



**ALLIANCE BANK**

**ANALYST  
BRIEFING**

**FY2019**

**29 May 2019**

**BUILDING  
ALLIANCES  
TO IMPROVE LIVES**

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## 1 FY19 Financial Performance

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- Revenue & Profitability
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- 4Q FY19
- FY19





# Summary of FY19 Achievements

<b>1</b> <b>Key Results</b>	<ul style="list-style-type: none"> <li>NPAT grew <b>9.0% y-o-y</b> to RM537.6 million</li> <li>ROE improved to <b>9.9%</b></li> <li>Dividend payout ratio of <b>48%</b> <ul style="list-style-type: none"> <li>✓ <b>Proposed 2nd interim dividend of 8.2 sen</b> (FY19 total dividend: 16.7 sen)</li> </ul> </li> </ul>
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<b>2</b> <b>Revenue &amp; Profitability</b>	<ul style="list-style-type: none"> <li>Revenue grew <b>3.2% y-o-y</b>, faster than industry (industry^: +0.6% y-o-y)</li> <li>Net interest income grew <b>8.9% y-o-y</b> <ul style="list-style-type: none"> <li>✓ Gross loans up <b>6.0% y-o-y</b>, driven by core businesses &amp; outpacing industry* (+4.9% y-o-y)</li> </ul> </li> <li>Net interest margin improvement of <b>10 bps y-o-y</b></li> <li>Cost to income ratio at <b>47.8%</b></li> </ul>
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<b>3</b> <b>Effective Risk Management</b>	<ul style="list-style-type: none"> <li>Customer based funding grew <b>5.3% y-o-y</b> (CASA ratio: 35.5%)</li> <li>Liquidity coverage ratio at <b>154.3%</b></li> <li>Net credit cost at <b>31.5 bps</b></li> <li>Sustainable capital position (Tier-1 capital ratio strengthened by 0.3% after new AT1 issuance)</li> </ul>
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<b>4</b> <b>Sustainability</b>	<ul style="list-style-type: none"> <li>Bank Enterprise Programmes to Support SMEs: BizSmart Challenge, Eco-Biz Dream &amp; CGC</li> <li>Improved ranking in <b>Minority Shareholders Watch Group (MSWG) Malaysia-ASEAN Corporate Governance Report</b> to 28th position (Nov 2017) from 58th position in the previous year</li> <li>Maintained inclusion in <b>Bursa Malaysia FTSE4Good Index</b></li> </ul>
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<b>5</b> <b>Transformation Progress</b>	<ul style="list-style-type: none"> <li><b>Alliance ONE Account:</b> Tripled AOA loans to RM 3.2 billion</li> <li><b>SME Expansion:</b> SME loans grew 11% y-o-y to RM8.7 billion (industry: -1.1% y-o-y#)</li> <li><b>Alliance@Work:</b> Acquired &gt;25,300 employee CASA &amp; &gt;1,390 company payroll accounts</li> </ul>
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^ Dec'18 local peers' average

