

Analyst Briefing 1QFY24

29 August 2023



BUILDING ALLIANCES



Contents

1 1QFY24 Financial Performance

- Revenue & Profitability
- Assets & Liabilities
- Effective Risk Management

2 Going Forward

- Group Strategy: ACCELER8 2027 Update
- Sustainability
- Key takeaways

3 Appendix: Financial Results

- 1QFY24 results
- Financial ratios

1QFY24 Performance Highlights

- | | |
|---|--|
| 1 Revenue & Profitability | <ul style="list-style-type: none"> ▪ Net interest income grew 2.4% y-o-y ▪ Client-based fee income (excluding brokerage) was flat at RM78.6 million, while treasury & investment income was RM13.6 million lower ▪ Overall revenue stood at RM466.3 million ▪ Cost to Income Ratio at 49.3% ▪ Net profit after tax at RM150.5 million |
| 2 Assets & Liabilities | <ul style="list-style-type: none"> ▪ Gross loans grew 7.9% y-o-y ▪ Customer based funding grew 6.5% y-o-y, with CASA ratio at 43.9% (one of the highest in the industry) |
| 3 Effective Risk Management | <ul style="list-style-type: none"> ▪ Net credit cost at 7.1 bps mainly from: <ul style="list-style-type: none"> ➤ BAU credit charge of 16.9 bps, <u>offset by</u> ➤ Management overlays net write-back of 9.8 bps ▪ Liquidity and capital positions remained strong <ul style="list-style-type: none"> ➤ Liquidity coverage ratio at 163.2% ➤ CET-1 ratio: 13.3%; Total capital ratio: 18.1% (without transitional arrangement) |

1QFY24 NPAT at RM150.5 million

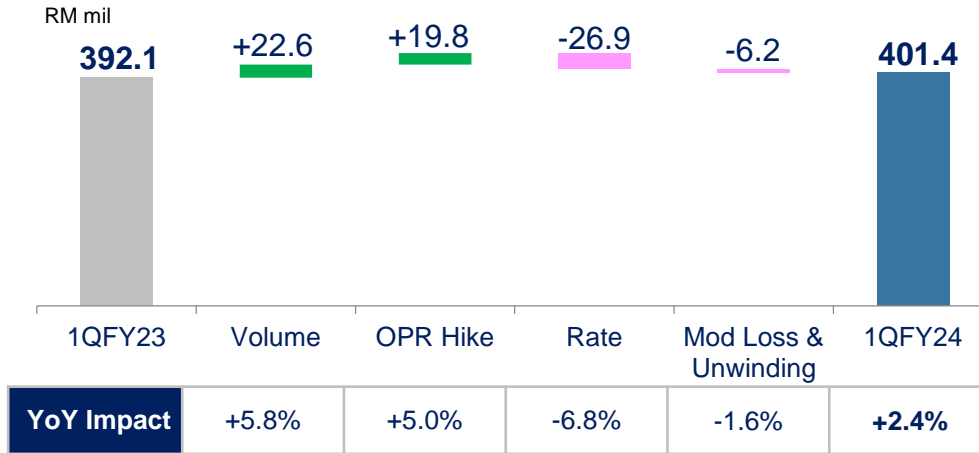
Income Statement	1QFY23 RM mil	1QFY24 RM mil	Y-o-Y Change (Better / (Worse))	
			RM mil	%
Net Interest Income	392.1	401.4	9.3	2.4%
Client-based fee income*	79.3	78.6	(0.7)	(0.9%)
<u>Non-client based fee income:</u>				
Treasury & Investment Income	(0.1)	(13.7)	(13.6)	(>100%)
Brokerage	2.8	(0.0)	(2.8)	(>100%)
Total Revenue	474.1	466.3	(7.8)	(1.6%)
OPEX	210.6	230.1	(19.5)	(9.3%)
Pre-Provision Operating Profit	263.5	236.2	(27.3)	(10.4%)
Net Credit Cost & Impairments	(17.3)	34.8	(52.2)	(>100%)
- BAU credit charge	24.1	83.1	(59.0)	(>100%)
- Management Overlays	(41.4)	(48.3)	6.9	16.7%
Pre-tax Profit	280.9	201.3	(79.5)	(28.3%)
Net Profit After Tax	212.2	150.5	(61.6)	(29.0%)
Balance Sheet	1QFY23 RM mil	1QFY24 RM mil	RM mil	%
Gross Loans	46,098	49,750	3,652	7.9%
Customer Deposits	48,651	51,794	3,143	6.5%
Customer Based Funding	50,432	53,695	3,263	6.5%

* Client-based fee income (excluding brokerage)

Net interest income grew 2.4% y-o-y

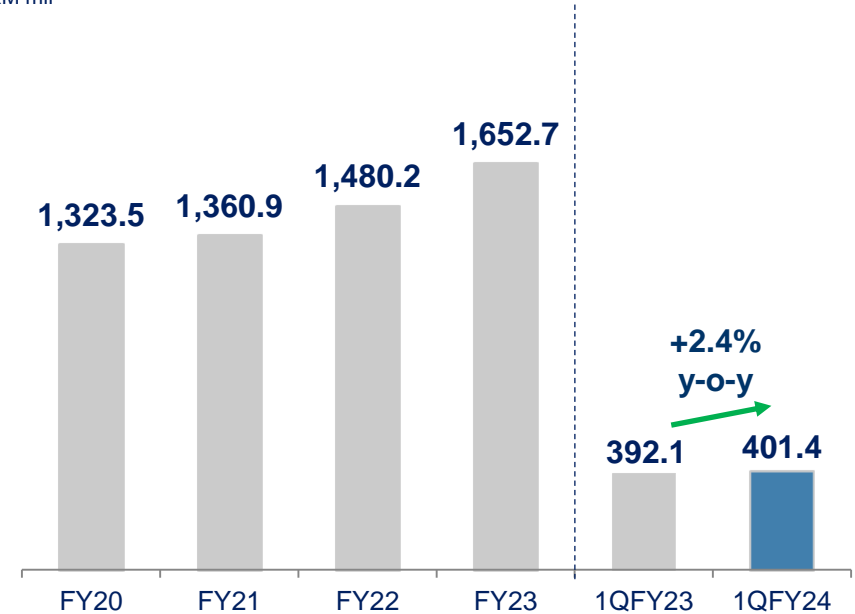
- a) Net interest income grew 2.4% y-o-y, driven by higher loans volume and OPR hike impact:

Y-o-Y impact:

