



ALLIANCE BANK

**ANALYST BRIEFING**

**1H FY2019**

**29 November 2018**

**BUILDING  
ALLIANCES  
TO IMPROVE LIVES**

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### **1HFY19 Financial Performance**

- Key Results
- Revenue and Profitability
- Effective Risk Management

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### **Going Forward**

- Our Strategy
  - ✓ FY19 Ambition
  - ✓ FY19 YTD Progress

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### **Appendix - Financial Results:**

- 1HFY19

## 1HFY19 Performance Highlights

**1**

### Key Results

- **NPAT at RM276.9 million, up 7.4% y-o-y**
- **ROE at 10.2%** (in line with guidance)
- **1st interim dividend of 8.5 sen** (payout of 48%)

**2**

### Revenue and Profitability

- **Overall revenue grew 2.5% y-o-y**
- **Underlying net interest income, up 5.4% y-o-y (reported: 6.8% y-o-y)**
  - ✓ **Gross loans up 5.2% y-o-y** (Better risk-adjusted return loans grew 24.7% y-o-y)
  - ✓ **Net interest margin improved to 2.44%, top 2 in the industry**
- **Cost to income ratio at 46.8%** (guidance <50%)

**3**

### Effective Risk Management

- **Customer based funding** grew 0.7% y-o-y
- **Liquidity coverage ratio** at 167.7%, better than industry average
- **Net credit cost** for 1HFY19 improved to 14.3 bps y-o-y (Annualised 28.6 bps)
- **Gross impaired loan ratio** improved to 1.37% q-o-q
- Sustainable **capital position**

**4**

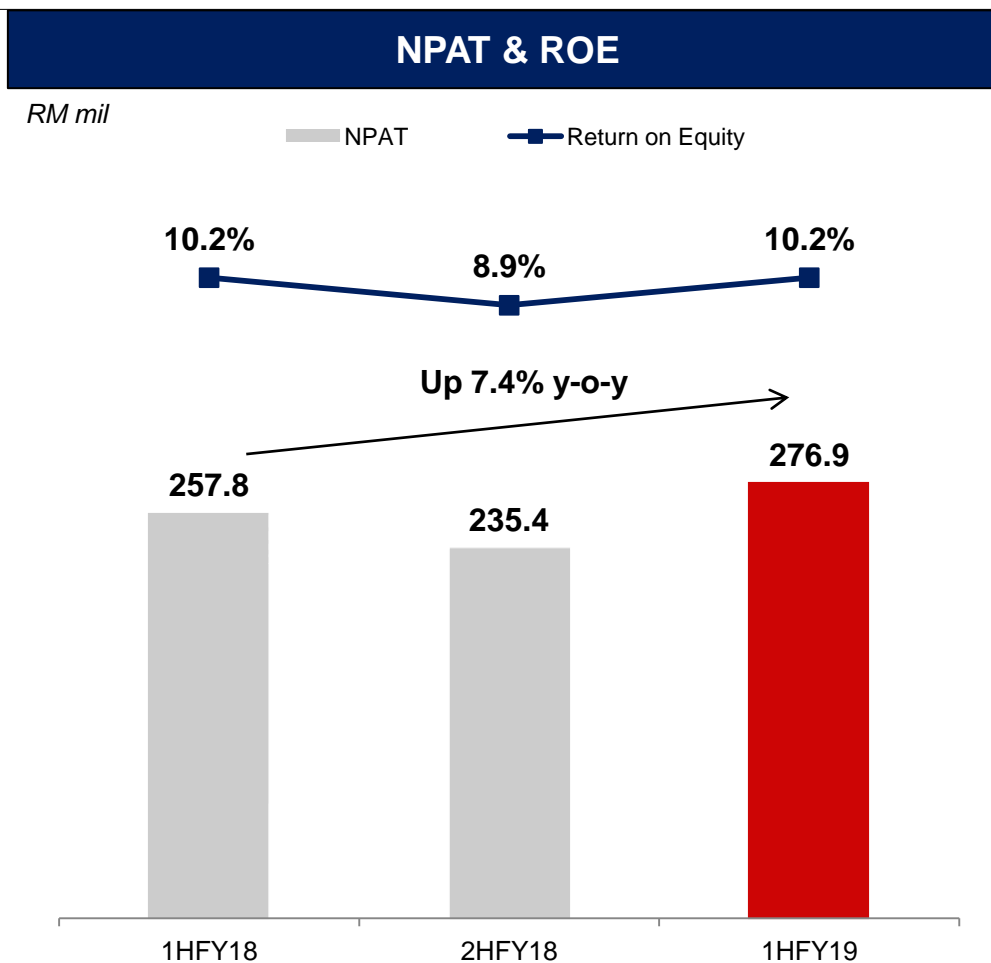
### Transformation Progress

- **Alliance One Account:** 1HFY19 loan growth of RM1.0 billion to RM2.1 billion
- **SME Expansion:** 1HFY19 loan disbursements grew by 45% y-o-y to RM1.0 billion
- **Alliance@Work:** Acquired >12,000 local employee CASA and 490 new company payroll accounts YTD

## NPAT grew 7.4% y-o-y; ROE at 10.2%

a) 1HFY19 Net Profit After Tax (NPAT) grew 7.4% y-o-y to RM276.9 million

b) ROE at 10.2% (in line with guidance)

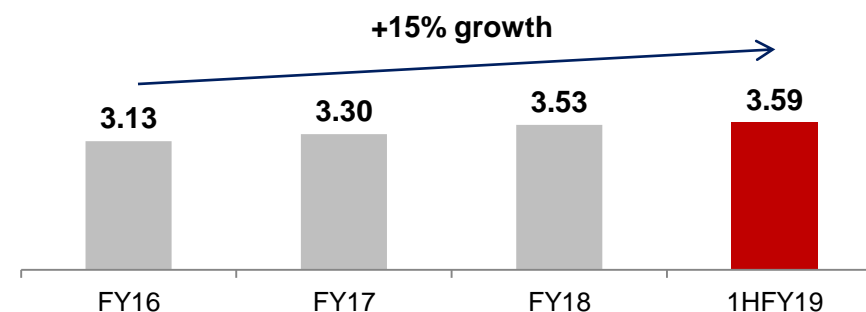


## Enhanced shareholder value: 48% dividend payout ratio

- a) Net assets per share continued to grow to RM3.59
- b) Maintaining dividend payout of 48% (FY18: 48%):
  - First interim dividend of 8.5 sen

### Net Assets per share

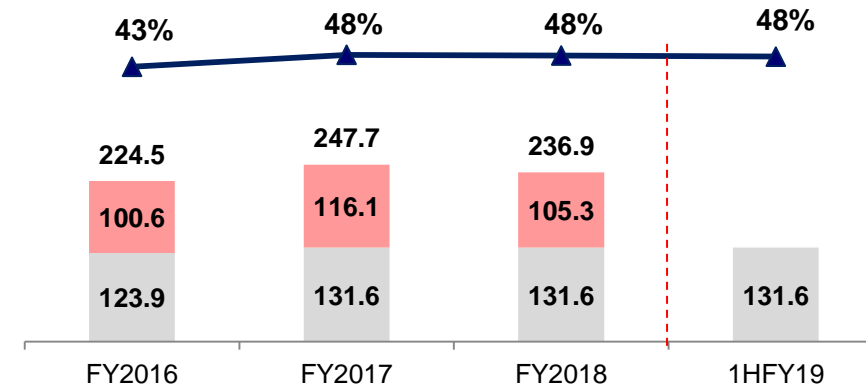
RM



### Dividend Paid and Payout Ratio

RM mil

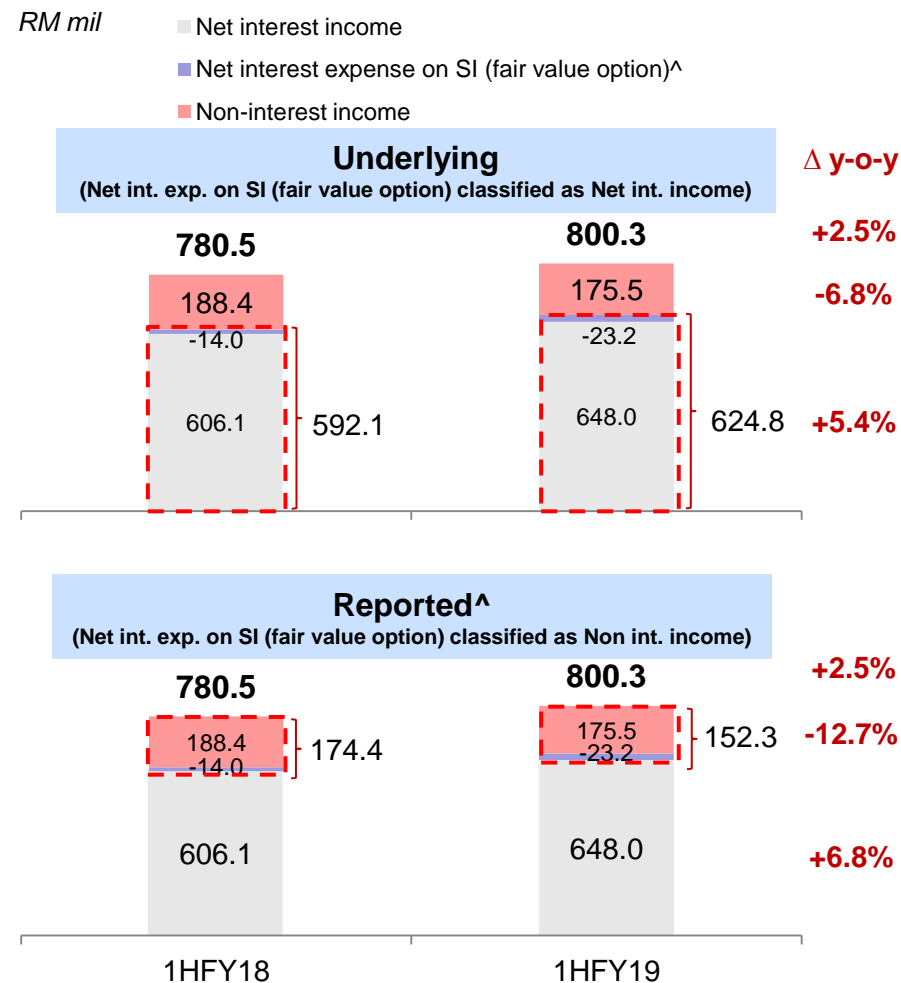
■ 1st Interim ■ 2nd Interim ▲ Dividend Payout Ratio



