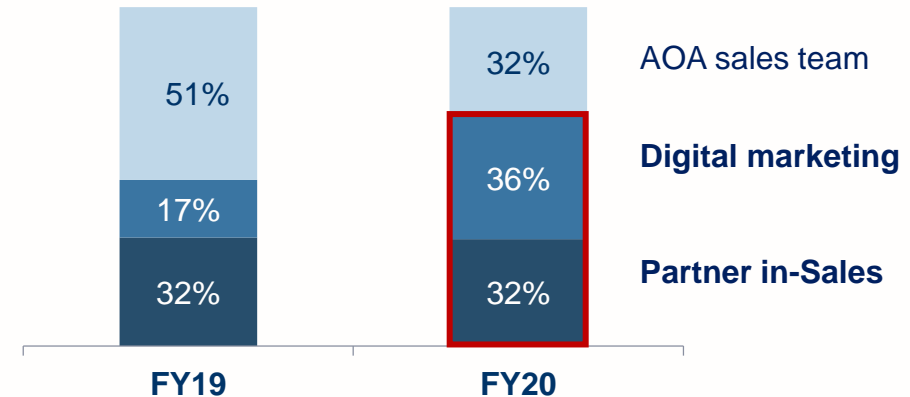
### FY20 Performance

Loan balances (RM bil)



### 68% of AOA bookings are from our Partners in-Sales & Digital Marketing

% AOA approval by channel

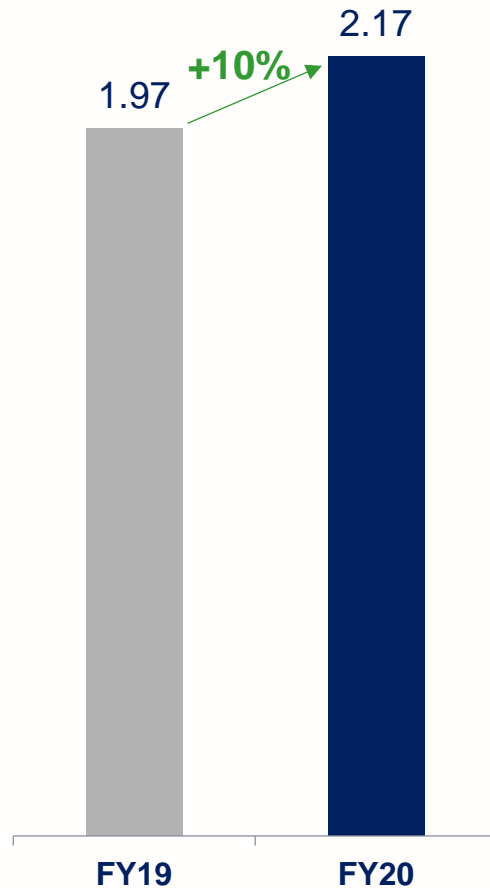




## FY20 Achievement: Personal Loans grew +10% y-o-y

### FY20 Performance

Loan balances<sup>1</sup> (RM bil)



### Simple Personal Loan Application

#### 1 Semi-STP for Personal Loans via web

✓ Dec '19

- Submit application and income documents via web
- TAT: **1-2 working days**
- Approved **RM16.8 million** in FY20



## FY20 Achievement: SME grew +8% y-o-y while industry contracted

### FY20 Performance

Loan balances<sup>1</sup> (RM bil)

8.73 +8% 9.41

FY19

FY20

	FY19	FY20	Growth (%)
<b>Loan acceptance</b>	RM2,581 mil	RM2,695 mil	4.4%
<b>Loan disbursement</b>	RM2,351 mil	RM2,510 mil	6.8%