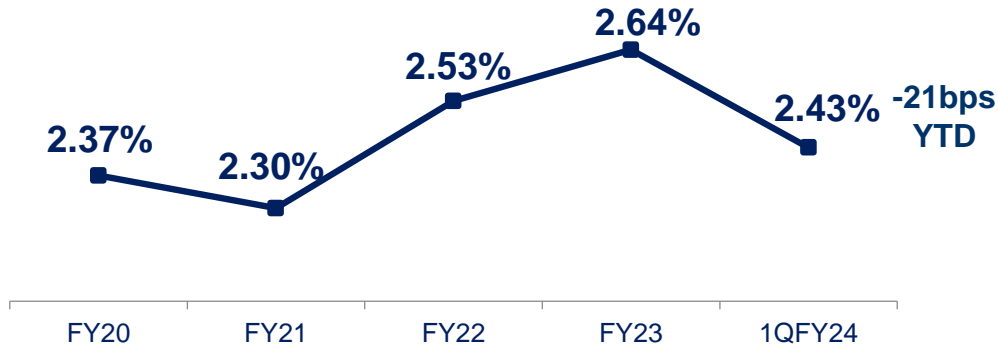


Net Interest Income

RM mil



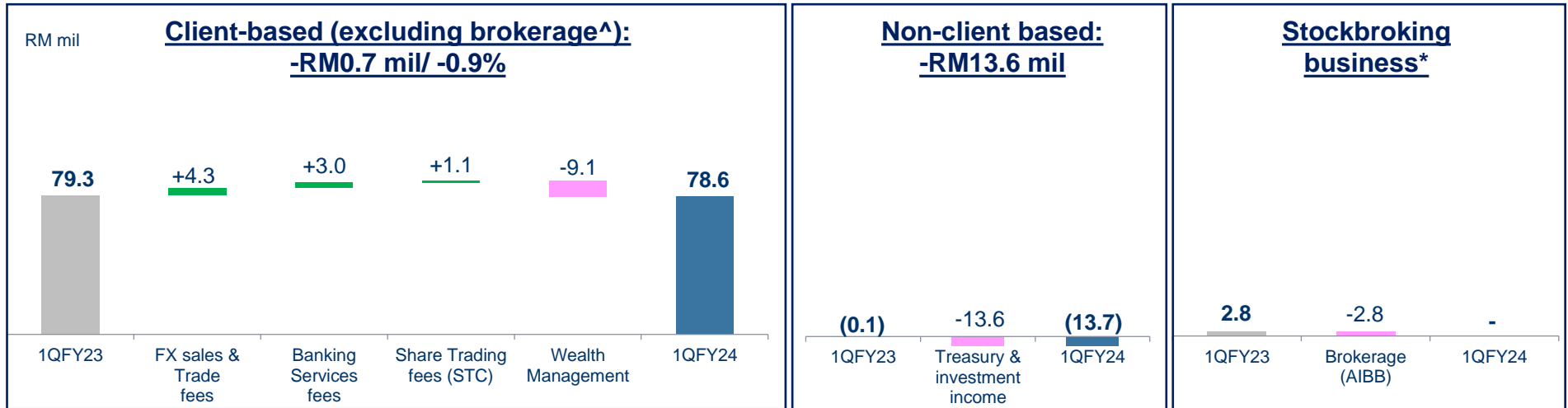
- b) Net Interest Margin Trend:



- c) FY24 NIM guidance: revised to **between 2.45% - 2.50%**

Client-based fee income at RM78.6 million

- **Client-based fee income** (excluding brokerage) was flattish at **RM78.6 million**:
 - higher FX sales/trade fees (+12.6% y-o-y) and banking services fees (+33.4% y-o-y)
 - offset by: lower Structured Investments fee income (Wealth Management)
- **Treasury & investment income**: lower trading income, early termination cost for IRS unwinding and absence of disposal gains (1QFY23)

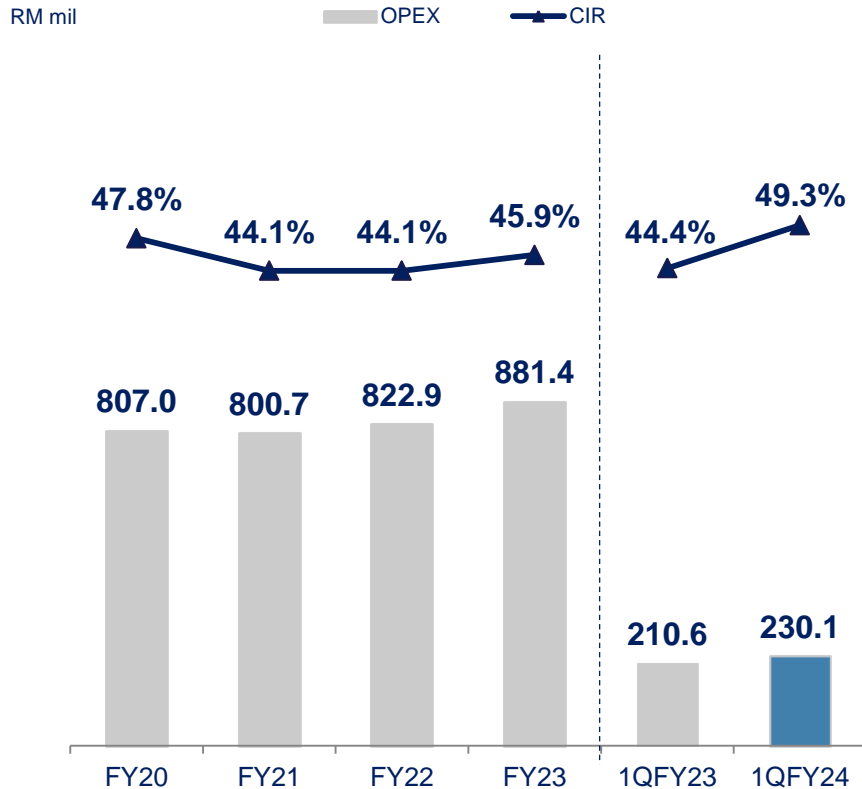


^ Brokerage fee from Alliance Investment Bank Berhad's Stockbroking business

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

Cost to Income Ratio at 49.3%

Operating Expenses (OPEX)



a) Operating expenses up 9.3% y-o-y (or RM19.5 million):

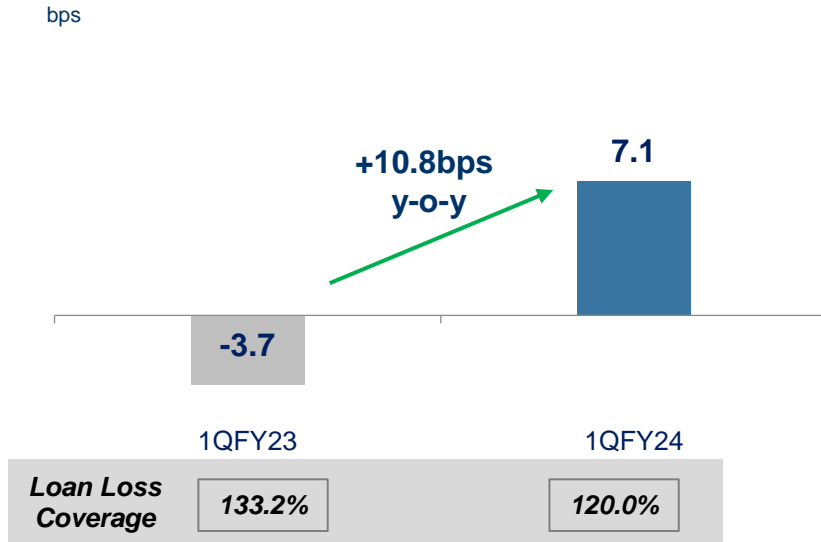
- Collective agreement salary adjustments
- Increased sales force, risk & compliance headcount
- IT expenses related to strategic initiatives
- Marketing expenses for Digital SME & Consumer

b) Cost to income ratio: 49.3% (maintain guidance of <48%)