## Underlying net interest income up 5.4% y-o-y (reported: 6.8% y-o-y)

- a) Overall revenue grew 2.5% y-o-y
- b) 1HFY19 underlying net interest income grew 5.4% y-o-y (reported: 6.8% y-o-y) mainly driven by:
  - Better risk adjusted return (“RAR”) loans growth
  - Higher net interest margin
- c) Reported non-interest income declined 12.7% y-o-y:
  - Lower underlying non-interest income by RM12.9 million:
    - Lower FX trading income by RM9.8 million
    - Lower wealth management by RM3.3 million
  - Higher net interest expense on structured investment (fair value option)^ by RM9.2 million

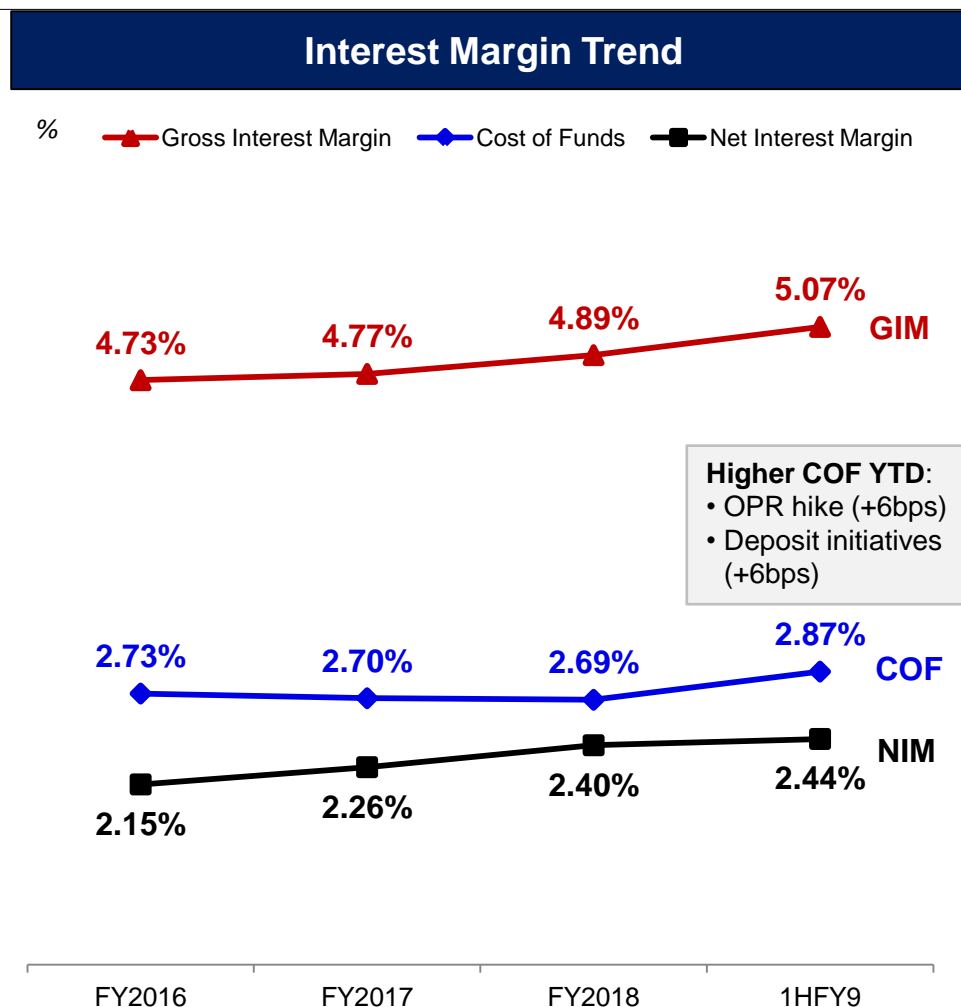
### Net & Non Interest Income Growth Trend



^Net interest expense on Structured investment (SI) (fair value option) has been reclassified to non-interest income from net interest income arising from MFRS9 Consequential Amendments to MFRS 101 Presentation of Financial Statements effective FY2019.  
Revenue includes Islamic Banking Income

## NIM improved to 2.44%, top 2 in the industry

- a) YTD NIM: +4bps to 2.44% (in line with guidance)
- b) YTD GIM: +18 bps, due to yield improvement from better RAR loans and OPR hike impact (Jan-18)
- c) YTD COF: +18 bps, due to the full YTD effect of end FY18 deposit initiatives and higher funding rate post OPR hike



## Better risk adjusted return loans grew 24.7% y-o-y (mix: 39% of portfolio)

a) Y-o-Y overall loans growth (+5.2%):

- Better risk adjusted return ("RAR") loans: +24.7%
- Lower RAR loans: -4.5%

b) Improved loan mix:

- Better RAR loans (39% of portfolio): mainly driven by growth in Alliance One Account

c) Portfolio RAR improved 10 bps to 1.19% (1HFY18: 1.09%)

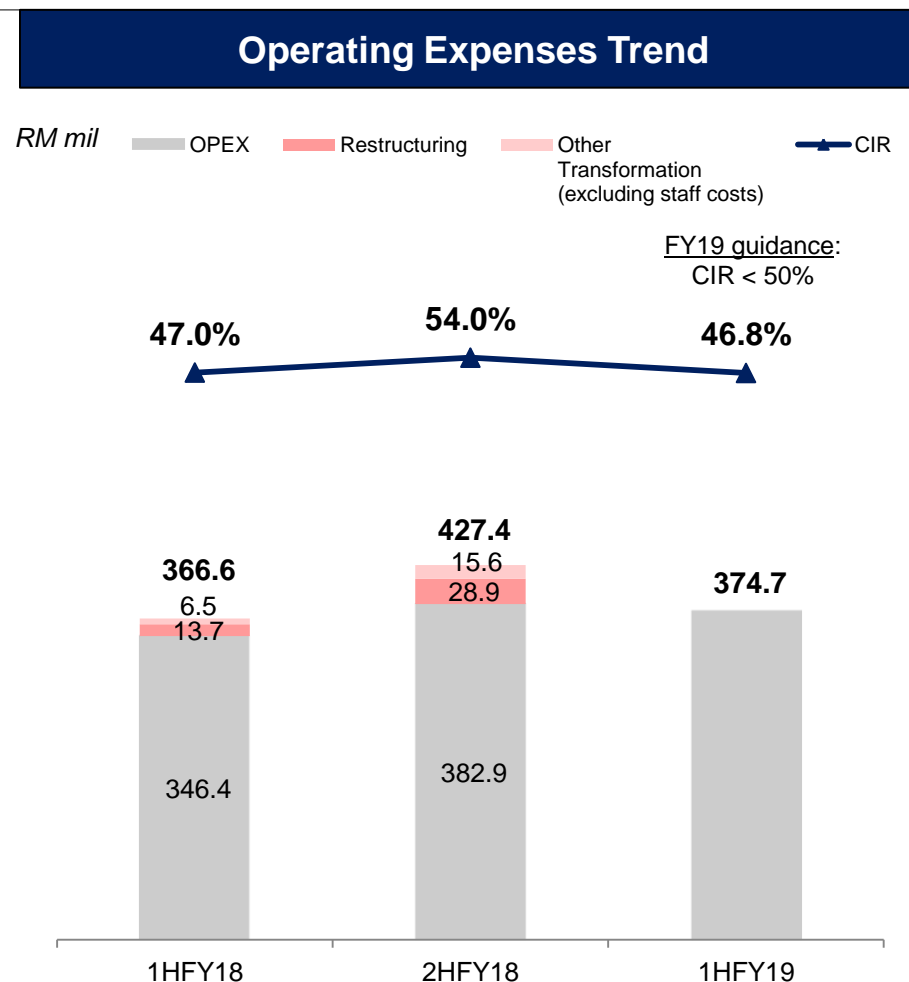
Gross Loans				
	1HFY18 Gross Loans (RM 'bil)	1HFY19 Gross Loans (RM 'bil)	YoY Loans Growth (RM 'bil)	Y-o-Y Loans Growth %
SME & Commercial	9.7	10.6	0.9	
Consumer Unsecured	2.0	2.4	0.4	
Share Margin	0.9	1.0	0.1	
Alliance One Account	0.3	2.1	1.8	
<b>Better RAR loans</b>	<b>12.9</b>	<b>16.1</b>	<b>3.2</b>	<b>+24.7%</b>
	<b>FY15: 27%</b>	<b>33%</b>	<b>39%</b>	
Mortgage	17.5	16.3	(1.2)	
Biz Premises	2.7	2.7	-	
Hire Purchase	0.6	0.4	(0.2)	
Corporate	5.1	5.4	0.3	
<b>Lower RAR Loans</b>	<b>25.9</b>	<b>24.8</b>	<b>(1.1)</b>	<b>-4.5%</b>
	<b>FY15: 73%</b>	<b>67%</b>	<b>61%</b>	

*Note: RAR: Net Interest Margin less (Direct Variable Cost + Trailing 12M Credit Cost) ÷ Average Loan Balance*



## Cost to income ratio improved to 46.8%

- a) 1HFY19 cost to income ratio at 46.8%, better than industry average
- b) Operating expenses increased 2.2% y-o-y mainly due to higher personnel and marketing expenses
- c) FY19 cost to income ratio guidance: <50%