### Alliance Way: Fulfilled via Tablet / Smartphone

#### 1 “1-day, 1 visit”

- Business CASA account opening
- BizSmart online banking activation

✓ Pilot: Nov '19

✓ Dec '19

#### 2 Mobile BizSmart for SMEs and Electronic Banker Acceptance & Trust Receipts

Pilot: Jun '20

#### 3 Financial health calculator for RMs

Aug '20

#### 4 Digital SME RM assisted model

Aug '20

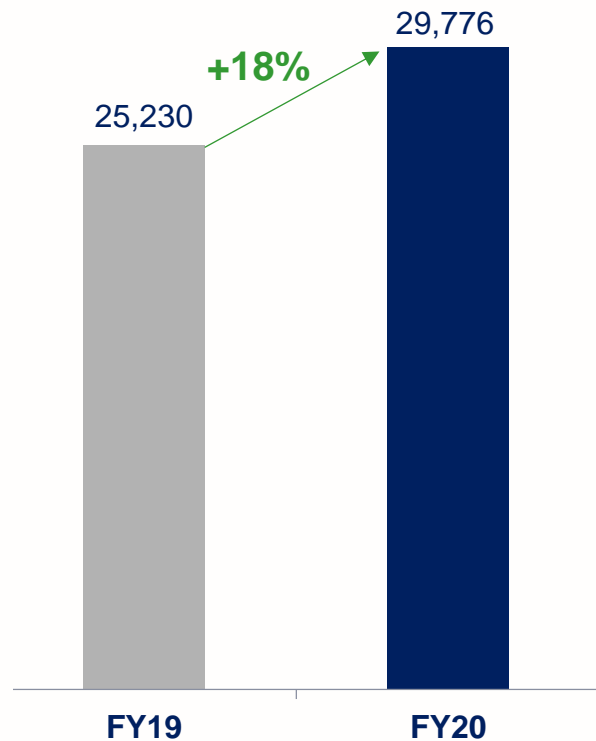


## FY20 Achievement: Alliance@Work

Acquired >29k new local employees & >1.7k new payroll companies

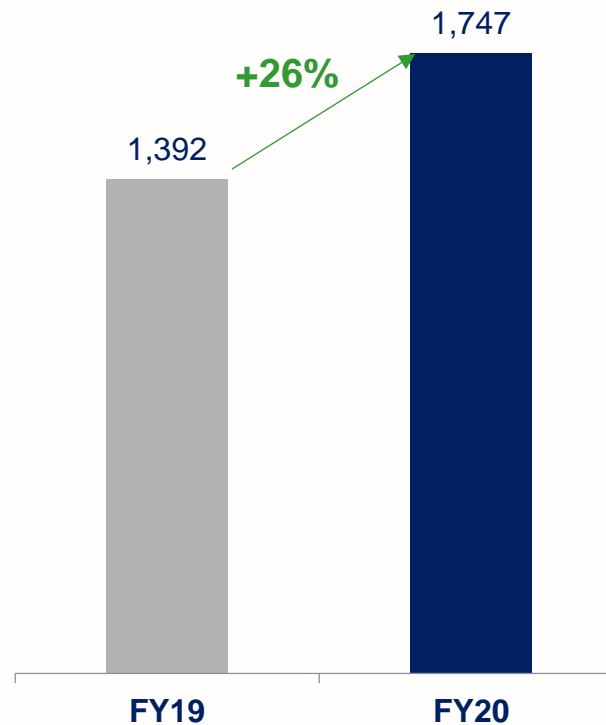
### New local employees CASA acquired

Number of new accounts



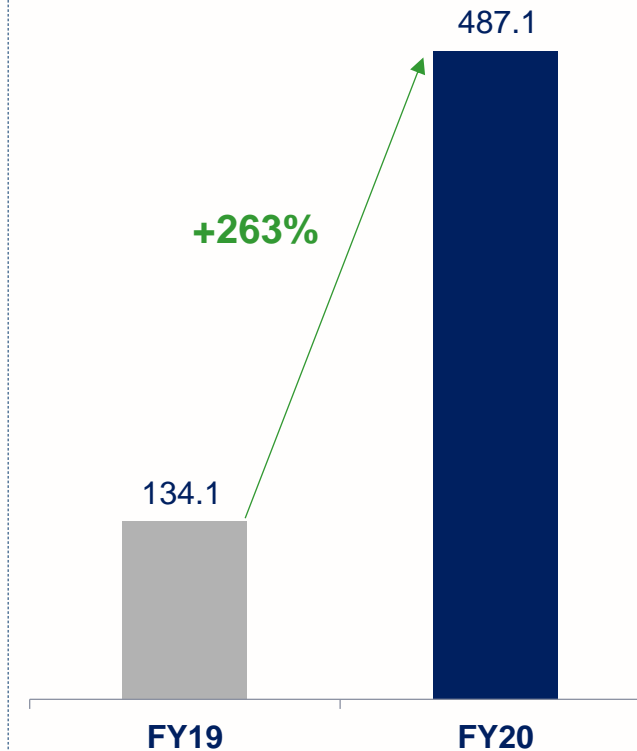
### New company payroll accounts acquired

Number of new accounts



### CASA growth

CASA balances (RM 'mil)



Note: CASA balances include local employees, foreign workers and new Business CASA



# COVID-19: Key impacts to the Bank in FY21

## Automatic moratorium

- Automatic 6-month moratorium for consumer and SME loan / financing repayments effective 1 April 2020. **Out of eligible base of RM28.6 billion, RM23.5 billion (18% opted out)**
- Day-One Modification Loss (“Day-One Mod Loss”) is mainly due to no compounding and additional interest on deferred installments during moratorium
- **Expected Day-One Mod Loss: ~RM60 million**
  - Impact will unwind throughout the remaining tenure of the loans, FY21 unwinding impact: ~RM35 million
  - FY21 net impact to net interest income: ~RM25 million (-4 bps in NIM)
- **Reducing Day-One Mod Loss impact:**
  - Continue to **proactively engage** with customers to **reschedule & restructure (R&R)** their facilities

## OPR cut

- Full year impact of each 25 bps cut will reduce NIM by 4 – 5 bps. **Permanent impact is <1.5 bps.**
- **Based on 100 bps OPR cut, FY21 impact: ~18 bps**
- **Mitigating OPR cut impact:**
  - Continue to **grow high yielding products** in **Green** sectors
  - Continue to **grow low cost deposits** while **reprice conventional CASA & Saveplus** when OPR cut
  - Use **MGS & MGII** to meet the **Statutory Reserve Requirement** (SRR) compliance of 2.0%: +3.0 bps
  - **Available-For-Sale(AFS) investment portfolio in trading and investment book**
    - ✓ FY20 AFS gain: RM26.0 mil (4.7 bps)
    - ✓ YTD May FY21 AFS revaluation reserves: ~RM330 mil

## COVID-19 impact to net credit cost

- Conducted scenario analysis to assess the potential impact to net credit cost:
  - **V-Shape:** Economy regains traction by 2H20
  - **U-Shape:** Economy recovers by end of 2020
  - **L-Shape:** Economy continues to contract in 2021
- **FY21 net credit cost guidance: <100 bps**
- **Initiatives to manage credit risk better:**
  - **Pre-diagnostic:** Stratify borrowers based on risk assessment
  - **Rolled-out three-pronged strategy:**
    - 1) Stratify customer segmentation and prioritise customers calls/visits
    - 2) Diagnostic tools for indicating high/medium/low risks
    - 3) Customized action plans for Watch/Maintain/Grow
  - **Post-diagnostic: Reduce exposure to Red sectors and Grow Green Sectors**