Net credit cost at 7.1 bps

Net Credit Cost

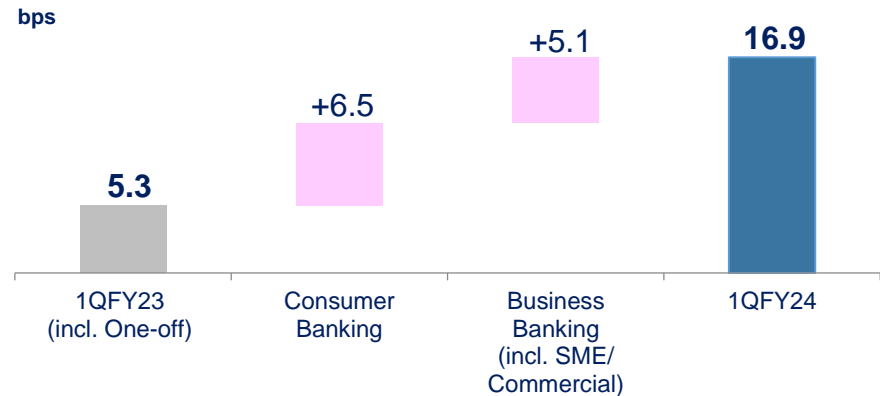


a) **Net credit cost at 7.1 bps** mainly from:

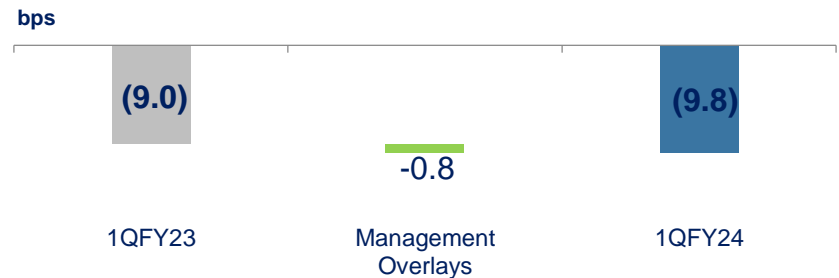
- BAU ECL net charge of 16.9 bps, offset by
- Management overlays net write-back of 9.8 bps

Management Overlays (RM mil)	1QFY23	1QFY24
Reversal of pandemic-related overlays	(41.4)	(34.2)
Reversal of credit overlays	-	(14.1)
Net movement	(41.4)	(48.3)

b) (i) BAU ECL: +11.6 bps y-o-y



(ii) Management overlays net write-back: -0.8 bps y-o-y





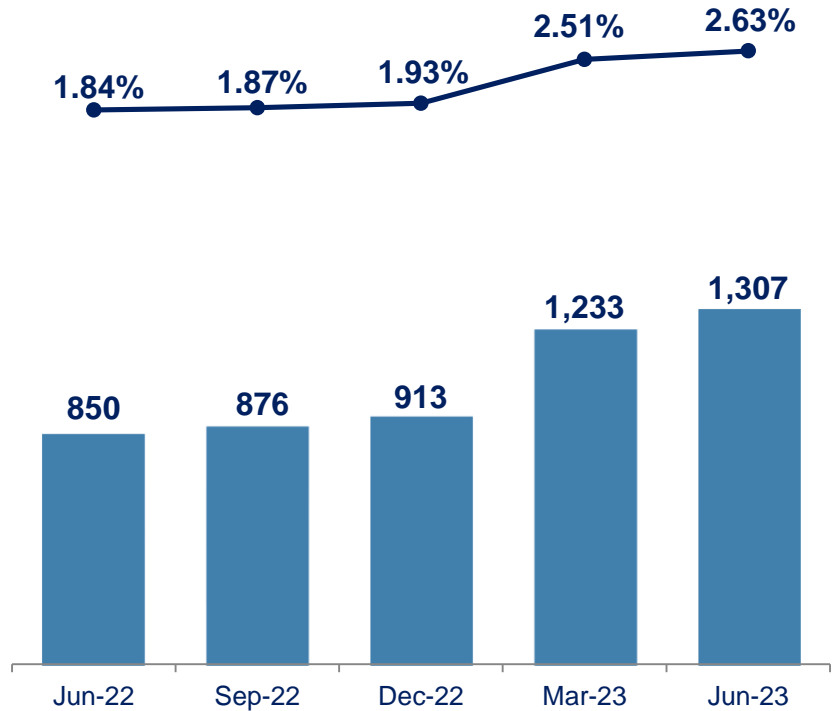
Gross impaired loans (GIL) ratio at 2.63%

Gross Impaired Loans (GIL)

RM mil

Total GIL

ABG GIL ratio

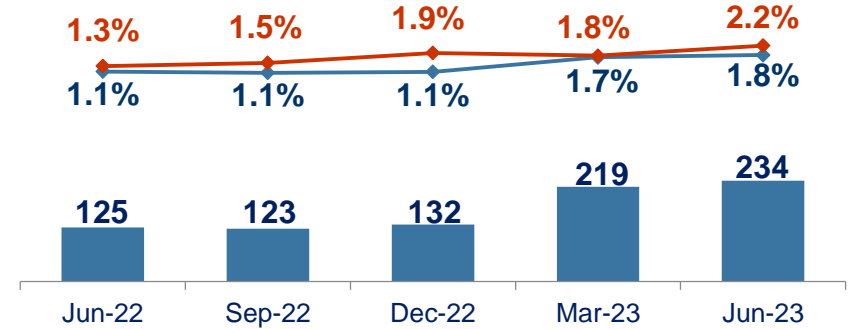


SME

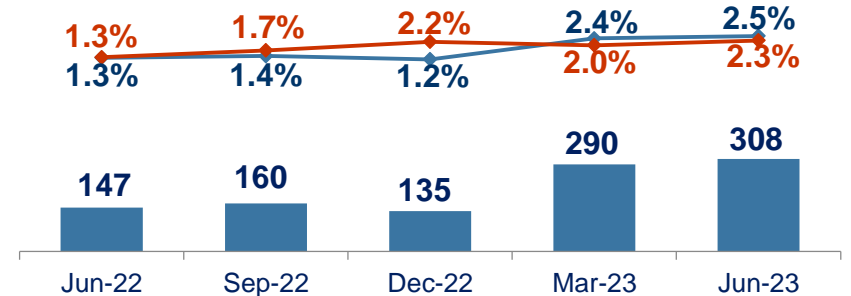
GIL (RM mil)

GIL ratio (%)

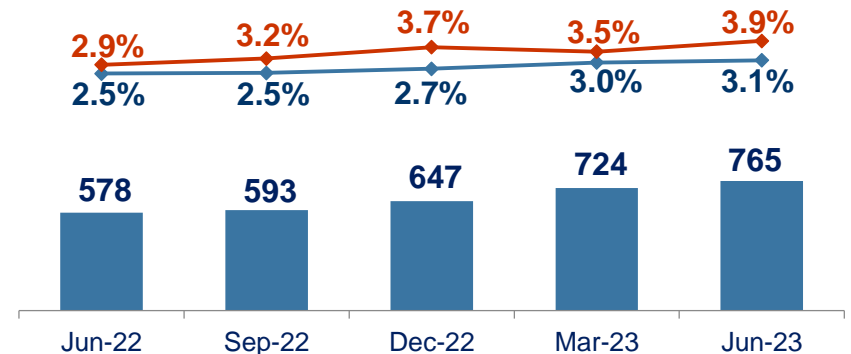
30+ dpd (%)