\* BNM Monthly Statistical Bulletin March 2019

# BNM Financial Institution Network March 2019 statistics



## NPAT grew 9.0% y-o-y; ROE improved to 9.9%

a) NPAT grew 9.0% y-o-y to RM537.6 mil

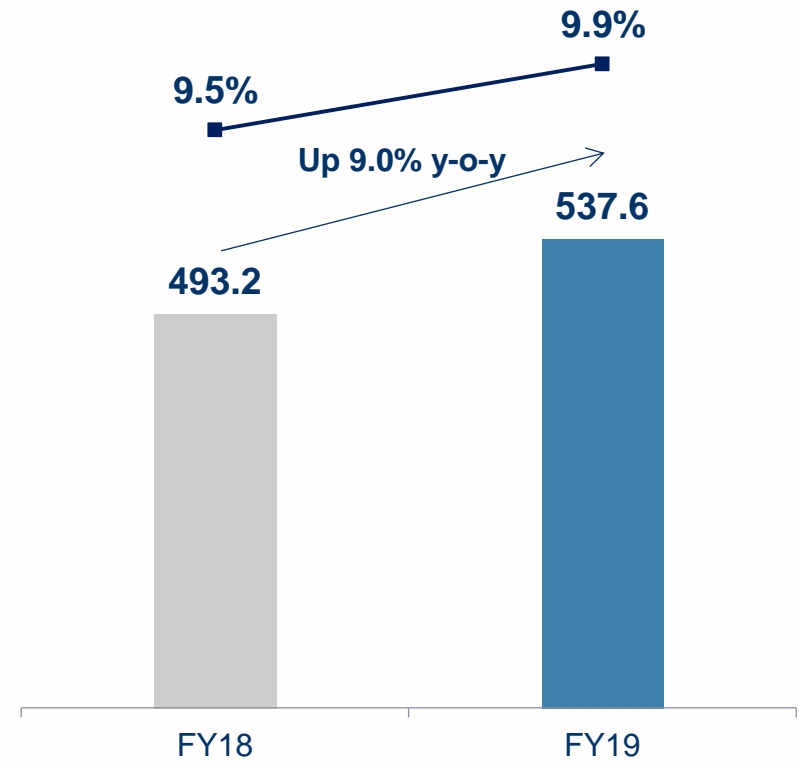
b) ROE improved to 9.9%

### NPAT & ROE

RM mil

■ NPAT

■ Return on Equity



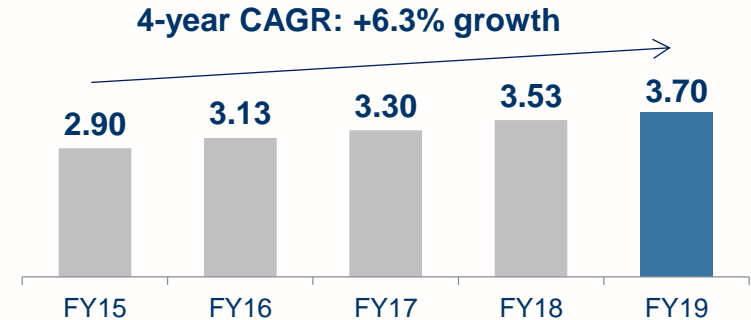


## Continue to enhance shareholder value

- Net asset per share grew steadily to RM3.70 (4-year CAGR: +6.3%)
- Maintained dividend payout ratio of 48%
  - Declared 1st interim dividend: 8.5 sen
  - Proposed 2nd interim dividend: 8.2 sen
 (Total dividend: 16.7 sen vs 15.3 sen in FY18)