# FY21 Key Priorities



1

## Covid-19 management

### Financial assistance:

- Differentiated portfolio actions based on risk stratification:
  - **“Help / Watch”:**
    - Moratorium
    - R&R / loan modifications
    - Guarantee schemes
  - **“Grow”:**
    - Grant additional financing for viable businesses

### Non-financial assistance:

- Connect SMEs to e-commerce
- Digital branding and marketing support to help SMEs create awareness on their products / services

2

## Accelerate remote banking & branch transformation

- **Accelerate remote banking** (e.g. e-KYC for deposits, digital loans, migration of transactions to online channels)
- **Branch transformation** (e.g. to pilot new branch model by end FY21)
- **Pivot the organization by reskilling resources** to areas with greatest needs (e.g. collections, contact centre)

**Ensure healthy liquidity ratios and strong based customer funding**



## Non-financial assistance: Connect SMEs to e-commerce

### Phase 1:

Digital marketing and branding support

- Help SMEs create social media ads and provide paid advertising support to help drive awareness on their products and services



### Phase 2:

#SupportLokal Online Bazaar for B2Cs  
BizSmart® Solution Portal for B2Bs

- Provide free digital marketing and branding for local businesses to showcase their products and services on our corporate website at #SupportLokal Online Bazaar
- Provide business owners access relevant business solutions and resources via BizSmart® Solutions



### Phase 3:

Access to popular e-commerce sites

- Help SMEs fast-track the listing of their products and services on popular e-commerce sites, e.g. Shopee and Air Asia OURSHOP.

Expand Your Business  
via e-commerce



Set up your own e-store and reach out to more customers than you can imagine.

**Sell Online**

The initiative has reached more than 3.6 million unique users on Facebook and generated over 51,000 clicks to the local businesses' websites or Facebook pages.



# Accelerate remote banking to widen digital propositions & serve our customers better

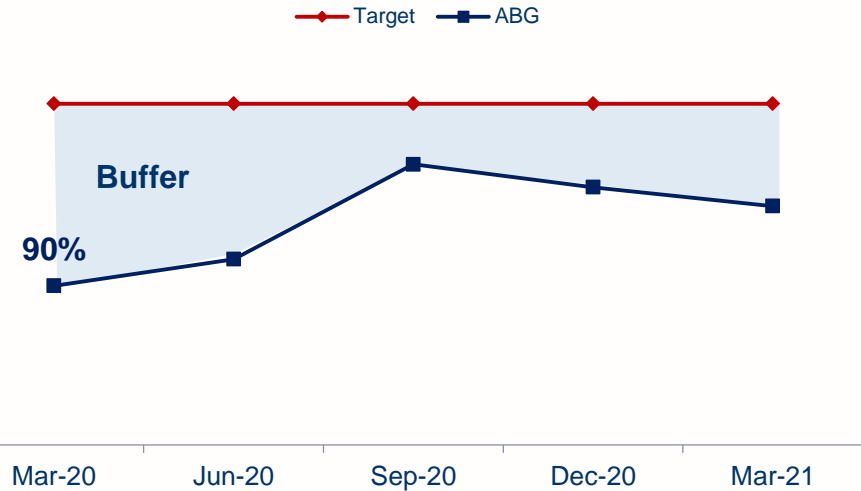
		Scale up existing innovation	Build new digital capabilities
<b>Product</b>		<ul style="list-style-type: none"> <li>▪ <b>Scale up existing digital products</b> (e.g. semi-STP personal loan, RM-assist digital SME loan, e-BA/TR)</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Develop new digital products via e-KYC</b> (e.g. new-to-Bank SavePlus account opening, digital personal loan, non face-to-face payroll onboarding)</li> </ul>
<b>Channel</b>	<b>Online/ Mobile</b>	<ul style="list-style-type: none"> <li>▪ <b>Drive AllianceOnline / BizSmart mobile activation</b> via campaigns</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Migrate customer journeys to online / mobile</b> leveraging on e-KYC</li> </ul>
	<b>Contact Center</b>	<ul style="list-style-type: none"> <li>▪ <b>Expand service request handling</b> via contact center</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Expand digital sales assistance</b></li> </ul>
	<b>Branch</b>	<ul style="list-style-type: none"> <li>▪ <b>Shift high volume OTC / service request</b> to online / mobile and contact center to improve convenience for customers</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Automate / centralize branch operations</b> activities to streamline cost and improve service levels</li> </ul>
<b>People</b>		<ul style="list-style-type: none"> <li>▪ Temporarily <b>shift staff</b> with bandwidth to areas of needs to better manage productivity and further improve customer servicing</li> <li>▪ Develop <b>change management approach</b> for staff and provide <b>essential training</b></li> </ul>	



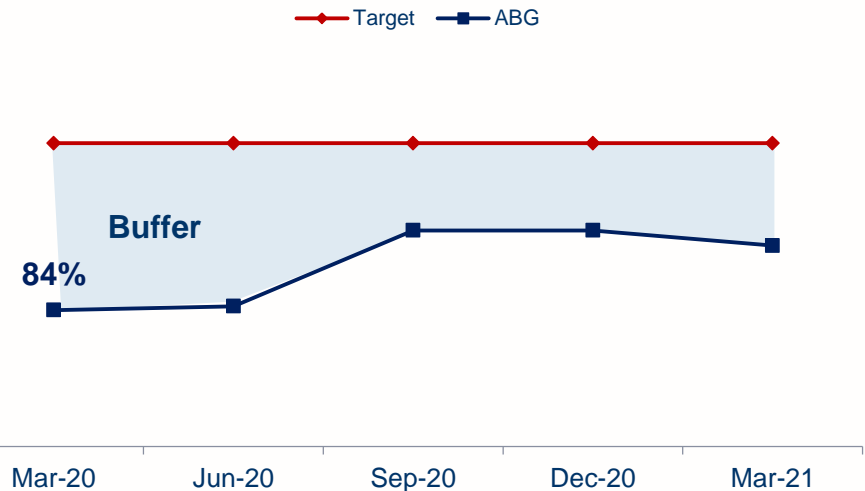
## Manage liquidity risk & cash availability