Commercial & Corporate



Consumer

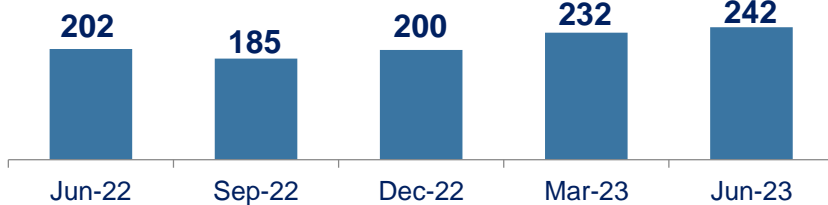
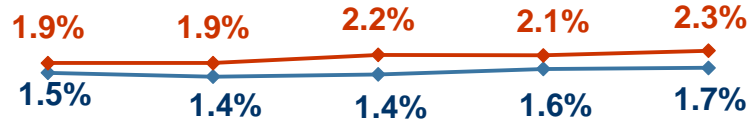




GIL ratio: Consumer Segment

Classic Mortgage

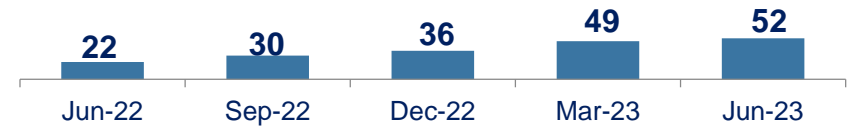
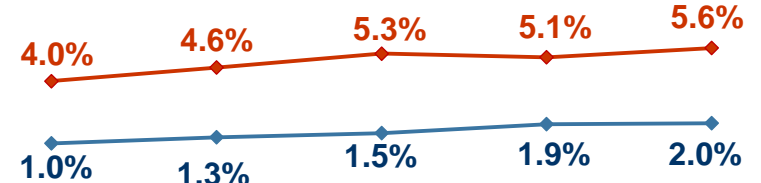
■ GIL (RM mil) ◆ GIL ratio (%) ◆ 30+ dpd (%)



ENR	13,469	13,640	13,912	14,163	14,436
-----	--------	--------	--------	--------	--------

Personal Financing

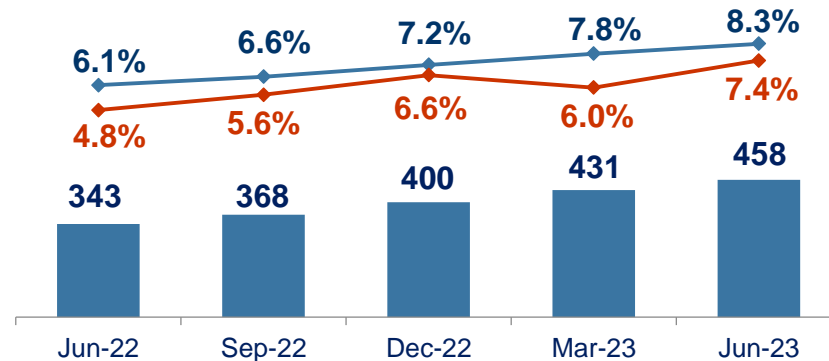
■ GIL (RM mil) ◆ GIL ratio (%) ◆ 30+ dpd (%)



ENR	2,225	2,350	2,451	2,548	2,668
-----	-------	-------	-------	-------	-------

Alliance ONE Account (AOA)

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

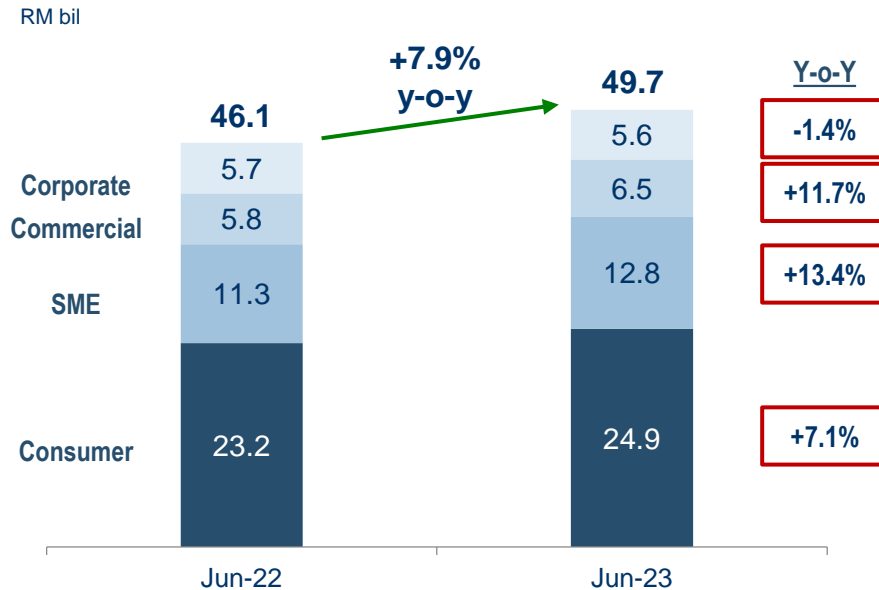


ENR	5,602	5,605	5,565	5,555	5,529
-----	-------	-------	-------	-------	-------



Funding and loans grew year-on-year

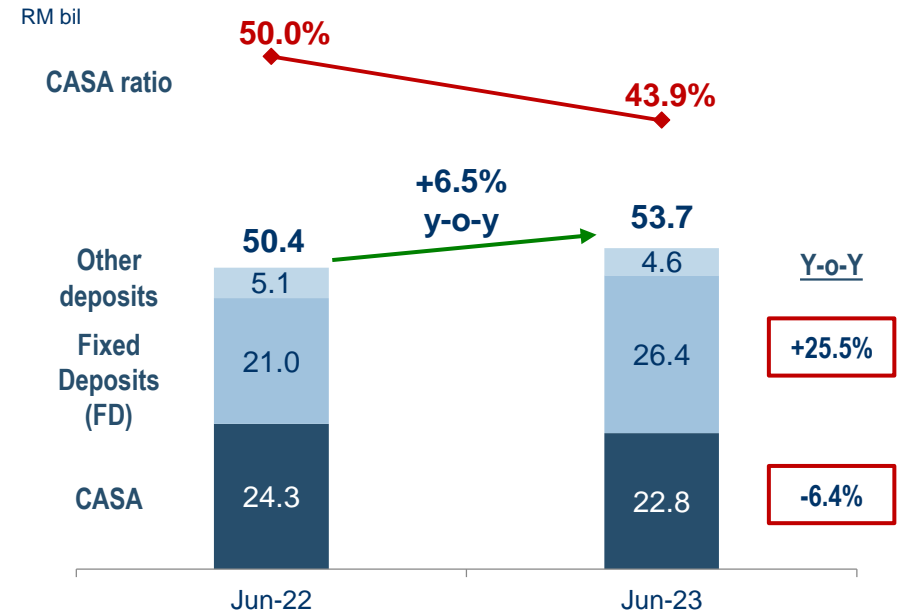
Gross Loans



a) Loans growth: **+7.9% y-o-y**

- SME: +13.4% y-o-y (mainly Term Loans)
- Commercial: +11.7% y-o-y
- Corporate: -1.4% y-o-y
- Consumer Banking: +7.1% or +RM1.7 bil y-o-y
 - Personal Financing: +19.9% y-o-y
 - Mortgage: +4.7% y-o-y