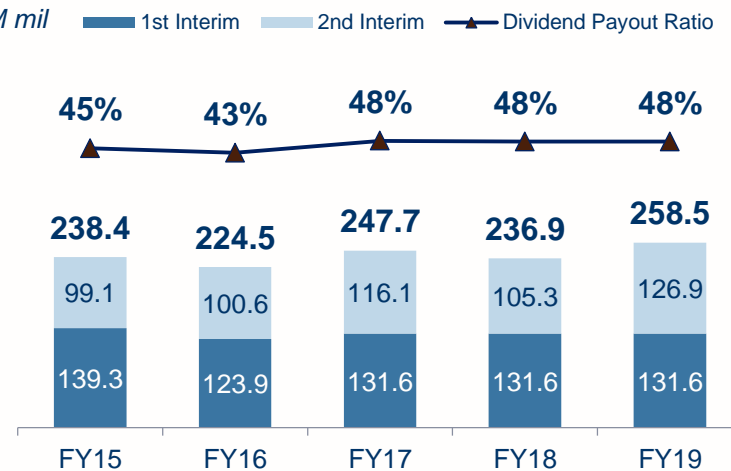
### Net Assets per share

RM



### Dividend Paid and Payout Ratio

RM mil

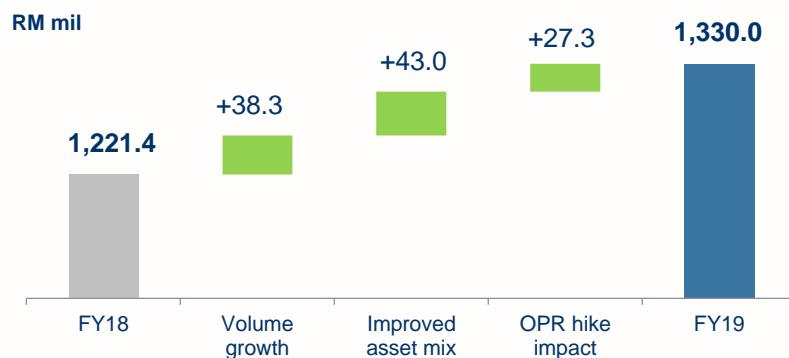




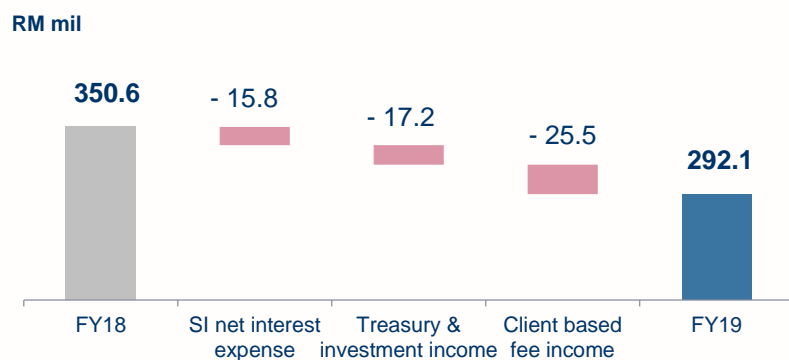
## Revenue grew faster than industry

a) Revenue grew 3.2% y-o-y (industry<sup>^</sup>: +0.6% y-o-y)

b) Net interest income grew 8.9% or RM108.6 mil y-o-y:



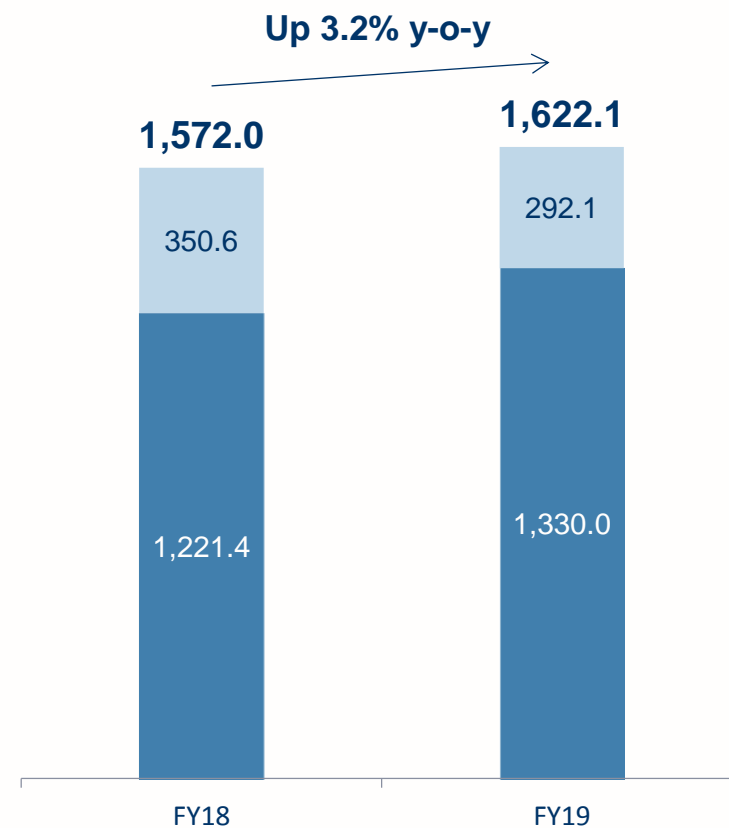
c) Lower non-interest income by 16.7% or RM58.5 mil:



### Revenue

RM mil

■ Net interest income ■ Non-interest income



Notes: Revenue includes Islamic Banking Income  
<sup>^</sup>Dec'18 local peers' average



## Lower fee income amid challenging external environment

### a) Client based fee income declined RM25.5 mil y-o-y:

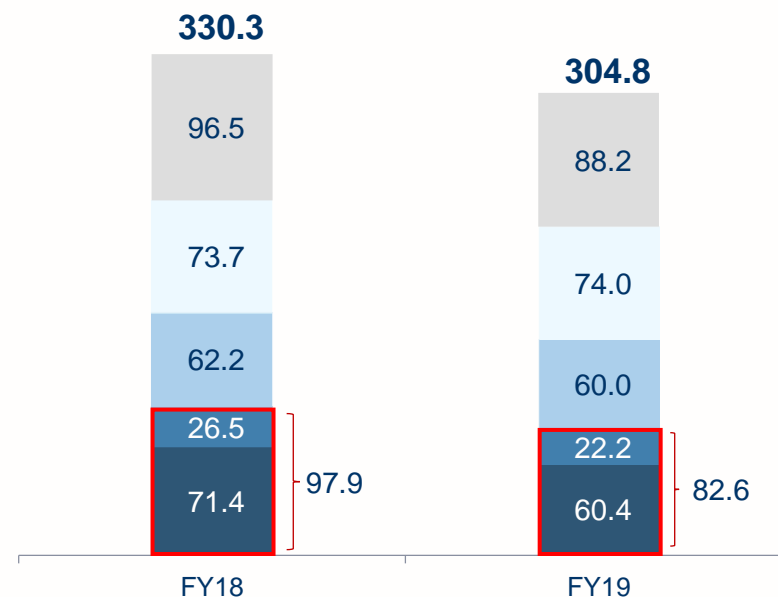
- Lower wealth management fee by RM15.2 mil due to weak market sentiment:
  - Structured investment fees: -RM9.6 mil
  - Brokerage & share trading fees: -RM4.3 mil
- Lower credit card fees by RM7.2 mil:
  - Lower regulatory interchange rate: -RM2.6 mil
  - Improved rewards programme proposition: -RM2.5 mil
  - Lower card base since SST implementation