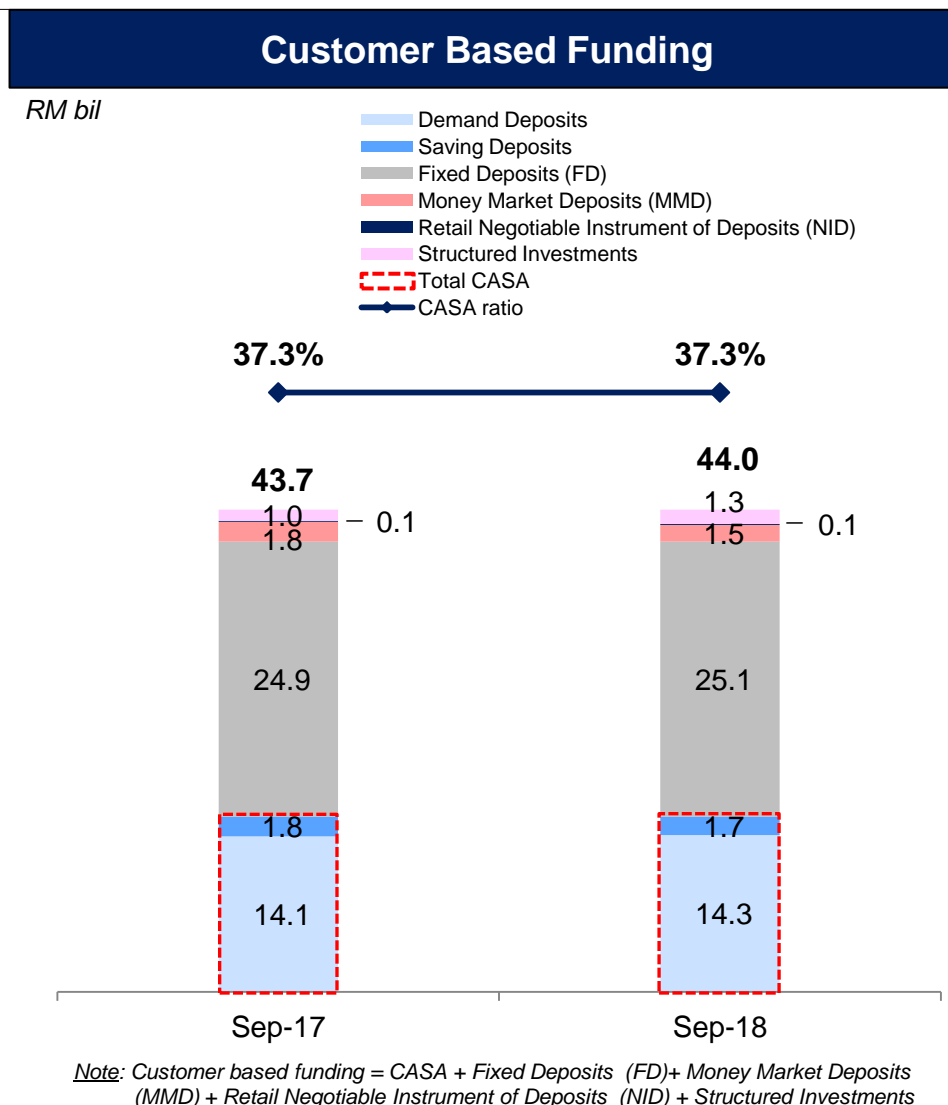
## Customer based funding grew 0.7% y-o-y

a) Customer based funding grew 0.7% y-o-y:

- CASA ratio at 37.3% (excluding Saveplus: 35.6%)
- Structured investments: +24.0% y-o-y

b) Key deposits initiatives:

- Alliance SavePlus: +RM448 million YTD
- Alliance@Work (company payroll & employee CASA): +RM65 million YTD



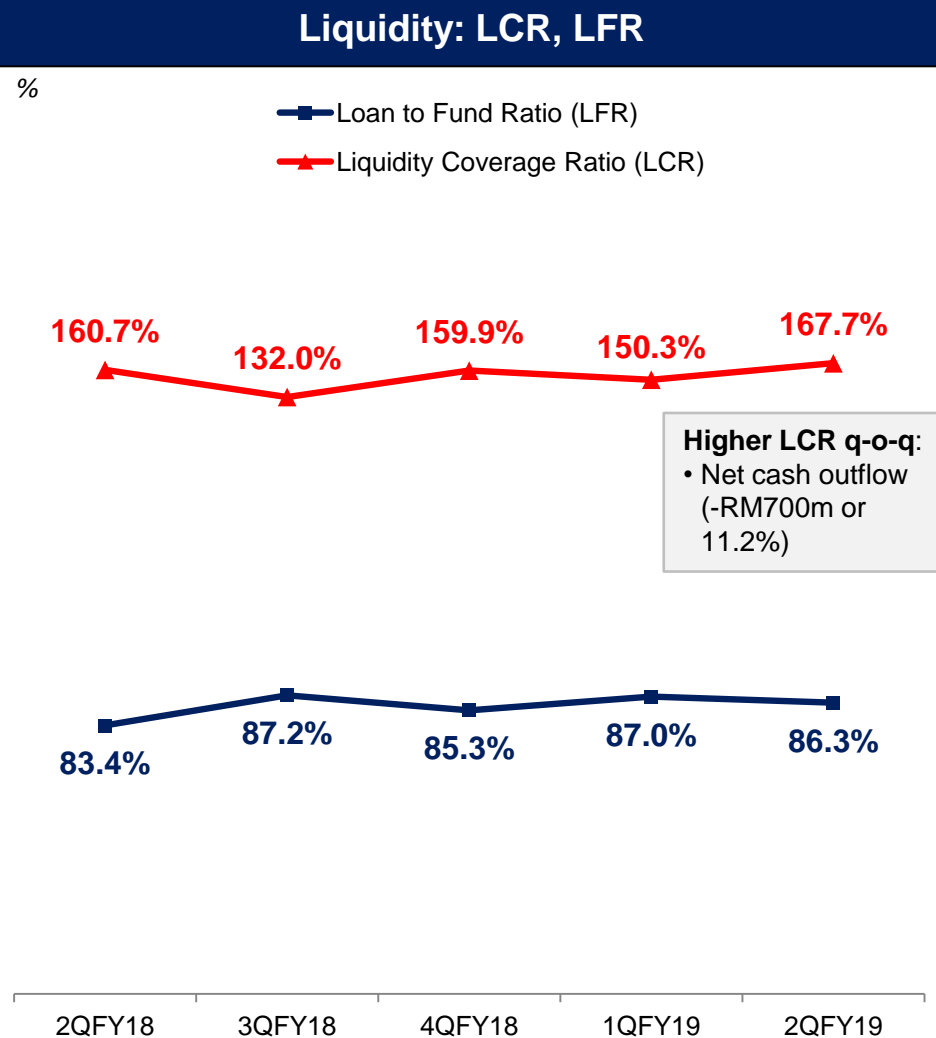
## Liquidity coverage ratio increased to 167.7%

### a) Healthy liquidity position:

- Liquidity coverage ratio<sup>1</sup> at 167.7% (industry\*: 139.5%)
- Loan to fund ratio<sup>2</sup> at 86.3% (industry#: 86.7%)

### b) Net stable funding ratio (NSFR):

- Proforma NSFR is already above 100%



#### Notes:

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

<sup>2</sup> Loan to Fund Ratio is based on Funds comprising Customer Deposits, structured investments and other deposits and all debt instruments (such as senior debt and subordinated debt)

\* Based on BNM Monthly Statistical Bulletin September 2018

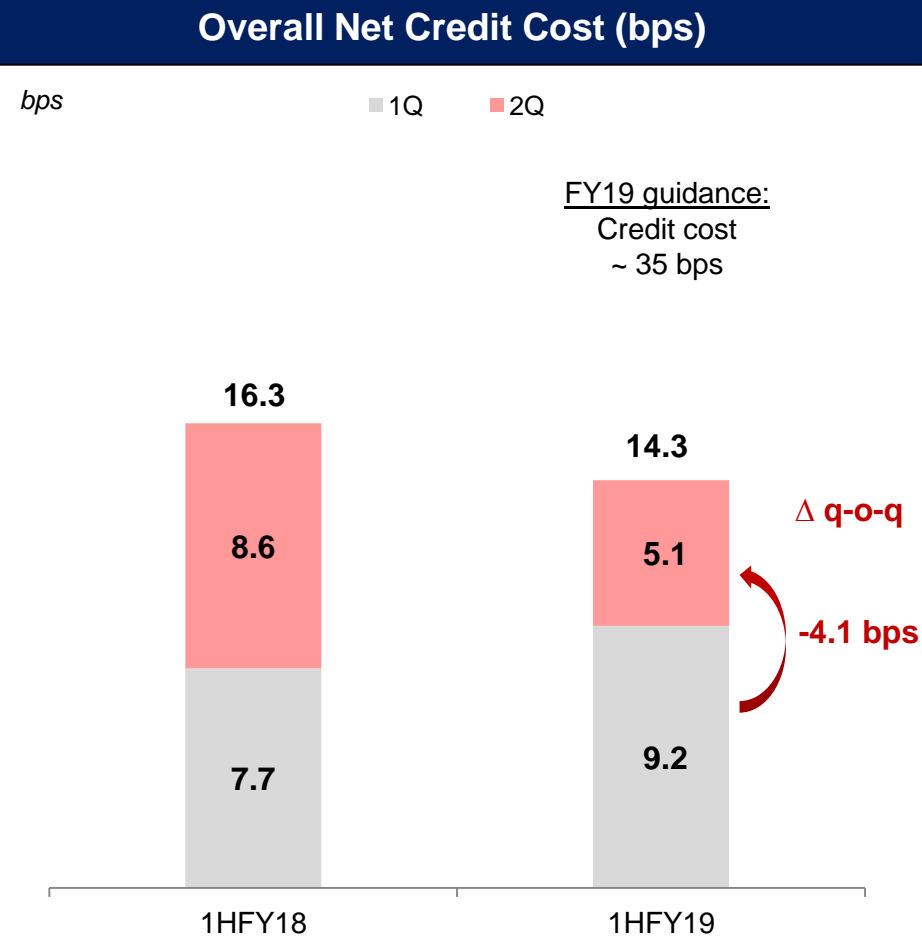
# Based on Jun'18 local peers' average

## 1HFY19 Net credit cost improved to 14.3 bps

a) 1HFY19 net credit cost: 14.3 bps (Annualised: 28.6 bps)