- All entities' liquidity ratio above internal threshold during Movement Control Order (MCO)
- With expected increase in undrawn commitments and collection shortfall for 6-month moratorium of ~RM280 million collection per month:
  - ABG's LDR & LFR are still well below internal targets with buffer over RM1.0 billion
- In the event of any potential shortfall, we have sufficient contingent liquidity accessibility:
  - RM11.5 billion financial assets available for BNM Repo window

### Loan to Deposits ratio (LDR)



### Loan to Funds ratio (LFR)





## Manage financial & capital impact

Key Performance Indicators	Strategic Action Plans	FY21 Guidance
<b>1</b> Gross loans growth	<u>Managing growth</u> <ul style="list-style-type: none"> <li>Focus on green sectors</li> <li>Tighten credit policies</li> </ul>	>2%
<b>2</b> Operating expenses	<u>Cost-savings initiatives</u> <ul style="list-style-type: none"> <li>Stringent hiring</li> <li>Manage discretionary expenses</li> </ul>	0% opex growth
<b>3</b> Liquidity ratios	<u>Maintain healthy liquidity ratios</u> <ul style="list-style-type: none"> <li>Strengthen customer based funding</li> <li>Accessible alternative funding</li> </ul>	Maintain >RM1.0 billion buffer



# Continue high sustainability standards

## 1 Supporting the Businesses

Alliance Islamic Halal in One

All your HALAL solutions in ONE place.



### Alliance Islamic Halal in One Programme

- Halal enterprise ecosystem that offers end-to-end solutions for SMEs venturing into the Halal segment (launched in 2020)
- Offer business advisory services to help SMEs obtain Halal certification from the Department of Islamic Development Malaysia (JAKIM)

### #SupportLokal initiative

- Launched during the MCO to assist SMEs with their recovery plans and priorities to sustain their businesses
- Linking these businesses to e-Commerce partner platforms, such as Shopee and AirAsia OURSHOP.

### Participated in Government Guarantee Programme

- YTD approved RM515 million Special Relief Fund ("SRF")
- YTD approved RM400 million Credit Guarantee Corporation Loans

## 2 Supporting the Community



### AEIOU 5 - Financial literacy program for young children

- Introduced a new digital element, the AEIOU Financial e-Game Challenge (e-Game Challenge)
- >32,000 entries submitted, >40 students from seven states to compete for RM20,000 cash prizes in the grand finale

### SocioBiz – Social Crowdfunding Platform

- Channels public donation to help B40 segments to start or expand a business, or learn a skill to earn a sustainable income
- Promoted a total of 17 campaigns, and disbursed RM100,000 to fund 16 of these campaigns

### Support for Covid-19 Pandemic

- RM500,000 to MERCY Malaysia's Covid-19 Pandemic Fund
- RM157,000 to the National Welfare Foundation to provide basic necessities to B40 segment
- Collaborate with AIBIM to raise RM200,000 zakat to fund the purchase of Personal Protective Equipment for Hospital Kuala Lumpur and Hospital Sungai Buloh



## Continue high sustainability standards

### 3 Supporting the Employees



#### Smart Casual Dress Code Everyday

- Inculcates an open and flexible work culture.

#### Alliance Heroes

- Recognition programme for employees who exemplify the Bank's key behaviours in their everyday actions

#### Navigating through Covid-19 Pandemic

- Activated split operations & >65% of staff work-from-home during the MCO
- Provided one-off subsidy for incidental expenses

### 4 Strengthening Corporate Governance



#### MSWG Malaysia-ASEAN Corporate Governance

- Improved ranking to 26<sup>th</sup> position (Jul-19) from 28<sup>th</sup> position (Nov-17)

#### Continue enhancing CG practices

- Disclosed dividend policy in the corporate website (long-term dividend policy of up to 60% dividend payout ratio)
- To release notice of AGM by at least 28 days before the meeting
- Plan for virtual AGM during current Covid-19 Pandemic situation