Customer Based Funding



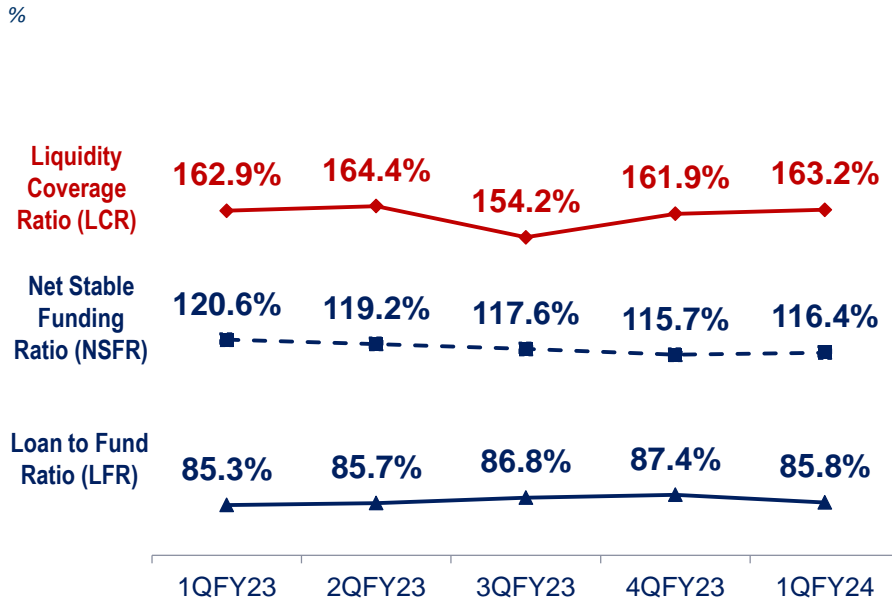
a) Customer based funding: **+6.5% y-o-y**

- b) CASA declined 6.4% (or RM1.5 bil) y-o-y mainly due to shift to FD:
 - Alliance SavePlus: -20.1% y-o-y
- c) CASA ratio at 43.9% (remaining one of the highest in the industry)



Liquidity and capital position remain strong

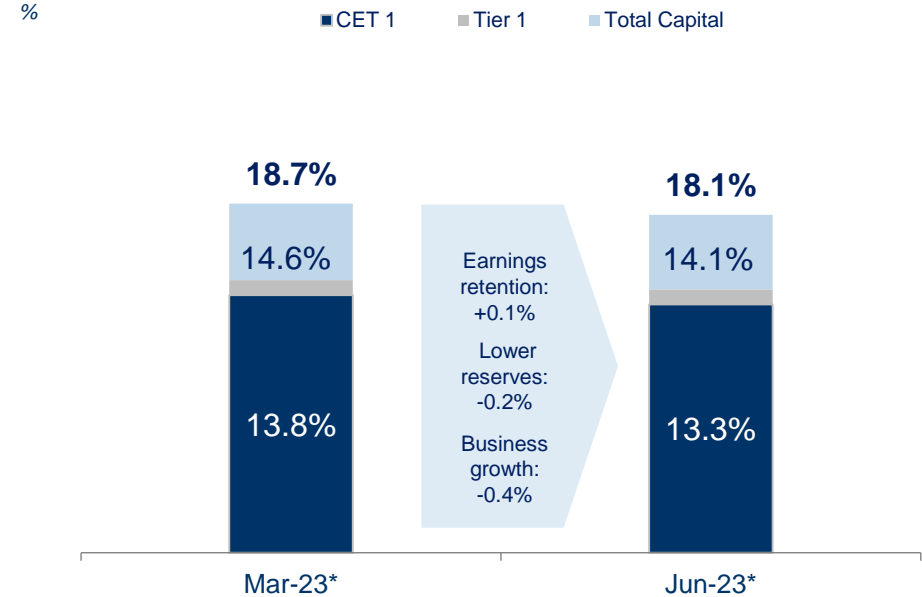
Liquidity: LCR, LFR



- a) Liquidity ratios remaining strong
 - LCR: 163.2% (vs industry*: 155.3%)
 - LFR: 85.8% (vs industry*: 81.6%)
- b) Net stable funding ratio (NSFR): 116.4%

* BNM Monthly Statistical Bulletin Jun 2023

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: 13.7%, Tier 1 ratio: 14.6% & Total Capital ratio: 18.5%].



Contents

1 1QFY24 Financial Performance

- Revenue & Profitability
- Assets & Liabilities
- Effective Risk Management

2 Going Forward

- Group Strategy: ACCELER8 2027 Update
- Sustainability
- Key takeaways

3 Appendix: Financial Results

- 1QFY24 results
- Financial ratios

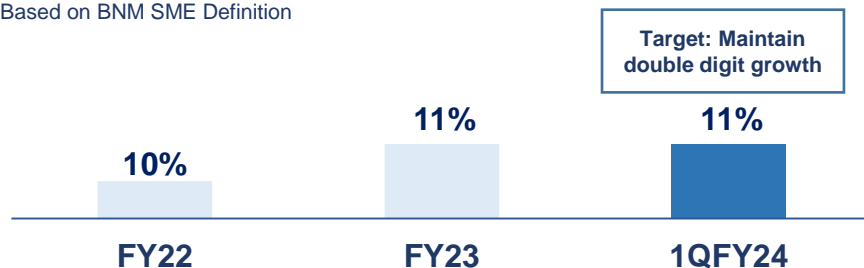
ACCELER8 2027: FY24 Key Success Metrics (1/2)



1 Continue velocity on SME expansion strategy

SME* YoY Loan Growth

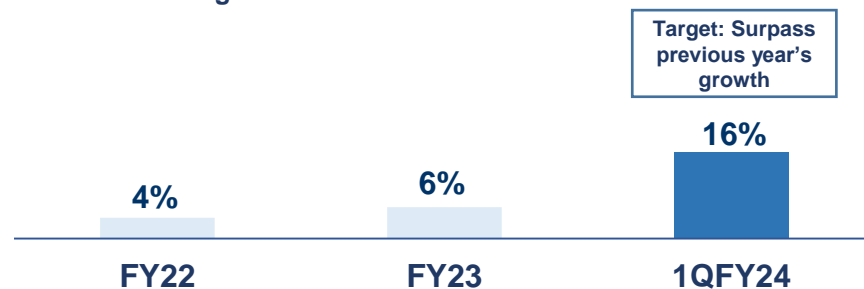
*Based on BNM SME Definition



- On track with **sales force expansion** with **RM productivity** on positive trend (~30% higher yoy)
- Acquired **>3k NTB business customers** in 1QFY24 representing ~40% yoy growth

2 Support our business customers through their life cycle

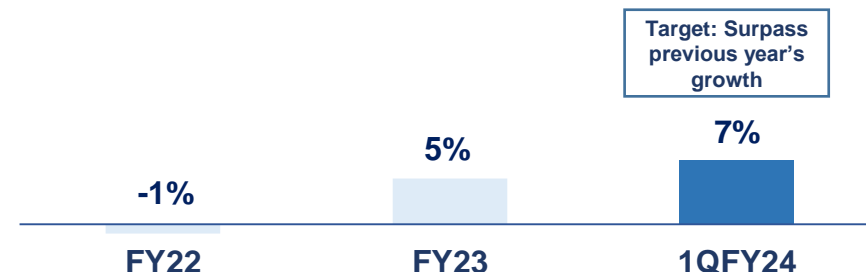
Business Banking Client Fee Income YoY Growth



- Intensified** structured cross-sell approach with **FX & trade proposition** (FX transaction volume up 8% yoy)
- Started vendor financing** with 1 key anchor