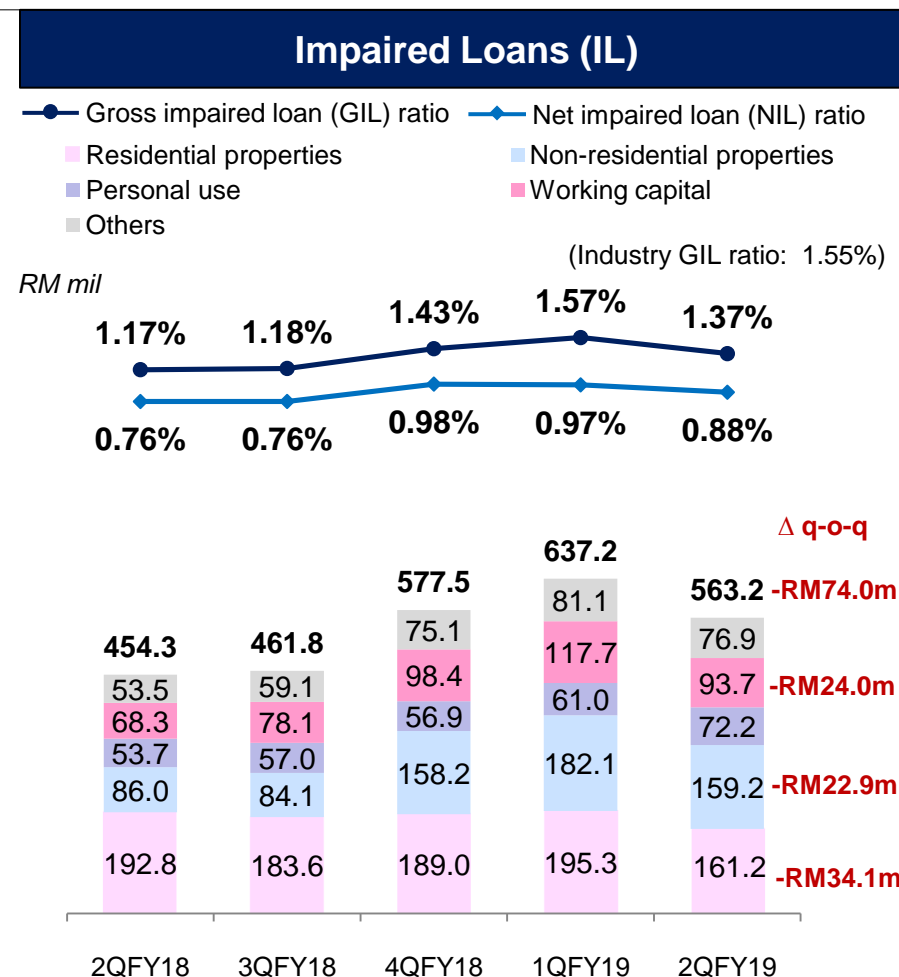
b) Lower credit cost in 2QFY19: -4.1 bps q-o-q or -RM16.3 million q-o-q, due to write back from:

- Repayment of several major business accounts
- Regularised mortgage accounts to zero arrears (through collections incentive programme)



## Gross impaired loans (GIL) ratio improved to 1.37% (3<sup>rd</sup> lowest in the industry)

- a) 2QFY19 GIL ratio improved to 1.37% q-o-q
- b) GIL down RM74.0 million q-o-q, mainly due to:
  - Repayment of several major business accounts in non-residential properties & working capital
  - Regularised accounts in residential properties portfolio
- c) GIL are mostly secured, the remaining unsecured portion has been provided

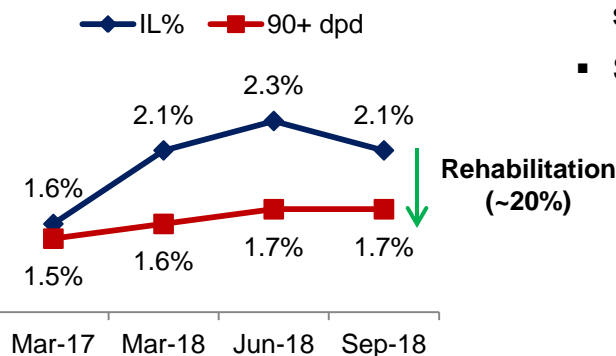


## Proactive credit risk management - Business Segment

**1**

### SME Programme

#### Impairment Performance



- Impairment was on the uptrend since Mar-17 but has stabilised after Jun-18
- Uptick is driven by weak consumer spending & delayed collections
- Sep-18 loan balances: RM4.8 billion

### Portfolio Overview

### Mitigating Proactive Actions

**a**

#### Origination

- Implemented revised scorecard for SME Programme and new scorecard for mono products

**b**

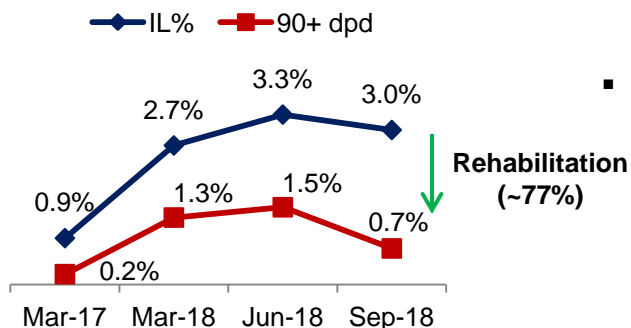
#### Portfolio Management

- Enhanced early warning process with new triggers
- Intensified monthly collection efforts

**2**

### Business Premises Financing

#### Impairment Performance



- Deterioration mainly from accounts booked before policy tightening in 2014 (Disband sales force)
- Very small proportion of new bookings for investment purpose post policy tightening
- Sep-18 loan balances: RM2.5 billion

**a**

#### Origination

- Tightened Margin of Financing for investment related financing
- Increased DSR threshold

**b**

#### Portfolio Management

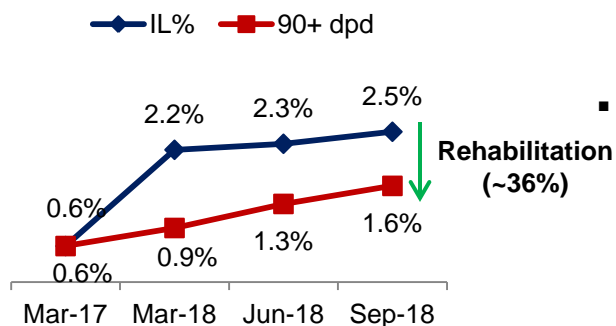
- Up-scaling resources to manage and enhance SME data quality and analytics capability

## Proactive credit risk management - Business Segment

**3**

### Equipment Hire Purchase

#### Impairment Performance



- EHP is a relatively small portfolio and IL were mainly from construction industry
- Very selective in new bookings (temporarily suspended bookings from construction and related industry)
- Sep-18 loan balances: RM0.6 billion

### Portfolio Overview

### Mitigating Proactive Actions

**a**

#### Origination

- Customer group exposure capped at RM10mil
- Introduced risk tiered maximum exposure limit

**b**

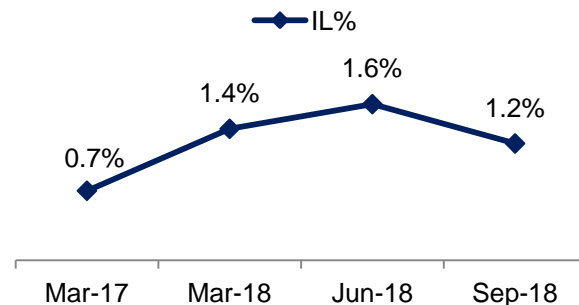
#### Portfolio Management

- Enhanced early warning process with new triggers
- Intensified monthly collection efforts

**4**

### Corporate & Commercial

#### Impairment Performance



- Impairment has improved since Jun-18 mainly due to repayment of several major accounts
- No concentration in any particular industry

**a**

#### Origination

- Enhanced underwriting standards for real estate in line with BNM Credit Policy
- Very selective in new property and construction-related proposals

**b**

#### Portfolio Management

- Ongoing portfolio reviews, particularly in real estate
- Proactive R&R initiatives for viable customers

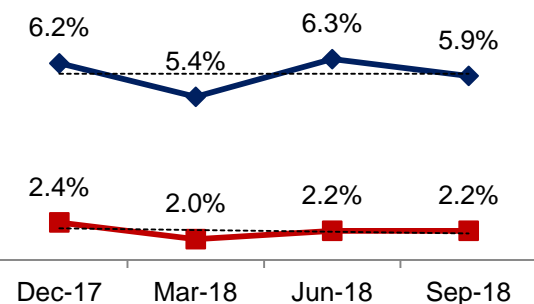
## Proactive credit risk management - Consumer Segment

**5**

### Personal Financing

#### Delinquency Performance

◆ 30+ dpd Lagged ■ 90+ dpd Lagged



- Stable portfolio risk quality with stable delinquency trends
- Policy tightening since Jun-17

### Portfolio Overview

### Mitigating Proactive Actions

**a**

#### Origination

- Tightened underwriting policies for higher risk segments

**b**

#### Portfolio Management

- Increased front-end collections capacity
- To implement collections auto-dialer

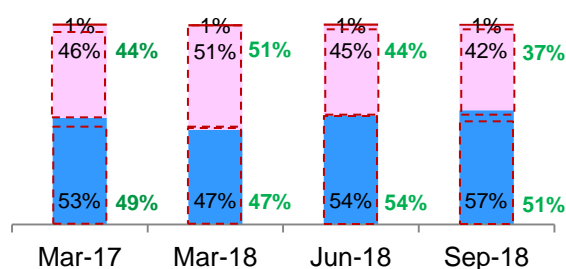
**6**

### Mortgages (including AOA)

#### New Origination by Risk Level

■ Low Risk ■ Medium Risk ■ High Risk

AOA Risk Level



- Stable quality for overall portfolio
- AOA is still relatively young vintage; ~84% of AOA new origination are low / medium risk profile
- AOA's medium risk profile origination has been on a reducing trend

**a**

#### Origination

- Stricter valuation requirements
- Revised overdraft amortization policy
- Revised Debt-Service-Ratio (DSR) computation for refinancing