## Bursa Malaysia FTSE4Good Index

Maintained inclusion since introduction in Dec 2014

# Contents

## 1 COVID-19 Supports & Early Impact

## 2 FY20 Financial Performance

- Revenue & Franchise Development
- Effective Risk Management
- Key Results

## 3 Going Forward

- Our Strategy
  - FY20 Achievements
  - FY21 Priorities & Sustainability

## 4 Appendix

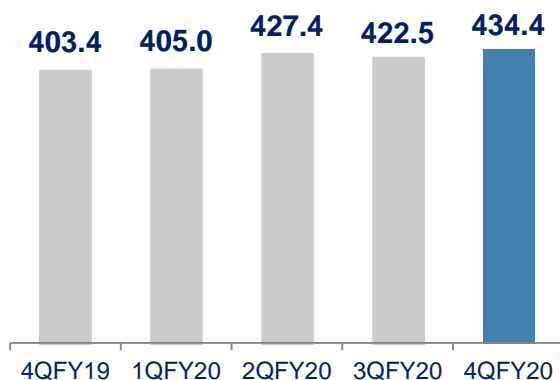
- 4QFY20 & FY20 Financial Result



# 4QFY20 PPOP grew 7.4% q-o-q to RM229.0 mil

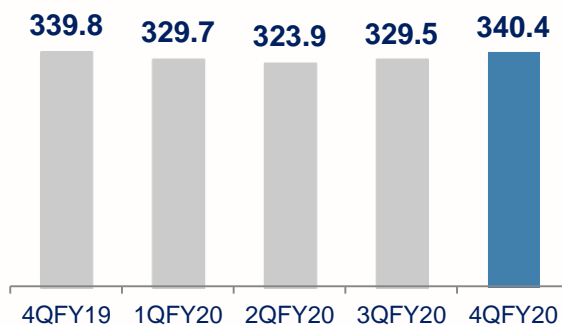
## Revenue

RM mil



## Net Interest Income & Islamic Net Financing Income

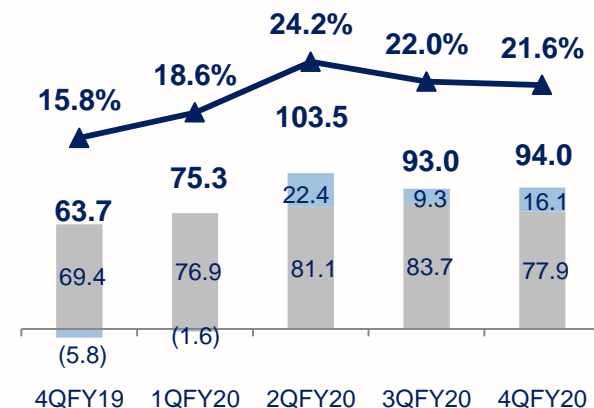
RM mil



## Non Interest Income & NOII Ratio

RM mil

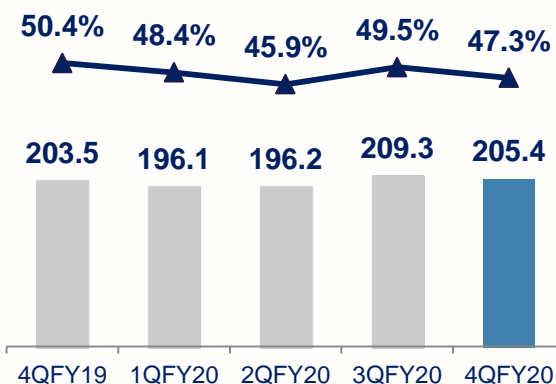
Client Based Non Client Based  
NOII Ratio



## Operating Expenses & CIR Ratio

RM mil

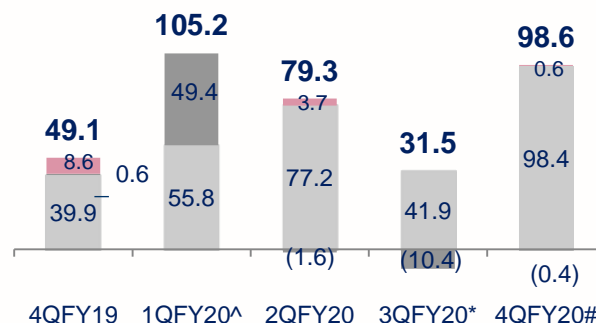
OPEX CIR



## Expected Credit Losses ("ECL") & Goodwill Impairments

RM mil

Goodwill Impairment  
ECL on Financial Investments & Impairments

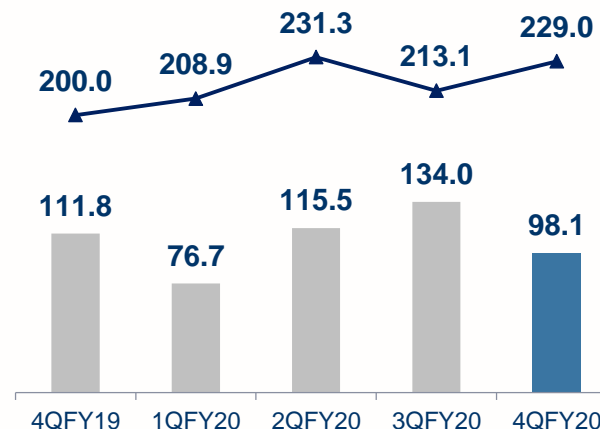


^Full provisioning of RM49.4m from one large account  
\*Recoveries of RM9.6m from one large legacy account  
#ECL model review & early Covid-19 impact of RM49.2m

## Pre-Provision Operating Profit & Net Profit

RM mil

NPAT PPOP



Note: Revenue and non interest income includes Islamic banking income



Income Statement	3QFY20 RM mil	4QFY20 RM mil	Q-o-Q Change Better / (Worse)	
			RM mil	%
Net Interest Income	240.3	254.5	10.9	3.3%
Islamic Net Financing Income	89.2	85.9		
Islamic Non-Financing Income	11.7	6.1	1.1	1.1%
Non-Interest Income	81.3	87.9		
<b>Net Income*</b>	<b>422.5</b>	<b>434.5</b>	<b>12.0</b>	<b>2.8%</b>
OPEX	209.3	205.4	3.9	1.9%
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>213.1</b>	<b>229.0</b>	<b>15.9</b>	<b>7.4%</b>
Net Credit Cost	41.9	98.4	(56.5)	>100%
Expected Credit Losses on Financial Investments	(10.4)	(0.4)	(9.9)	(96%)
Impairment Losses on Non-financial Assets	-	0.6	(0.6)	-
<b>Pre-tax Profit</b>	<b>181.7</b>	<b>130.4</b>	<b>(51.3)</b>	<b>(28.2%)</b>
<b>Net Profit After Tax</b>	<b>134.0</b>	<b>98.1</b>	<b>(35.9)</b>	<b>(26.8%)</b>