3 Broaden consumer business, targeting attractive segments

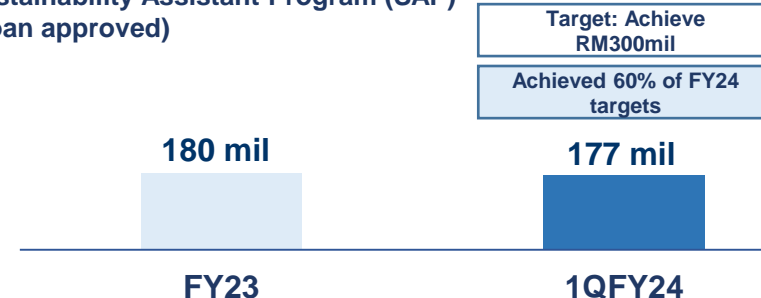
Consumer YoY Loan Growth



- Acquired **>25k consumer customers** in 1QFY24, >40% yoy growth, driven by digital channels
- Enhancing underwriting for **HENRY** segment and refining product propositions for **HNW**

4 Target resilient ecosystems across their value chain

Sustainability Assistant Program (SAP) (Loan approved)



- ESG financing** is ahead of target with several core partnerships in progress, namely with UNGC and Bursa-Mah Sing

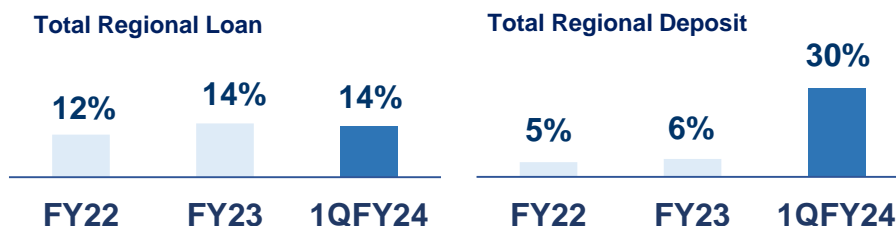
Note: 1QFY24 YoY growth was based on 1QFY24 vs 1QFY23

ACCELER8 2027: FY24 Key Success Metrics (2/2)

5 Become regional champion for selected economic corridors

Regional YoY Growth
(Sarawak and Penang)

Target: Surpass FY22
and FY23 growth

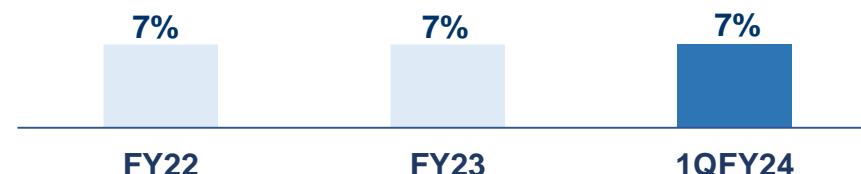


- Focus on **growing presence in Penang and Sarawak by expanding sales force and opening new branches** (Jalan Kelawai, Penang in 3QFY24; Saradise, Sarawak in 4QFY24)

7 Accelerate Islamic business, leveraging unique propositions

AIS YoY Financing Growth

Target: Surpass FY22
and FY23 growth

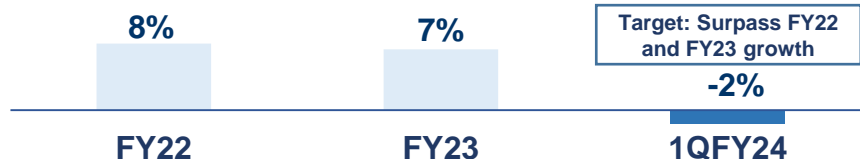


- Continue to **scale up Halal in One**.

6 Drive synergies & value creation in our corporate & capital market business

Corporate and Capital Market
YoY Revenue Growth

Target: Surpass FY22
and FY23 growth



- Started client coverage model and enhanced account planning** to maximize opportunities with corporate clients
- Developed target customer list and action plan**

8 Leverage partnerships to scale product offering, distribution and drive value





Target: **Develop 2-3 key strategic partnerships in FY24**

On-going partnership discussion with **large retailers on consumer and supply chain financing** (e.g. embed banking proposition into partner's channels)

Note: 1QFY24 YoY growth was based on 1QFY24 vs 1QFY23



We have early achieved Topline Goal 1, and made significant progress towards realizing Topline Goals 2 and 3

	1 Grow our new sustainable banking business	2 Help customers adopt sustainable lifestyles and business practices	3 Reduce the Bank's greenhouse gas (GHG) emissions footprint
Target	RM15.0 billion in new sustainable banking business by FY2027 <i>(early-achieved original target of RM10 billion in 1QFY24)</i>	Reduce customers under C5 category to <20.0% by FY2025	Reduce Scope 1 and Scope 2 GHG emissions by 20% by FY2027 against FY2020 baseline
Achievement as of 1QFY24	RM10.0 billion in new sustainable banking business	Reduced business and investment portfolio of C5 to 38.4%	15.7% reduction in Scope 1 and Scope 2 GHG emissions against FY2020 baseline
Key Updates	<div>  <p>Development of the Sustainable Product Framework in progress to guide the Bank's sustainable businesses offerings</p> </div> <div>  <p>Development of a climate action program for SMEs to build an ESG Roadmap</p> </div>	<div>  <p>Collaborated with Bursa Malaysia and Mah Sing on a Centralised Sustainability Intelligence Platform to promote ESG adoption among companies</p> </div>	<div>  <p>Conducted a gap analysis and developed an implementation and transition plan in line with the BNM Policy Document on Climate Risk Management and Scenario Analysis</p> </div>



Key Takeaways for 1QFY24

- **Business growth:**
 - **Loans growth** momentum robust (7.9% y-o-y), driven by core segments, SME, Commercial and Consumer.
- **Profitability:**
 - **Net interest margin (NIM)** contracted to **2.43%**
 - **NPAT** at **RM150.5 million**, with an annualised **ROE** of **9.1%**.
- **Balance sheet items:**
 - **Gross impaired loans (GILs)** within expectation.
 - **Credit cost** within guidance.
- **Management guidance:**
 - **Revised** NIM and ROE guidance: due to higher-than-expected impact from deposit competition
- **ACCELER8 2027 Strategy:**
 - **FY24 key success metrics** for **7 out of 8 pillars** are on track.
 - Action plans in place **for Pillar 6**.

	FY24 Guidance (Revised)	1QFY24 Actual
Gross Loans	8% - 10%	7.9% year-on-year (5.6% YTD*)
Net Interest Margin	between 2.45 - 2.50%	2.43%
Cost to Income	< 48%	49.3%
Net Credit Cost	30 - 35bps	28.4bps*
ROE	> 10.0%	9.1%*

* Annualised



Contents

1 1QFY24 Financial Performance

- Revenue & Profitability
- Assets & Liabilities
- Effective Risk Management

2 Going Forward

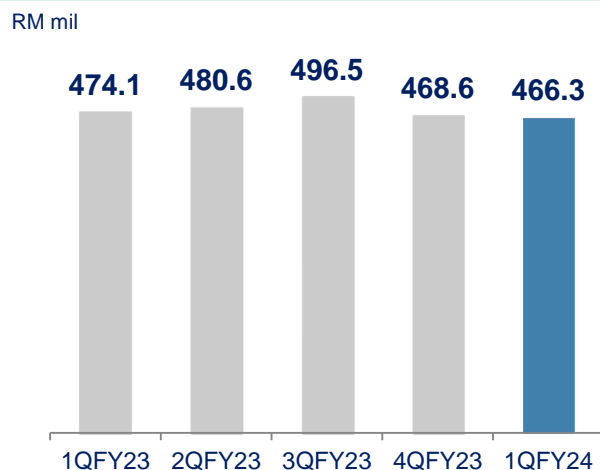
- Group Strategy: ACCELER8 2027 Update
- Sustainability
- Key takeaways