**b**

#### Portfolio Management

- Enhancing OD line management strategy



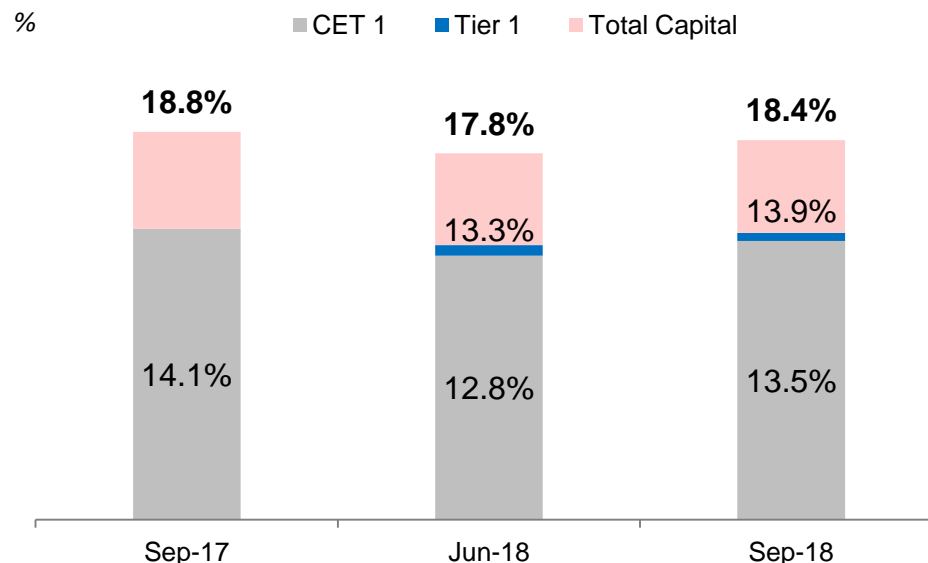
## Sustainable capital position

a) Continued strong capital position:

- CET-1 ratio: 13.5%
- Tier 1 ratio: 13.9%
- Total capital ratio: 18.4%

b) With proactive capital management, capital ratios will continue to be supportive of future business expansion

### Capital Position



Capital Ratios (after proposed dividends)	Alliance Bank Group (ABG)	Alliance Bank (ABMB)	Alliance Islamic Bank (AIS)	Alliance Investment Bank (AIB)
CET 1 Capital Ratio	13.5%	11.5%	11.8%	100.5%
Tier 1 Capital Ratio	13.9%	12.0%	11.8%	100.5%
Total Capital Ratio	18.4%	17.0%	14.7%	101.5%

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### **Appendix - Financial Results:**

- 1HFY19

## Where we are in the transformation journey

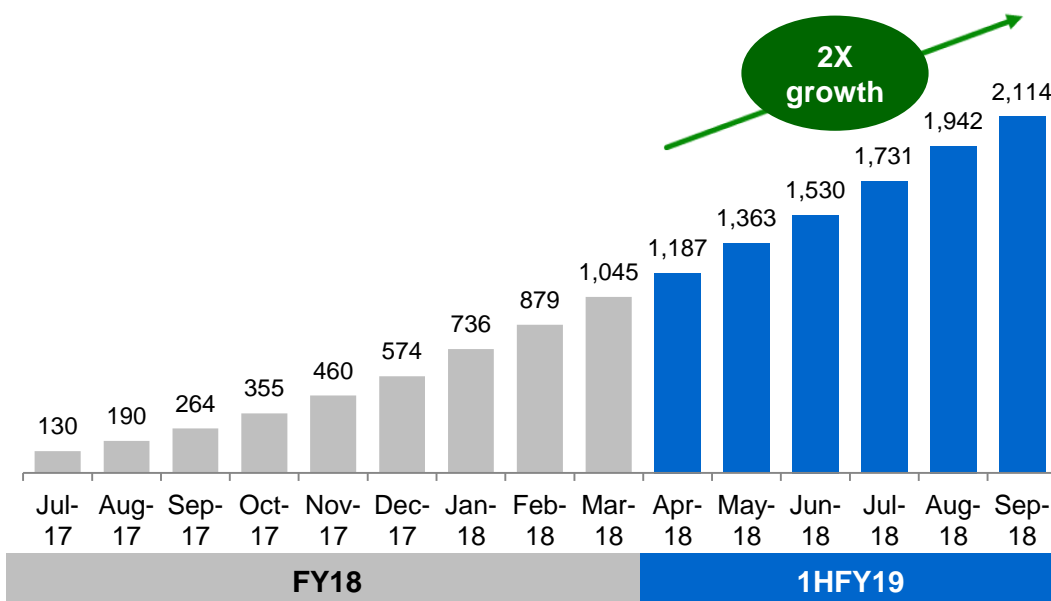
	FY19 Ambition		FY19 YTD Progress
1 AOA	<ul style="list-style-type: none"> <li>Loan balances of RM4.2 billion in FY19 (Loan disbursements of RM4.16 billion)</li> </ul>	➤	<ul style="list-style-type: none"> <li><b>Doubled AOA loan balances to &gt;RM2.1 billion from RM1.0 billion in Mar18</b></li> <li><b>YTD 1H FY19 loan disbursement at RM1.2 billion; 4X higher than 1H FY18</b></li> <li><b>Guidance: Loan balances of RM3.7 billion (3X higher y-o-y)</b></li> </ul>
2 SME	<ul style="list-style-type: none"> <li>Loan balances of RM9.4 billion in FY19 (Loan disbursement of RM3.4 billion)</li> </ul>	➤	<ul style="list-style-type: none"> <li><b>YTD 1H FY19 loans disbursements at RM1.1 billion (+45% vs. 1H FY18)</b></li> <li><b>Increased RM productivity for loan acceptance by 25% (1H FY19 vs. 1H FY18)</b></li> <li><b>Guidance: Loan balances of RM8.7 billion (+10.5% y-o-y)</b></li> </ul>
3 Alliance@Work	<ul style="list-style-type: none"> <li>&gt;<b>20,000</b> new local employee CASA accounts</li> <li>&gt;<b>1,000</b> new company payroll accounts</li> </ul>	➤	<ul style="list-style-type: none"> <li><b>YTD 1H FY19: &gt;12,000 new local employee accounts opened</b></li> <li><b>Monthly run-rate of &gt;2,000 new CASA accounts</b></li> <li><b>Acquired &gt;490 new company payroll accounts YTD</b></li> </ul>
4 Digital	<ul style="list-style-type: none"> <li><b>Digitizing key processes at branches</b> to improve customer experience (e.g. CASA STP account opening), and driving mobile banking usage</li> </ul>	➤	<ul style="list-style-type: none"> <li><b>YTD: &gt;20,000 mobile banking users</b></li> <li><b>Piloted CASA STP account opening since Oct '18. Full launch in 4Q FY19</b></li> </ul>

## 1 Alliance One Account: YTD progress update

- 1HFY19: Doubled AOA loan balances to >RM 2 billion within 6 months

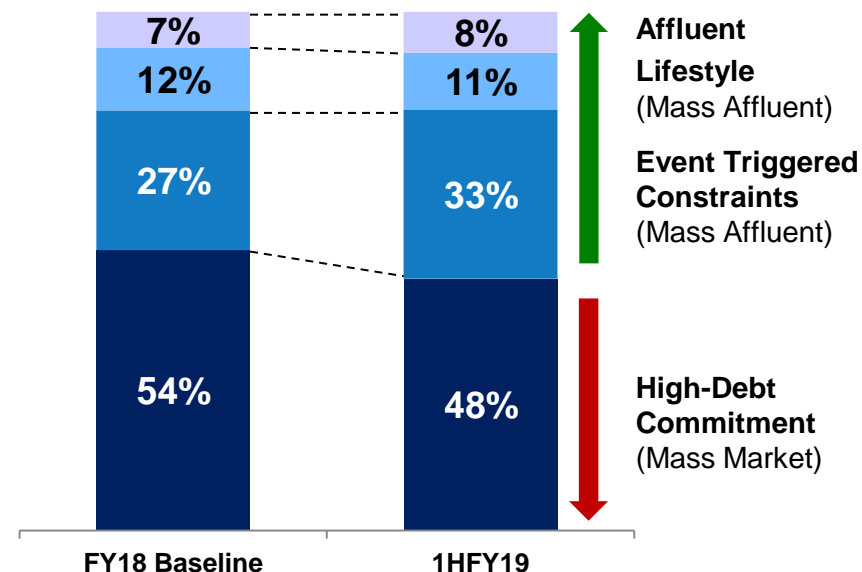
	1HFY18	1HFY19	Growth (%)
Loan approval (YTD)	RM816 mil	RM1,882 mil	131%
Loan disbursements (YTD)	RM301 mil	RM1,244 mil	313%

Loan Balances / ENR (RM mil)



Shift in AOA Segment Mix

- Proportion of mass affluent / affluent customers has gone up from 46% (March '18) to 52% (as at Sep '18)



**1 Alliance One Account: YTD progress update****Current Progress****Better Leads***"Target the right customers"*

- **Partner-In-Sales (PIS)**
  - **Microsite** launched on April 2018
  - **860 partners signed-up**
  - **14%** contribution to **loan approval** from Jul to Sep '18
- Enhanced Digital marketing target segment & approach;
  - Conversion rate **doubled** from **0.9% in FY18 to 2.1% in YTD FY19**

**Process STP / Automation***"Simple process for staff and customers"*

- **Mobile CRM Lead Management** for auto-routing of leads to sales persons in real time (Dec '18)
- **Sales rework rate reduced from 42% (Mar'18) to 35% (Sep'18)**
- **Loan process re-engineering assessment** kick-started in Sep '18

**People / Training***"Equipping staff to be high performers"*

- **6-days structured on-boarding program** to train all new hires since May '18
- On-going **advanced credit and product refresher workshops** (completed 6 sessions)
- **Long Term Rewards & Elite Club** (4QFY19)
- **Scaling up sales force** from **107 to 185 (YTD HC is 132; recruited 25 net of attrition)**

**Credit***"Improve credit management to balance growth vs. credit losses"*

- **Revision in OD amortization policy** (from 5 to 15 years before end of loan)
- **Revised DSR computation** to include OD 100% principal & interest amortization over max 10 years
- **Enhance OD line management**, using quarterly bureau data, CTOS score, account utilization