▪ **Revenue** grew by RM12.0 mil or 2.8% q-o-q:

- Net interest income continue to grow by RM10.9 mil or 3.3% q-o-q from loan & treasury growth and lower funding cost
- Non-interest income grew by RM1.1 mil q-o-q:
  - ✓ Higher treasury & investment income
  - ✓ Lower client based fee income due to absence of yearly services charges incurred in Dec19

▪ **Operating expenses** lowered by RM3.9 mil mainly from lower personnel expenses and lower IT & premises expenses

▪ **Pre-provision Operating Profit (PPOP)** grew 7.4% q-o-q to RM229.0 mil

▪ **Higher net credit cost & impairment** q-o-q:

- Absence of legacy accounts recovery of RM19.7m
- ECL model review & early Covid-19 impact: +RM45.6 mil
- Excluding both items above, net credit cost improved RM8.8 mil q-o-q

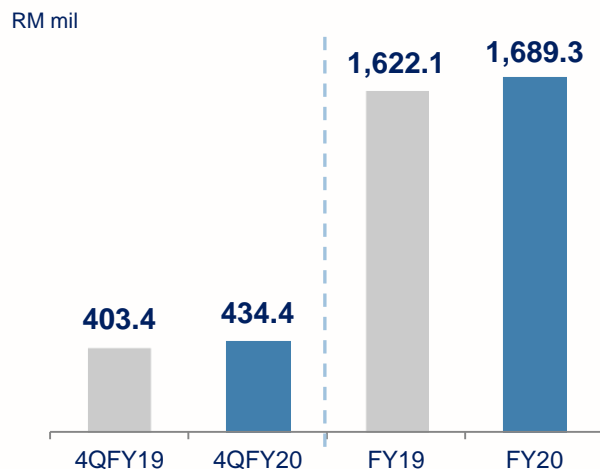
Notes:

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

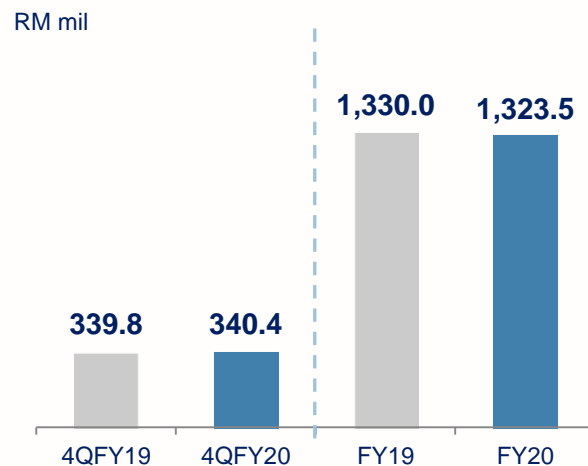


# FY20 PPOP grew 4.1% y-o-y to RM882.3 million

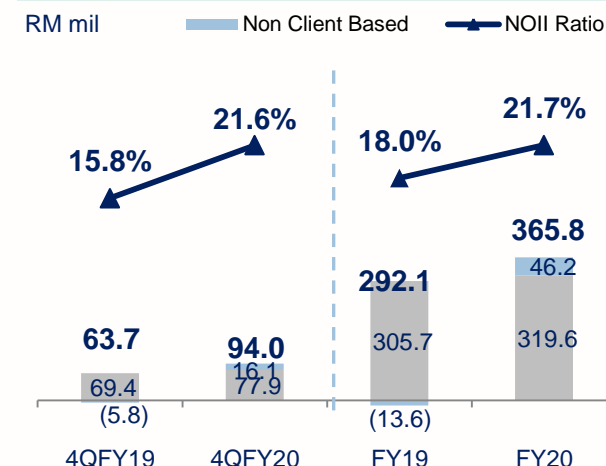
## Revenue



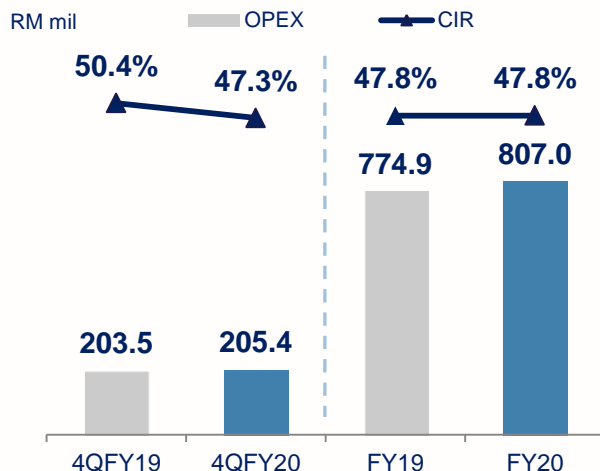
## Net Interest Income & Islamic Net Financing Income