### b) Initiatives to increase fee income:

- Exclusive General Insurance partnership
- Enhancing Relationship Managers' capabilities through Wealth Academy
- Expanding cross-selling efforts for wealth management products

### Client Based Fee Income

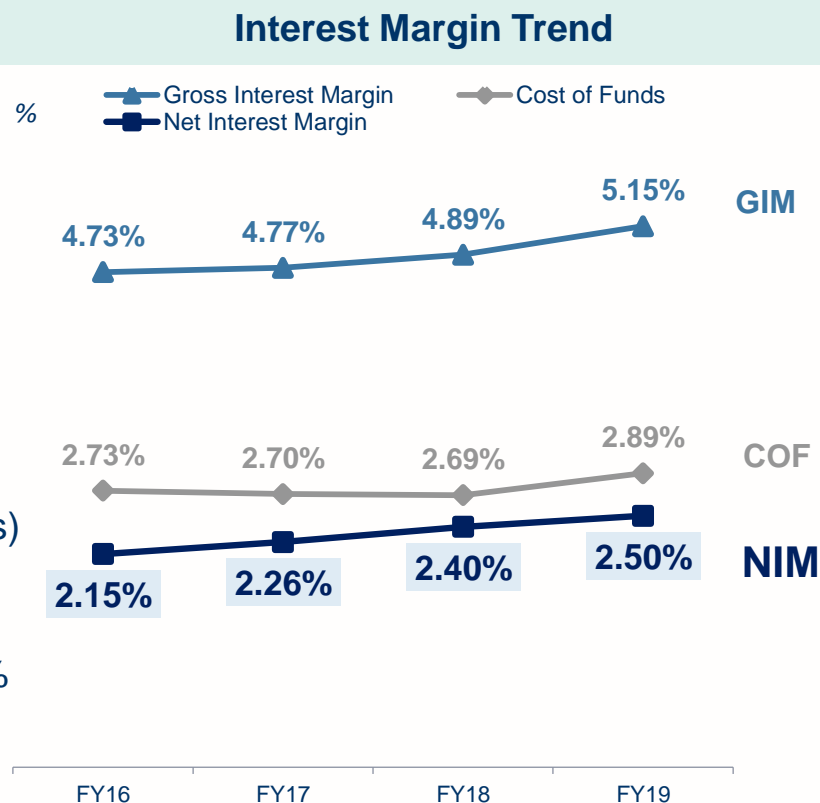
RM mil





## NIM improvement

- a) NIM: +10 bps (vs industry^ declined 6 bps)
  - At 2.50% (better than guidance: 2.40%)
- b) GIM: +26 bps mainly due to
  - Full year OPR hike impact (+13 bps)
  - Better RAR loans mix (+11 bps)
- c) COF: +20 bps
  - Full year OPR hike impact (+9 bps)
  - Higher CASA rate (+6 bps) from Saveplus (+4 bps)
  - Higher FD cost due to FD initiatives (+5 bps)
- d) FY20 NIM guidance: range between 2.40% to 2.45%



^Based on Dec'18 local peers' average



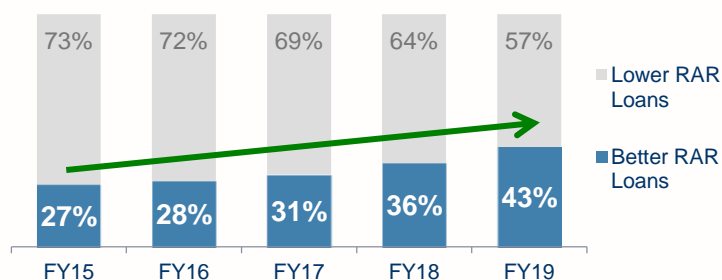


## Gross loans grew faster than industry

a) Gross loans grew 6.0% y-o-y (Industry\*: +4.9% y-o-y)