**2**

## SME Expansion: YTD progress update

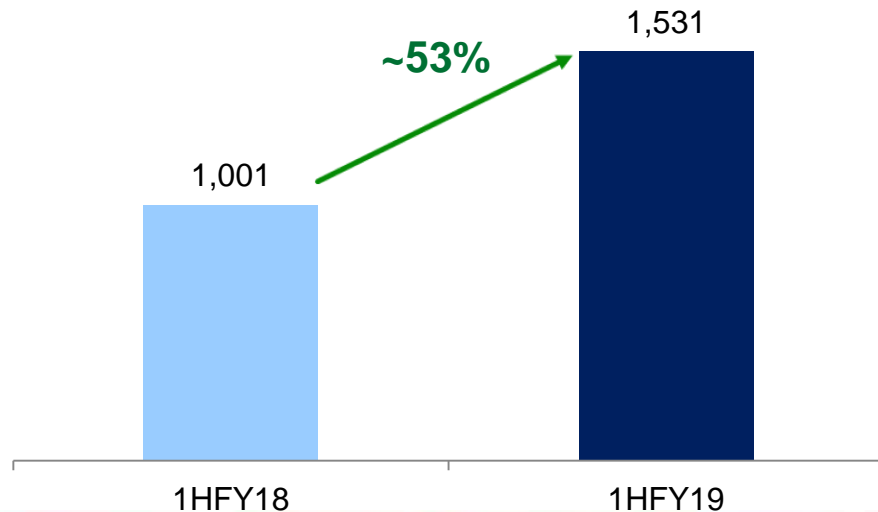
- Results for 1HFY19: Increased RM productivity for loan acceptance by 25% (1HFY19 vs. 1HFY18)

	1HFY18	1HFY19	Growth (%)
Loan acceptance (YTD)	RM1,001 mil	RM1,531 mil	53%
Loan disbursements (YTD)	RM753 mil	RM1,089 mil	45%

### SME Loan Acceptance (RM mil)

- 1HFY19 Loan acceptance: ~RM1,531 mil (+RM530 mil y-o-y)

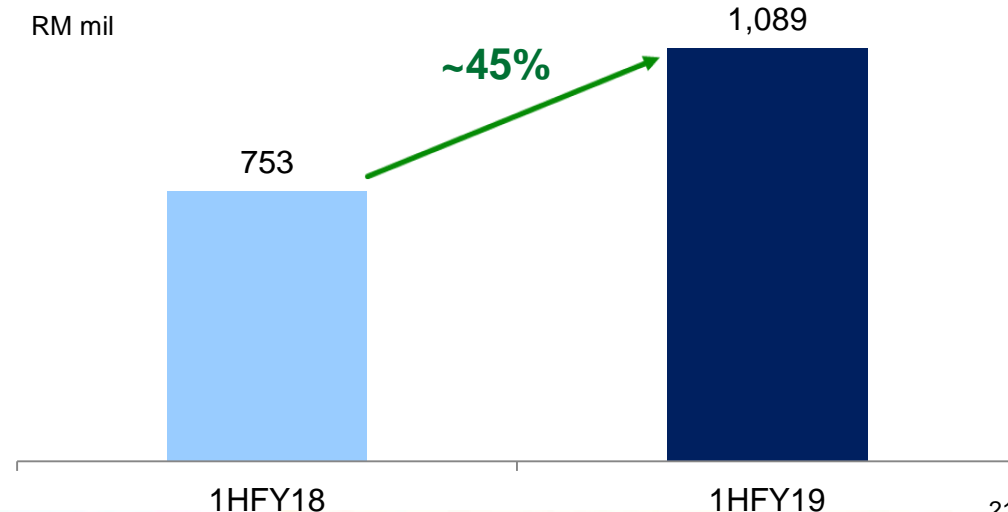
RM mil



### Loan Disbursements (RM mil)

- 1HFY19 disbursements: ~RM1,089 mil YTD

RM mil



**2****SME Expansion: YTD progress update****Current Progress****Better Leads***"Target the right customers"*

- Targeting **existing non-borrowing customers using propensity models** via partnership with a Fintech that specializes in machine learning (proof of concept: Dec' 18 / Jan' 19)

**Process STP / Automation***"Simple process for staff and customers"*

- Launched New Loan Origination System Phase 1 (July '18) with **95% new cases now originated through the new system**

**People / Training***"Equipping staff to be high performers"*

- Introduced **7 days** enhanced on-boarding & **5 days** credit training
- **>70% of RMs** completed the **4 days advanced credit training**
- **Recruited 13 out of 29 additional SME acquisition RMs** in high potential locations
- New SME sales coach on-boarded since Aug 2018 to strengthen product knowledge and sales management
- New SME **Alliance Way Program** (systematic way of approaching customers) in Q4FY19

**Credit***"Improve credit management to balance growth vs. credit losses"*

- Implemented **early warning system** by Oct'18, with **3.5X higher predictability** based on observed default rate (ODR)
- **Streamlined and simplified** manual reports **via automation and new dashboard** for both collection and remedial to enable better problem credit management
- **Intensified monthly Collections forum**

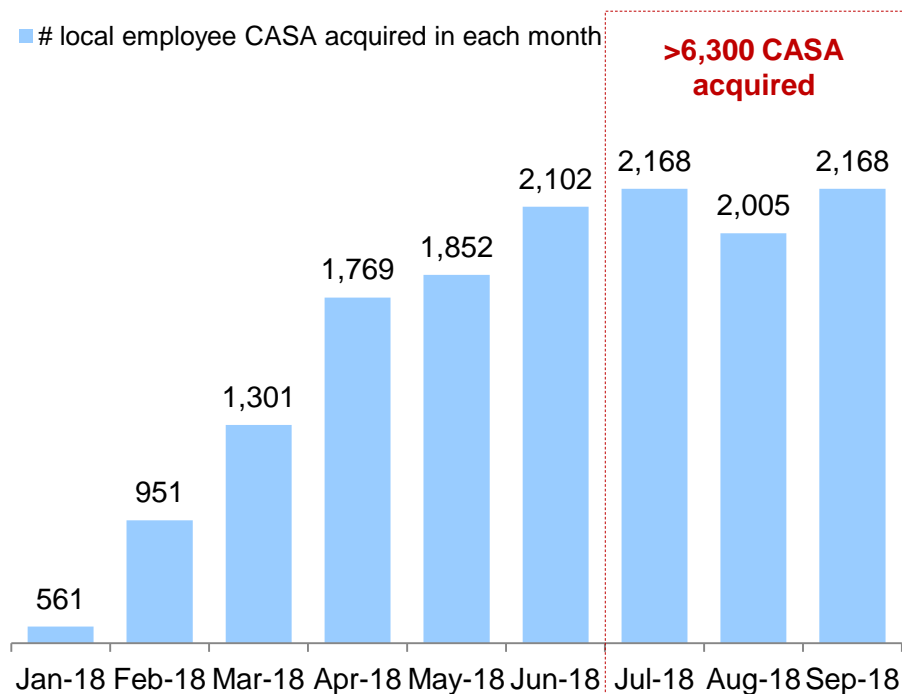
**3**
**Alliance@Work: YTD progress update**

- Results for 1HFY19: **Monthly run-rate of >2,000 local employee CASA**
  - Local employees acquisition: >12,000
  - New company payroll accounts: >490
- Launched digital on-boarding (through assisted e-KYC) of local employees via our new mobile banking app in Aug '18

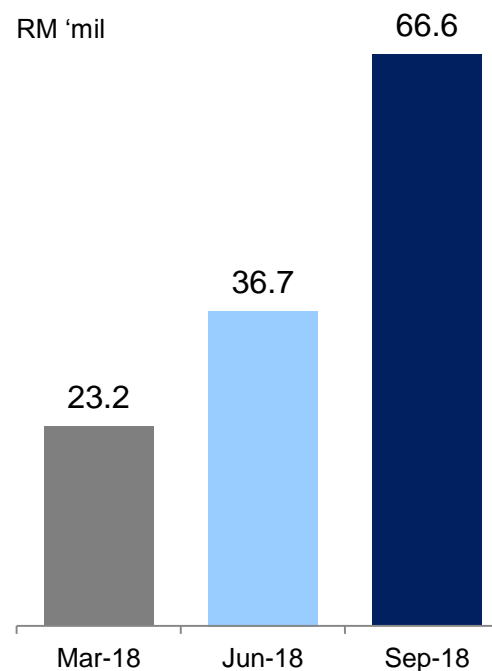
**Local Employees CASA Acquisition**

- YTD New Local Employee CASA acquisition: >12,000**

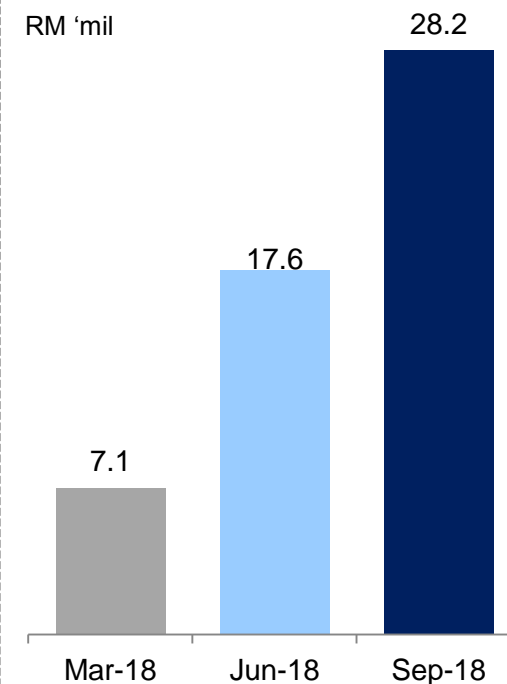
■ # local employee CASA acquired in each month


**Consumer CASA Balance**

RM 'mil


**Business CASA Balance**

RM 'mil





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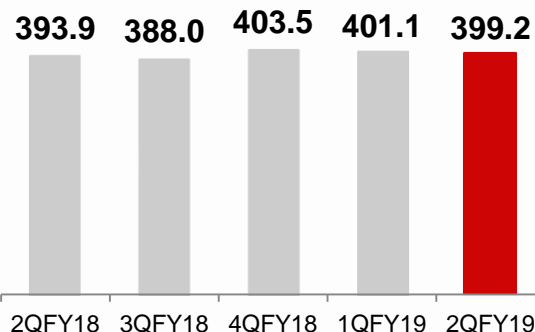
- 1HFY19