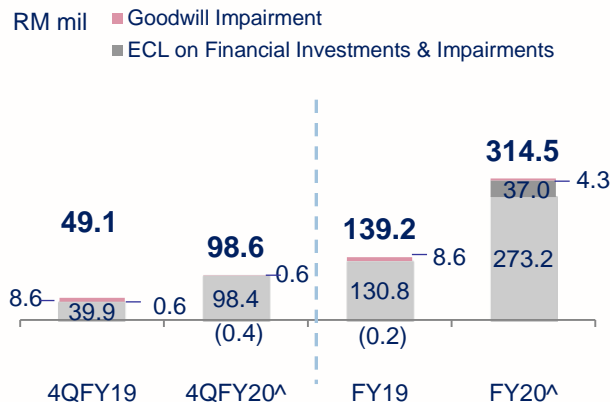
## Non Interest Income & NOII Ratio



## Operating Expenses & CIR Ratio

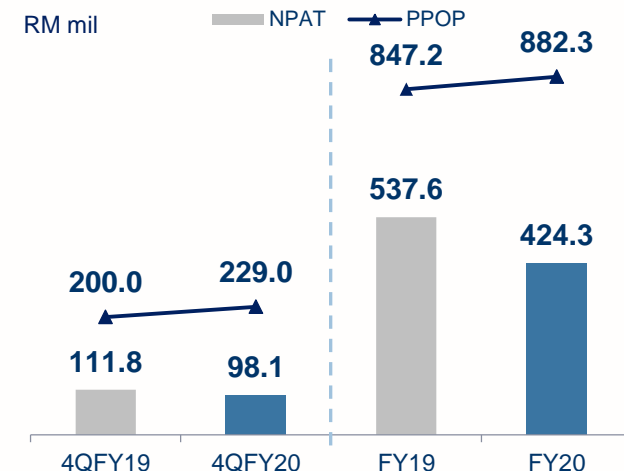


## Expected Credit Losses ("ECL") & Goodwill Impairment



^Full provisioning of RM47.7m from one large account in 1QFY20, RM9.6m recovery from one large legacy account in 3QFY20, ECL model review & early Covid-19 impact of RM49.2m in 4QFY20

## Pre-Provision Operating Profit & Net Profit



Note: Revenue and non interest income includes Islamic banking income



Income Statement	4QFY19 RM mil	4QFY20 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	253.3	254.5	0.6	0.2%
Islamic Net Financing Income	86.5	85.9		
Islamic Non-Financing Income	7.2	6.1	30.4	47.7%
Non-Interest Income	56.5	87.9		
<b>Net Income*</b>	<b>403.4</b>	<b>434.5</b>	<b>31.0</b>	<b>7.7%</b>
OPEX	203.5	205.4	(2.0)	(1.0%)
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>200.0</b>	<b>229.0</b>	<b>29.0</b>	<b>14.5%</b>
Net Credit Cost	39.9	98.4	(58.5)	(>100%)
Expected Credit Losses on Financial Investments	0.6	(0.4)	1.0	>100%
Impairment Losses on Non-financial Assets	8.6	0.6	8.0	92.7%
<b>Pre-tax Profit</b>	<b>150.9</b>	<b>130.4</b>	<b>(20.5)</b>	<b>(13.6%)</b>
<b>Net Profit After Tax</b>	<b>111.8</b>	<b>98.1</b>	<b>(13.7)</b>	<b>(12.3%)</b>

- **Higher revenue** of RM31.0 mil or 7.7% y-o-y:
  - Non-interest income increased RM30.4 mil y-o-y:
    - ✓ Higher client based fee income mainly driven by insurance & bancassurance business
    - ✓ Higher treasury & investment income
  - Net interest income grew steadily y-o-y
- **Higher operating expenses** by RM2.0 mil mainly due to higher personnel expenses on annual increment with higher headcount
- **Pre-provision Operating Profit (PPOP)** grew 14.5% y-o-y to RM229.0 mil
- **Higher net credit cost & impairment** y-o-y:
  - ECL model review & early Covid-19 impact: +RM45.6 mil
  - Consumer banking: +RM10.2m mainly from Personal Financing and Mortgage including AOA

Notes:

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



Income Statement	FY19 RM mil	FY20 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	998.1	980.8	(6.4)	(0.5%)
Islamic Net Financing Income	331.9	342.7		
Islamic Non-Financing Income	27.1	35.2	73.7	25.2%
Non-Interest Income	265.0	330.6		
<b>Net Income*</b>	<b>1,622.1</b>	<b>1,689.3</b>	<b>67.2</b>	<b>4.1%</b>
OPEX	774.9	807.0	(32.1)	(4.1%)
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>847.2</b>	<b>882.3</b>	<b>35.1</b>	<b>4.1%</b>
Net Credit Cost	130.8	273.2	(142.4)	(>100%)
Expected Credit Losses on Financial Investments	(0.2)	37.0	(37.2)	(>100%)
Impairment Losses on Non-financial Assets	8.6	4.3	4.3	49.7%
<b>Pre-tax Profit</b>	<b>708.0</b>	<b>567.9</b>	<b>(140.2)</b>	<b>(19.8%)</b>
<b>Net Profit After Tax</b>	<b>537.6</b>	<b>424.3</b>	<b>(113.3)</b>	<b>(21.1%)</b>

- Revenue grew 4.1% y-o-y to RM1.69 bil:
  - Higher non-interest income by RM73.7 mil or +25.2% y-o-y due to:
    - ✓ Higher client based fee income mainly from wealth management fees and banking services fees
    - ✓ Higher treasury & investment income
  - Net interest income remained steady y-o-y
    - ✓ Excluding OPR cut impact & delinquency pricing revision, normalised net interest income grew +4.0% y-o-y
- **Operating expenses** increased by RM32.1 mil or 4.1% mainly from higher personnel expenses and investment in IT infrastructure
- **Pre-provision Operating Profit (PPOP)** grew 4.1% y-o-y to RM882.3 mil
- **Higher net credit cost** from:
  - ECL model review & early Covid-19 impact: +RM45.6 mil
  - Consumer banking: +RM60.0m from Mortgage including AOA & personal financing
  - A few large accounts partly offset by legacy account recoveries
- **Full impairment on financial investment** from one large account partly of RM47.7 mil partly offset by write-back in financial investments from legacy account recovery of RM9.6m
- Goodwill impairment from stockbroking business of RM3.7 mil & financial markets of RM0.6 mil