3 Appendix: Financial Results

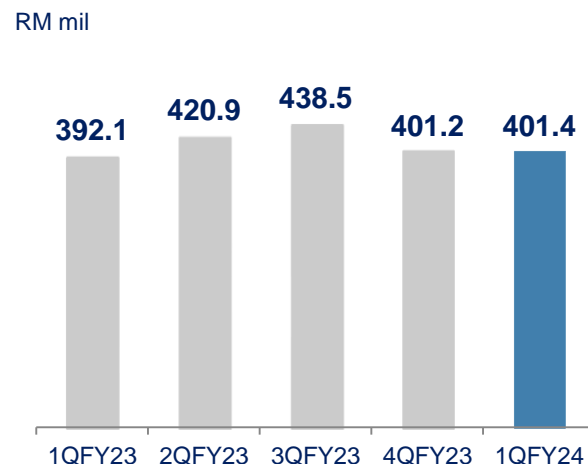
- 1QFY24 results
- Financial ratios

1QFY24 NPAT grew 15.7% q-o-q to RM150.5 million

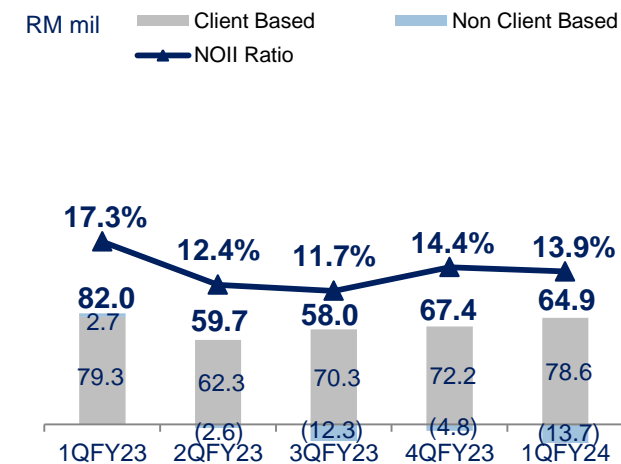
Revenue



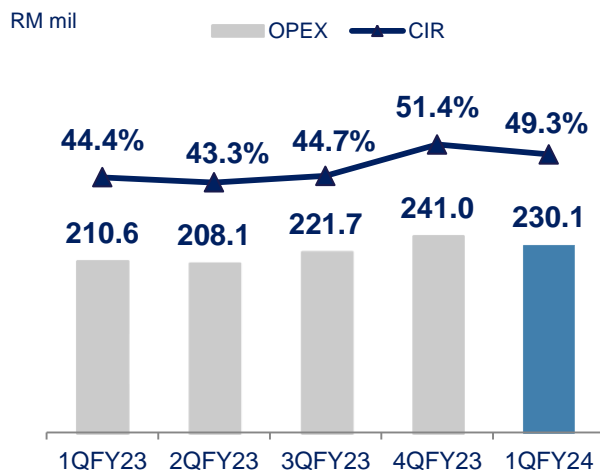
Net Interest Income & Islamic Net Financing Income



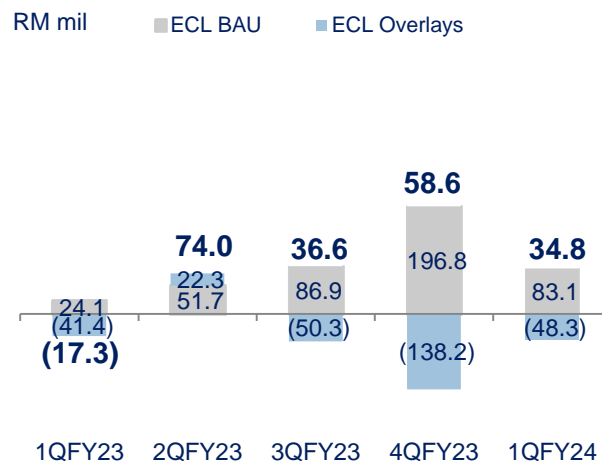
Non Interest Income & NOII Ratio



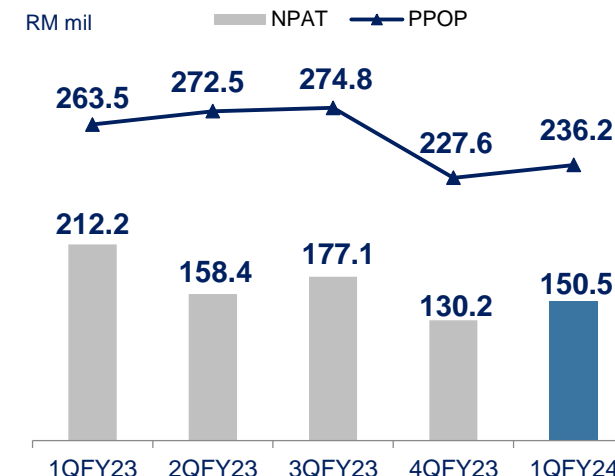
Operating Expenses & CIR Ratio



Expected Credit Losses ("ECL")



Pre-Provision Operating Profit & Net Profit



Note: Revenue and non interest income includes Islamic banking income



Income Statement	4QFY23 RM mil	1QFY24 RM mil	Q-o-Q Change Better / (Worse)	
			RM mil	%
Net Interest Income	302.7	305.0	0.2	0.0%
Islamic Net Financing Income	98.4	96.3		
Islamic Non-Financing Income	8.4	4.0	(2.5)	(3.8%)
Non-Interest Income	59.0	60.9		
Net Income*	468.6	466.3	(2.3)	(0.5%)
OPEX	241.0	230.1	10.9	4.5%
Pre-Provision Operating Profit (PPOP)	227.6	236.2	8.5	3.8%
Net Credit Cost	58.5	34.7	23.8	40.7%
- BAU	196.7	83.0	113.7	57.8%
- Management Overlays	(138.2)	(48.3)	(89.9)	(65.1%)
Expected Credit Losses on Financial Investments	0.1	0.2	(0.1)	(73.7%)
Pre-tax Profit	169.0	201.3	32.3	19.1%
Net Profit After Tax	130.2	150.5	20.4	15.7%

- **Revenue** reduced by 0.5% q-o-q:
 - Net interest income remained flat q-o-q.
 - Non-interest income: -RM2.5mil q-o-q:
 - ✓ Lower treasury & investment income (-RM9.1mil)
 - ✓ Higher client based fee income (+RM6.4mil)
- Lower **operating expenses** by RM10.9mil mainly due to lower professional consultancy fees and other administrative expenses.
- **Pre-provision Operating Profit (PPOP)** increased 3.8% q-o-q to RM236.2mil.
- **Net credit cost** recorded a net charge of RM34.7mil (or 7.1 bps) mainly due to the normalisation of ECL BAU, offset by reversal of ECL overlays.
- **Net profit after tax** increased by 15.7% q-o-q mainly due to lower operating expenses and net credit cost.