## Net profit after tax: RM140.5 million

### Revenue

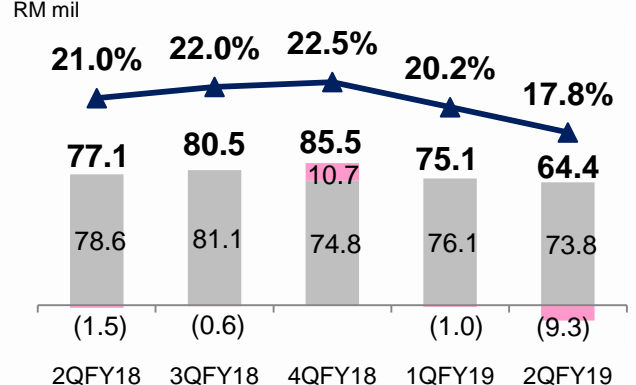
RM mil

4QFY18: One-off realised gain from Available-For-Sale investment (RM18.1m)



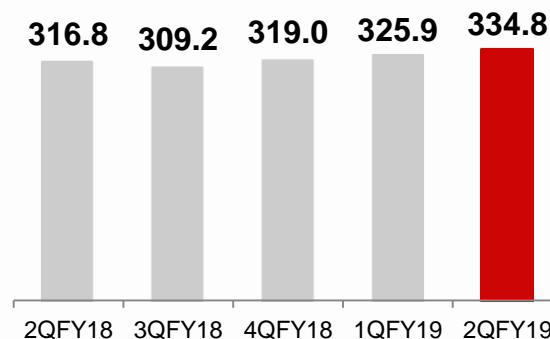
### Non Interest Income^ & NOII Ratio

RM mil



### Net Interest Income & Islamic Banking Income

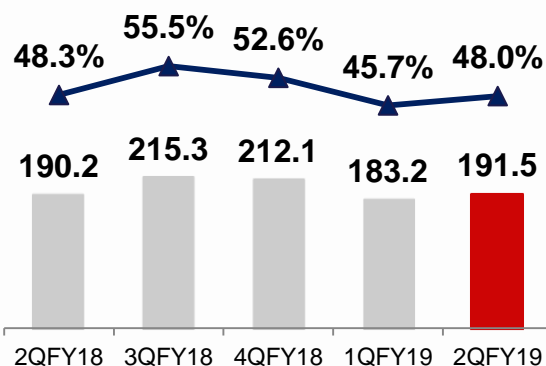
RM mil



### Operating Expenses & CIR Ratio

RM mil

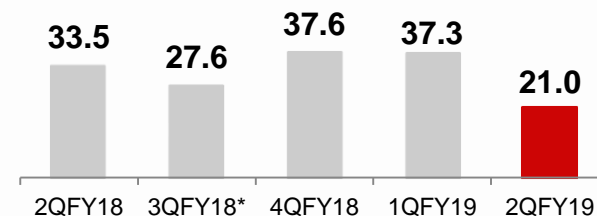
OPEX CIR



### Credit Cost

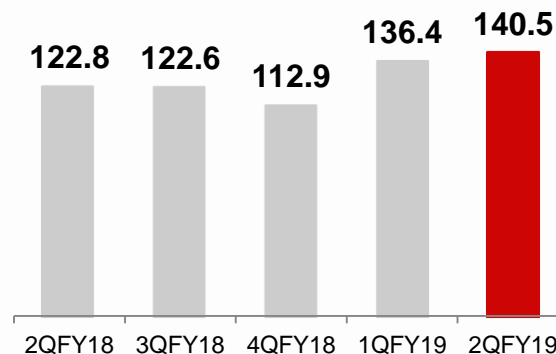
RM mil

	2QFY18	3QFY18*	4QFY18	1QFY19	2QFY19
IA & CA	36.6	26.4	44.9	57.1	20.3
Off BS	-	-	-	(12.1)	0.6
Others	6.1	6.1	6.1	8.8	9.6
Recovery	(9.2)	(4.9)	(13.4)	(16.5)	(9.5)



### Net Profit

RM mil



Notes: ^ excluding Islamic Banking Income

\* allowance/(write back) for losses on loan & financing and other losses, excluding one-off write back from credit rating scale alignment for corporates

Income Statement	1QFY19 RM mil	2QFY19 RM mil	Q-o-Q Change Better / (Worse)	
			RM mil	%
Net Interest Income	243.1	246.7	7.5	2.3%
Islamic Net Financing Income	77.1	81.0		
Islamic Non-Financing Income	5.7	7.0	(9.4)	(11.6%)
Non-Interest Income	75.2	64.5		
Net Income *	401.1	399.2	(1.9)	(0.5%)
OPEX	183.2	191.5	(8.3)	(4.5%)
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>217.9</b>	<b>207.7</b>	<b>(10.2)</b>	<b>(4.7%)</b>
Net Credit Cost & impairment^	36.8	20.9	15.9	43.2%
<b>Pre-tax profit</b>	<b>181.1</b>	<b>186.8</b>	<b>5.7</b>	<b>3.1%</b>
<b>Net Profit After Tax</b>	<b>136.4</b>	<b>140.5</b>	<b>4.1</b>	<b>3.0%</b>

- **Revenue** declined marginally RM1.9 mil or 0.5% q-o-q, mainly due to:
  - Lower **non-interest income** by RM9.4 mil or 11.6% from lower FX trading income and wealth management fee
- **Operating expenses** increased by RM8.3 mil or 4.5% q-o-q mainly due to higher marketing and establishment expenses.
- **Net credit cost** decreased by RM15.9 mil mainly due to write back from repayment of several major business accounts & regularised mortgage accounts to zero arrears (through collections incentive programme)

Notes:

\* Revenue

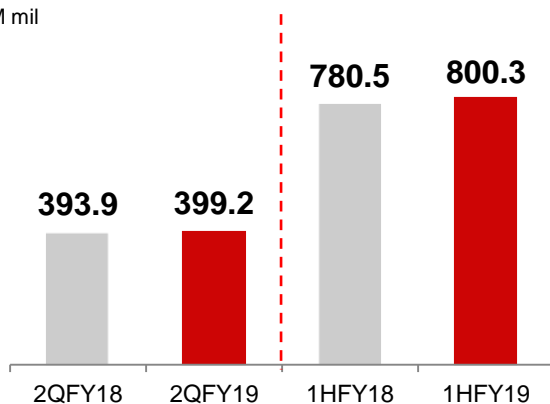
^ Allowance/ (Write back) for losses on loans & financing and other assets

\* Inclusive of Islamic Banking Income

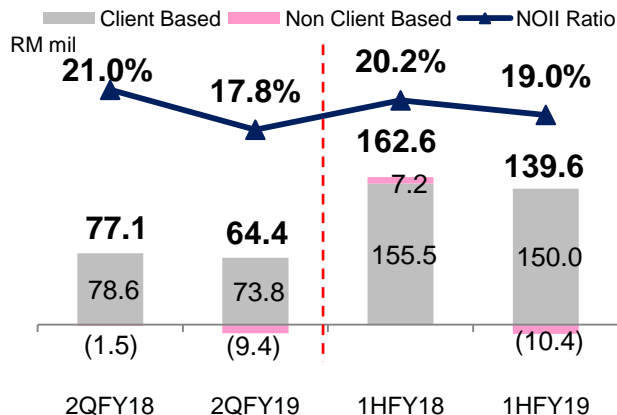
## 1HFY19 net profit after tax: RM276.9 million

### Revenue

RM mil

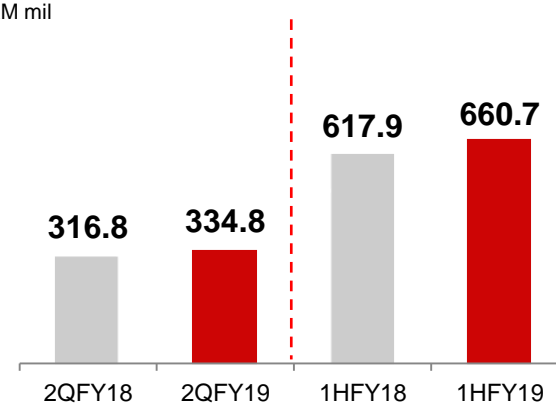


### Non Interest Income^ & NOII Ratio



### Net Interest Income & Islamic Banking Income

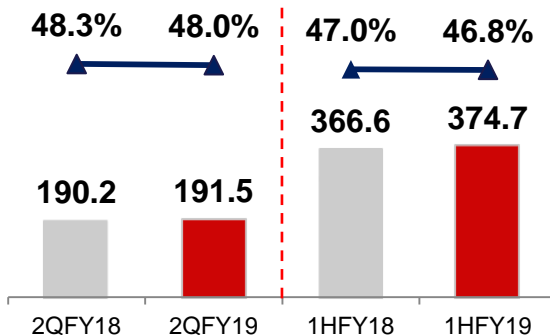
RM mil



### Operating Expenses & CIR Ratio

RM mil

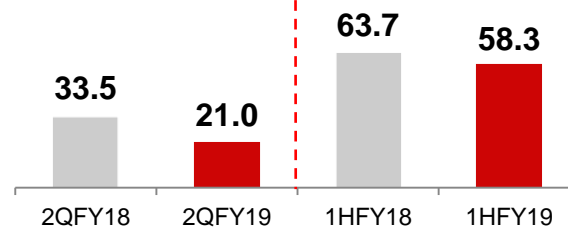
Legend: OPEX (Grey), CIR (Blue line)



### Credit Cost \*

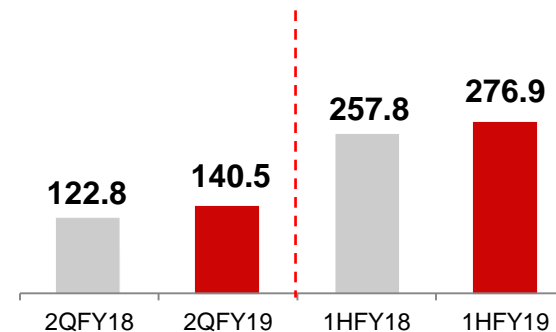
RM mil

	2Q FY18	2Q FY19	1HFY18	1HFY19
IA & CA	36.6	20.3	69.8	77.3
Off BS	-	0.6	-	(11.5)
Others	6.1	9.6	12.7	18.5
Recovery	(9.2)	(9.5)	(18.8)	(26.0)



### Net Profit

RM mil



Notes: ^ excluding Islamic Banking Income

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

Income Statement	2QFY18 RM mil	2QFY19 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	238.7	246.7	16.5	5.3%
Islamic Net Financing Income	72.5	81.0		
Islamic Non-Financing Income	5.6	7.0	(11.2)	(13.5%)
Non-Interest Income	77.1	64.5		
Net Income *	393.9	399.2	5.3	1.3%
OPEX	190.2	191.5	(1.3)	(0.7%)
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>203.7</b>	<b>207.7</b>	<b>4.0</b>	<b>2.0%</b>
Net Credit Cost & impairment <sup>^</sup>	33.5	20.9	12.6	37.6%
<b>Pre-tax profit</b>	<b>170.2</b>	<b>186.8</b>	<b>16.6</b>	<b>9.8%</b>
<b>Net Profit After Tax</b>	<b>122.8</b>	<b>140.5</b>	<b>17.7</b>	<b>14.4%</b>

- **Revenue** grew RM5.3mil or 1.3% y-o-y, driven by:
  - increase in net interest income<sup>+</sup> (+RM16.5 mil or 5.3%) on better risk adjusted return (“RAR”) loans
- **Non-interest income** declined by RM11.2 mil or 13.5% y-o-y:
  - Lower FX trading income
  - Lower wealth management fee income
  - Higher net interest expenses on structured investment (fair value option)<sup>1</sup>
- **Operating expenses** increased by RM1.3 mil or 0.7% y-o-y mainly due to higher marketing and establishment expenses.
- **Net credit cost** decreased by RM12.6 mil mainly due to write back from repayment of several major business accounts & regularised mortgage accounts to zero arrears (through collections incentive programme).