Notes:

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



Balance Sheet	Dec 19 RM bil	Mar 20 RM bil	Q-o-Q Change	
			RM bil	%
Total Assets	58.5	61.0	2.4	4.2%
Treasury Assets*	11.8	12.8	0.9	7.7%
Net Loans	43.1	43.1	0.06	0.1%
CASA Deposits	17.5	18.1	0.6	3.7%
Customer Based Funding <sup>+</sup>	47.1	48.9	1.8	3.8%
Shareholders' Funds	5.9	6.0	0.1	1.3%
Net Loans Growth (y-o-y)	5.3%	1.9%		
CASA Deposits Growth (y-o-y)	7.7%	13.6%		
Customer Based Funding <sup>+</sup> Growth (y-o-y)	8.9%	6.5%		

- **Net loans** grew 0.1% q-o-q
  - SME loans growth of 3.0% (vs industry: -8.8%#)
  - Continued strong build up for Alliance ONE Account (+RM304 mil or 6.4% q-o-q).
- **Customer based funding** grew by 3.8% q-o-q (industry total deposits: -0.1%^).
  - CASA deposits grew by 3.7% mainly driven by SavePlus (+RM0.5 bil) (industry: +4.1%^).
  - Successful fixed deposits campaigns (+RM0.6 bil)
- **Liquidity coverage ratio:** 156.7% (vs 162.5% in December 2019, industry: 141.4%^).

Notes:

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

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

<sup>^</sup> BNM Monthly Statistical Bulletin March 2020

<sup>#</sup> BNM Financial Institution Network March 2020 statistics



Balance Sheet	Mar 19 RM bil	Mar 20 RM bil	Y-o-Y Change	
			RM bil	%
Total Assets	56.5	61.0	4.5	7.9%
Treasury Assets*	10.0	12.8	2.8	27.5%
Net Loans	42.3	43.1	0.8	1.9%
CASA Deposits	16.0	18.1	2.2	13.6%
Customer Based Funding <sup>+</sup>	45.9	48.9	3.0	6.5%
Shareholders' Funds	5.7	6.0	0.3	4.5%
Net Loans Growth (y-o-y)	5.8%	1.9%		
CASA Deposits Growth (y-o-y)	0.04%	13.6%		
Customer Based Funding <sup>+</sup> Growth (y-o-y)	5.3%	6.5%		

- **Net loans** grew by 1.9% y-o-y.
  - SME loans growth of 8.0% y-o-y (industry: -10.4%#)
  - Continued strong build up for Alliance ONE Account (+RM1.8 bil)
  - Personal Financing growth of RM208 mil y-o-y
- **Customer based funding** increased by 6.5% y-o-y (industry total deposits: +2.1%^).
  - CASA deposits grew by 13.6% mainly driven by SavePlus (+RM1.7 bil) (industry: +10.3%^).
  - Successful fixed deposits campaigns (+RM1.2 bil)
- **Liquidity coverage ratio:** 156.7% (vs 154.3% in March 2019, industry: 141.4%^).

Notes:

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

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

<sup>^</sup> BNM Monthly Statistical Bulletin March 2020

<sup>#</sup> BNM Financial Institution Network March 2020 statistics



	Financial Ratios	4QFY19	3QFY20	4QFY20	FY19	FY20
Shareholder Value	Return on Equity	8.1%	9.3%	7.1%	9.9%	7.3%
	Earnings per Share	7.2sen	8.7sen	6.6sen	34.7sen	27.4 sen
	Net Assets per Share	RM3.70	RM3.82	RM3.87	RM3.70	RM3.87
Efficiency	Net Interest Margin	2.57%	2.39%	2.46%	2.50%	2.40%
	Non-Interest Income Ratio	15.9%	22.0%	21.6%	18.0%	21.7%
	Cost to Income Ratio	50.4%	49.6%	47.3%	47.8%	47.8%
Balance Sheet Growth	Net Loans (RM bil)	42.3	43.1	43.1	42.3	43.1
	Customer Based Funding (RM bil)	45.9	47.1	48.9	45.9	48.9
Asset Quality	Period End net credit cost (basis points)	9.6	7.7	22.7	31.5	72.1
	Gross Impaired Loans Ratio	1.1%	1.9%	2.0%	1.1%	2.0%
	Net Impaired Loans Ratio	0.6%	1.2%	1.3%	0.6%	1.3%
	Loan Loss Coverage Ratio^	142.9%	101.6%	101.4%	142.9%	101.4%
Liquidity	CASA Ratio	35.5%	37.5%	37.4%	35.5%	37.4%
	Loan to Deposit Ratio	94.9%	93.4%	90.2%	94.9%	90.2%
	Loan to Fund Ratio	86.6%	86.6%	83.6%	86.6%	83.6%
	Liquidity Coverage Ratio	154.3%	162.5%	156.7%	154.3%	156.7%
Capital	Common Equity Tier 1 Capital Ratio	13.4%	13.2%	13.7%	13.4%	13.8%
	Tier 1 Capital Ratio	14.1%	14.0%	14.4%	14.1%	14.6%
	Total Capital Ratio	18.5%	18.3%	18.7%	18.5%	18.9%

*Note: ^ Loan Loss Coverage includes Regulatory Reserve provision [excluding Regulatory Reserve: 74.9% at 4QFY20 (vs. 72.7% at 3QFY20)]*



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# Thank You.

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