Notes:

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



Income Statement	1QFY23 RM mil	1QFY24 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	290.4	305.0	9.3	2.4%
Islamic Net Financing Income	101.7	96.3		
Islamic Non-Financing Income	4.7	4.0	(17.1)	(20.8%)
Non-Interest Income	77.3	60.9		
Net Income*	474.1	466.3	(7.8)	(1.6%)
OPEX	210.6	230.1	(19.5)	(9.3%)
Pre-Provision Operating Profit (PPOP)	263.5	236.2	(27.3)	(10.4%)
Net Credit Cost	(17.3)	34.7	(52.0)	(>100%)
- BAU	24.1	83.0	(58.9)	(>100%)
- Management Overlays	(41.4)	(48.3)	6.9	16.6%
Expected Credit Losses on Financial Investments	(0.1)	0.2	(0.2)	(>100%)
Pre-tax Profit	280.9	201.3	(79.5)	(28.3%)
Net Profit After Tax	212.2	150.5	(61.6)	(29.0%)

- **Revenue** reduced by 1.6% y-o-y:
 - Net interest income: +RM9.3mil or 2.4%, driven by higher loans volume and OPR hikes.
 - Non-interest income: -RM17.1mil y-o-y:
 - ✓ Lower treasury & investment income (-RM13.6mil)
 - ✓ Lower brokerage (-RM2.8mil)
 - ✓ Lower client based fee income (-RM0.7mil)
- **Operating expenses** higher by RM19.5mil mainly from higher personnel expenses and marketing expenses.
- **Pre-provision Operating Profit (PPOP)** reduced by 10.4% y-o-y to RM236.2mil.
- **Net credit cost** recorded a net charge of RM34.7mil (or 7.1 bps) mainly due to the normalisation of ECL BAU, offset by reversal of ECL overlays.
- **Net profit after tax** reduced by 29.0% y-o-y mainly due to higher operating expenses and net credit cost.

Notes:

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



Balance Sheet	Mar 23 RM bil	Jun 23 RM bil	Q-o-Q Change	
			RM bil	%
Total Assets	66.3	67.9	1.6	2.4%
Treasury Assets*	12.4	14.0	1.7	13.5%
Net Loans	47.9	48.6	0.7	1.4%
Customer Deposits	50.8	51.8	1.0	2.0%
Customer Based Funding ⁺	52.5	53.7	1.2	2.3%
CASA Deposits	21.3	22.8	1.5	6.9%
Shareholders' Funds	6.7	6.8	0.0	0.1%
Net Loans Growth (y-o-y)	6.2%	7.8%		
CASA Deposits Growth (y-o-y)	(9.7%)	(6.4%)		
Customer Based Funding ⁺ Growth (y-o-y)	6.8%	6.5%		

- **Net loans** grew by 1.4% q-o-q:
 - **SME loans:** +0.7% q-o-q mainly from Term Loans
 - **Commercial loans:** -1.0% q-o-q
 - **Consumer loans:** +2.3% q-o-q mainly from Classic Mortgage, Personal Loans/Financing and Share Margin Financing
 - **Corporate loans:** +2.0% q-o-q mainly due to higher drawdown from several accounts
- **Customer based funding** grew by 2.3% q-o-q:
 - Fixed deposits increased by RM1.2bil or 4.8% q-o-q,
 - CASA deposits increased by RM1.5bil or 6.9% q-o-q mainly from both SavePlus and conventional CASA, while
 - Money market deposits decreased by RM1.5bil q-o-q.
- **Liquidity coverage ratio:** 163.2% (vs 161.9% in Mar 2023; industry: 155.3%^).

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 2023



Balance Sheet	Jun 22 RM bil	Jun 23 RM bil	Y-o-Y Change	
			RM bil	%
Total Assets	63.1	67.9	4.8	7.5%
Treasury Assets*	11.2	14.0	2.8	25.2%
Net Loans	45.1	48.6	3.5	7.8%
Customer Deposits	48.7	51.8	3.1	6.5%
Customer Based Funding ⁺	50.4	53.7	3.3	6.5%
CASA Deposits	24.3	22.8	(1.6)	(6.4%)
Shareholders' Funds	6.3	6.8	0.4	6.8%
Net Loans Growth (y-o-y)	6.8%	7.8%		
CASA Deposits Growth (y-o-y)	5.3%	(6.4%)		
Customer Based Funding ⁺ Growth (y-o-y)	6.9%	6.5%		

- **Net loans** grew by 7.8% y-o-y:
 - **SME loans:** +13.4% y-o-y mainly from Term Loans
 - **Commercial loans:** +11.7% y-o-y due to higher drawdown from several accounts
 - **Consumer loans:** +7.1% y-o-y mainly from Classic Mortgage, Personal Loans/Financing and Share Margin Financing
 - **Corporate loans:** -1.4% y-o-y mainly due to higher repayment from several accounts
- **Customer based funding** grew by 6.5% y-o-y:
 - Fixed deposits increased by RM5.4bil or 25.5% y-o-y, while
 - Money market deposits decreased by RM0.7bil y-o-y,
 - CASA deposits decreased by RM1.6bil or 6.4% y-o-y mainly from both SavePlus and conventional CASA.
- **Liquidity coverage ratio:** 163.2% (vs 162.9% in Jun 2022, industry: 155.3%^).

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 2023

	Financial Ratios	1QFY23	4QFY23	1QFY24
Shareholder Value	Return on Equity	13.5%	8.2%	9.1%
	Earnings per Share	13.7sen	8.4sen	9.7sen
	Net Assets per Share	RM4.09	RM4.36	RM4.36
Efficiency	Net Interest Margin	2.57%	2.52%	2.43%
	Non-Interest Income Ratio	17.3%	14.4%	13.9%
	Cost to Income Ratio	44.4%	51.4%	49.3%
Balance Sheet Growth	Net Loans (RM bil)	45.1	47.9	48.6
	Customer Deposits (RM bil)	48.7	50.8	51.8
	Customer Based Funding (RM bil)	50.4	52.5	53.7
Asset Quality	Net credit cost (basis points)	-3.7	11.9	7.1
	Gross Impaired Loans Ratio	1.8%	2.5%	2.6%
	Net Impaired Loans Ratio	1.2%	1.4%	1.4%
	Loan Loss Coverage Ratio^	133.2%	123.7%	120.0%
Liquidity	CASA Ratio	50.0%	41.9%	43.9%
	Loan to Deposit Ratio	94.8%	96.5%	96.1%
	Loan to Fund Ratio	85.3%	87.4%	85.8%
	Liquidity Coverage Ratio	162.9%	161.9%	163.2%
Capital	Common Equity Tier 1 Capital Ratio	15.4%	14.5%	13.7%
	Tier 1 Capital Ratio	16.7%	15.3%	14.6%
	Total Capital Ratio	20.9%	19.4%	18.5%

Note: ^ Loan Loss Coverage includes Regulatory Reserve provision [excluding Regulatory Reserve: 97.2% at 1QFY24 (vs. 102.8% at 4QFY23)]





Thank You.

ALLIANCE BANK

29-August-23 1QFY24 ABMB Analyst Briefing

Disclaimer: This presentation has been prepared by Alliance Bank Malaysia Berhad (the “Company”) for information purposes only and does not purport to contain all the information that may be required to evaluate the Company or its financial position. No representation or warranty, expressed or implied, is given by or on behalf of the Company as to the accuracy or completeness of the information or opinions contained in this presentation.

This presentation does not constitute or form part of an offer, solicitation or invitation of any offer, to buy or subscribe for any securities, nor should it or any part of it form the basis of, or be relied in any connection with, any contract, investment decision or commitment whatsoever.

The Company does not accept any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.

For further information, please contact:

Alliance Bank Malaysia Berhad
31st Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel: (6)03-2604 3333
<http://www.alliancebank.com.my/InvestorRelations>

Investor Relations
Email: investor_relations@alliancefg.com