Notes:

\* Revenue

<sup>^</sup> Allowance/ (Write back) for losses on loans & financing and other assets

\* Inclusive of Islamic Banking Income

<sup>1</sup>Net interest expense on Structured investment (SI) which is measured at FVTPL has been reclassified to non-interest income from net interest income arising from MFRS9 Consequential Amendments to MFRS 101 Presentation of Financial Statements effective FY2019.

Income Statement	1HFY18 RM mil	1HFY19 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	461.8	489.8	41.9	6.8%
Islamic Net Financing Income	144.3	158.2		
Islamic Non-Financing Income	11.8	12.7	(22.1)	(12.7%)
Non-Interest Income	162.6	139.6		
Net Income *	780.5	800.3	19.8	2.5%
OPEX	366.6	374.7	(8.1)	(2.2%)
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>413.9</b>	<b>425.6</b>	<b>11.7</b>	<b>2.8%</b>
Net Credit Cost & impairment^	63.7	57.7	5.9	9.3%
<b>Pre-tax profit</b>	<b>350.2</b>	<b>367.9</b>	<b>17.7</b>	<b>5.1%</b>
<b>Net Profit After Tax</b>	<b>257.8</b>	<b>276.9</b>	<b>19.1</b>	<b>7.4%</b>

- **Revenue** grew RM19.8 mil or 2.5% y-o-y, driven by:
  - increase in net interest income\* (+RM41.9 mil or 6.8%) on better risk adjusted return ("RAR") loans
- **Non-interest income** declined by RM22.1 mil or 12.7% y-o-y:
  - Lower FX trading income
  - Lower wealth management fee income
  - Higher net interest expenses on structured investment (fair value option)<sup>1</sup>
- **Operating expenses** increased by RM8.1 mil or 2.2% y-o-y mainly due to higher personnel and marketing expenses.
- **Net credit cost** decreased by RM5.9 mil or 41.3% y-o-y mainly due to write back from repayment of several major business accounts & regularised mortgage accounts to zero arrears (through collections incentive programme)

Notes:

\* Revenue

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

\* Inclusive of Islamic Banking Income

<sup>1</sup>Net interest expense on Structured investment (SI) which is measured at FVTPL has been reclassified to non-interest income from net interest income arising from MFRS9 Consequential Amendments to MFRS 101 Presentation of Financial Statements effective FY2019.

Balance Sheet	Jun 18 RM bil	Sep 18 RM bil	Q-o-Q Change	
			RM bil	%
Total Assets	53.8	54.3	0.5	0.8%
Treasury Assets*	9.6	9.4	(0.2)	(2.0%)
Net Loans	40.0	40.6	0.6	1.3%
CASA Deposits	15.7	16.0	0.3	2.1%
Customer Based Funding <sup>+</sup>	42.8	44.0	1.2	2.7%
Shareholders' Funds	5.4	5.6	0.2	3.2%
Net Loans Growth (y-o-y)	3.6%	5.1%		
CASA Deposits Growth (y-o-y)	0.5%	0.6%		
Customer Based Funding <sup>+</sup> Growth (y-o-y)	1.2%	0.7%		

- **Net loans** increased 1.3% to RM40.6 bil (vs industry: +1.5%^).
- **Better RAR loans** grew 7.3% q-o-q while lower RAR loans contracted 2.3% q-o-q:
  - SME loans growth of 2.6% q-o-q (vs industry: -0.5%#)
  - Continued strong build up for Alliance One Account (+RM538 mil or 34.1% q-o-q).
- **CASA deposits** grew by 2.1% (industry: -0.5%^).
- **Customer based funding** grew by 2.7% q-o-q mainly from higher CASA deposits and fixed deposits.
- **Liquidity coverage ratio:** 167.7% (vs 150.3% in June 2018, industry: 139.5%^).

Notes:

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

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

^ BNM Monthly Statistical Bulletin September 2018

# industry SME loan growth based on September 2018 statistics (latest available)



Balance Sheet	Mar 18 RM bil	Sep 18 RM bil	YTD Change	
			RM bil	%
Total Assets	53.9	54.3	0.4	0.7%
Treasury Assets*	9.0	9.4	0.4	4.4%
Net Loans	40.0	40.6	0.6	1.5%
CASA Deposits	16.0	16.0	-	-
Customer Based Funding <sup>+</sup>	43.6	44.0	0.4	0.8%
Shareholders' Funds	5.5	5.6	0.1	1.8%
Net Loans Growth (y-o-y)	2.6%	5.1%		
CASA Deposits Growth (y-o-y)	3.1%	0.6%		
Customer Based Funding <sup>+</sup> Growth (y-o-y)	4.1%	0.7%		

- **Net loans** increased by 1.5% year-to-date (YTD).
- **Better RAR loans** grew by 10.8% YTD while lower RAR loans contracted 3.4%:
  - YTD: SME loans growth of 3.2% (industry: -0.4%#)
  - Continued strong build up for Alliance One Account (+RM1.1 bil).
- **CASA deposits** remained stable (industry: -1.0%^).
- **Customer based funding** grew by 0.8% YTD mainly from higher fixed deposits.
- **Liquidity coverage ratio:** 167.7% (vs 159.9% in March 2018, industry: 139.5%^).

Notes:

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

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

^ BNM Monthly Statistical Bulletin September 2018

# industry SME loan growth based on September 2018 statistics (latest available)



Balance Sheet	Sep 17 RM bil	Sep 18 RM bil	Y-o-Y Change	
			RM bil	%
Total Assets	53.5	54.3	0.8	1.3%
Treasury Assets*	10.4	9.4	(1.0)	(9.7%)
Net Loans	38.6	40.6	2.0	5.1%
CASA Deposits	15.9	16.0	0.1	0.6%
Customer Based Funding <sup>+</sup>	43.6	44.0	0.4	0.8%
Shareholders' Funds	5.3	5.6	0.3	4.8%
Net Loans Growth (y-o-y)	(0.5%)	5.1%		
CASA Deposits Growth (y-o-y)	4.6%	0.6%		
Customer Based Funding <sup>+</sup> Growth (y-o-y)	6.0%	0.7%		

- **Net loans** grew 5.1% y-o-y (vs industry: +5.7%^).
- **Better RAR loans** grew 24.5% y-o-y while lower RAR loans contracted 4.4% y-o-y:
  - SME loans grew 6.7% y-o-y (vs industry: +2.1%#)
  - Continued strong build up for Alliance One Account (+RM1.9 bil y-o-y).
- **CASA deposits** grew 0.6% y-o-y
- **Customer based funding** rose 0.8% contributed by fixed deposits and structured investments growth.
- **Liquidity coverage ratio:** 167.7% (vs 160.7% in September 2017, industry: 139.5%^).

Notes:

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

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

^ BNM Monthly Statistical Bulletin September 2018

# industry SME loan growth based on September 2018 statistics (latest available)

	Financial Ratios	2QFY18	1QFY19	2QFY19	1HFY18	1HFY19
<b>Shareholder Value</b>	Return on Equity	9.3%	10.2%	10.3%	10.0%	10.2%
	Earnings per Share	8.0sen	8.8sen	9.1sen	16.8sen	17.9sen
	Net Assets per Share	RM3.43	RM3.48	RM3.59	RM3.43	RM3.59
<b>Efficiency</b>	Net Interest Margin	2.38%	2.43%	2.45%	2.35%	2.44%
	Non-Interest Income Ratio	21.0%	20.2%	17.8%	22.3%	19.0%
	Cost to Income Ratio	48.3%	45.7%	48.0%	47.0%	46.8%
<b>Balance Sheet Growth</b>	Net Loans ( <i>RM bil</i> )	38.6	40.0	40.6	38.6	40.6
	Total Deposits ( <i>RM bil</i> )	42.7	42.0	42.9	42.7	42.9
<b>Asset Quality</b>	Credit cost (basis points) (annualised)	34.1	37.0	20.5	32.5	28.6
	Gross Impaired Loans Ratio	1.2%	1.6%	1.4%	1.2%	1.4%
	Net Impaired Loans Ratio	0.8%	1.0%	0.9%	0.8%	0.9%
	Loan Loss Coverage Ratio^	116.9%	108.0%	114.9%	116.9%	114.9%
<b>Liquidity</b>	CASA Ratio	37.3%	37.4%	37.3%	37.3%	37.3%
	Loan to Deposit Ratio	91.1%	96.4%	95.5%	91.1%	95.5%
	Loan to Fund Ratio	83.4%	87.0%	86.3%	83.4%	86.3%
	Liquidity Coverage Ratio	160.7%	150.3%	167.7%	160.7%	167.7%
<b>Capital</b>	Common Equity Tier 1 Capital Ratio	13.7%	12.8%	13.5%	13.7%	13.5%
	Tier 1 Capital Ratio	13.7%	13.3%	13.9%	13.7%	13.9%
	Total Capital Ratio	18.4%	17.8%	18.4%	18.4%	18.4%

# THANK YOU

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