- Better risk adjusted return (“RAR”) loans: +27.3%
  - Alliance ONE Account balance grew RM2.2 bil y-o-y
  - SME working capital grew RM909 mil y-o-y
  - Personal Financing grew RM432 mil y-o-y
- Lower RAR loans: -5.6%

b) Improving loan mix (Better RAR loans mix: 43%)



### Gross Loans

(RM'bil)	Mar-18	Mar-19	Δ YoY	Δ YoY%
SME & Commercial	10.2	11.5	1.3	
Consumer Unsecured	2.2	2.6	0.4	
Share Margin	1.0	1.0	-	
Alliance ONE Account	1.0	3.2	2.2	
<b>Better RAR loans</b>	<b>14.4</b>	<b>18.3</b>	<b>3.9</b>	<b>+27.3%</b>
Mortgage	16.9	15.6	(1.3)	
Biz Premises	2.8	2.7	(0.1)	
Hire Purchase	0.5	0.3	(0.2)	
Corporate	5.7	5.8	0.1	
<b>Lower RAR Loans</b>	<b>25.9</b>	<b>24.4</b>	<b>(1.5)</b>	<b>-5.6%</b>
<b>Total Gross Loans</b>	<b>40.3</b>	<b>42.7</b>	<b>2.4</b>	<b>+6.0%</b>

\* BNM Monthly Statistical Bulletin March 2019

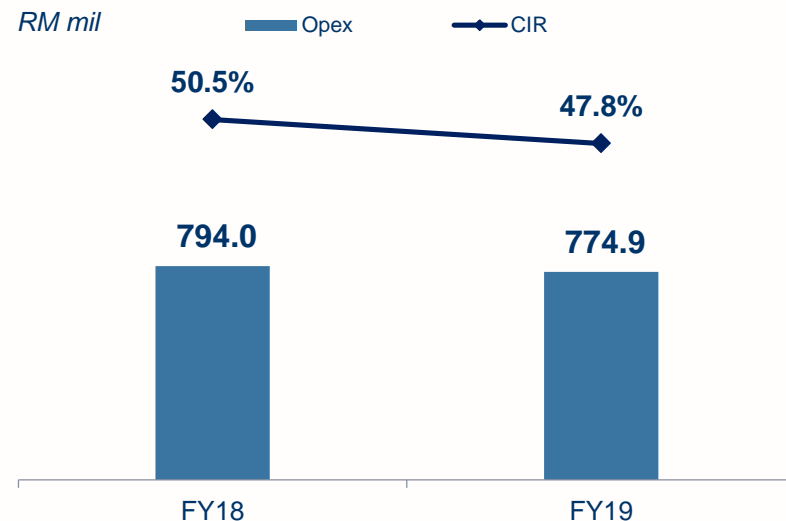
Notes: RAR = Net Interest Margin less (Direct Variable Cost + Trailing 12M Credit Cost) ÷ Average Loan Balance; \*Based on BNM Monthly Statistical Bulletin March 2019



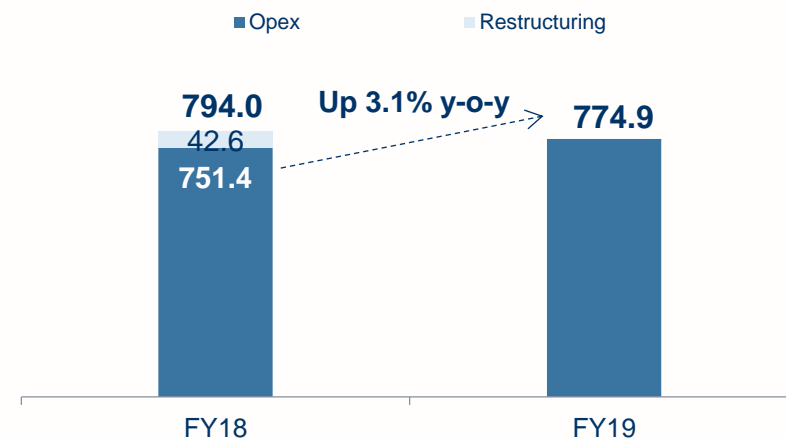
## Cost to income ratio within guidance

- a) FY19 cost to income ratio (CIR) at 47.8%
- b) Excluding restructuring cost, normalised OPEX increased 3.1% y-o-y mainly due to transformation sales force investment and higher IT expenses
- c) Investment of RM32.4 million in transformation sales force generated revenue of RM58.7 million in FY19

### Reported Operating Expenses



### Normalised Operating Expenses

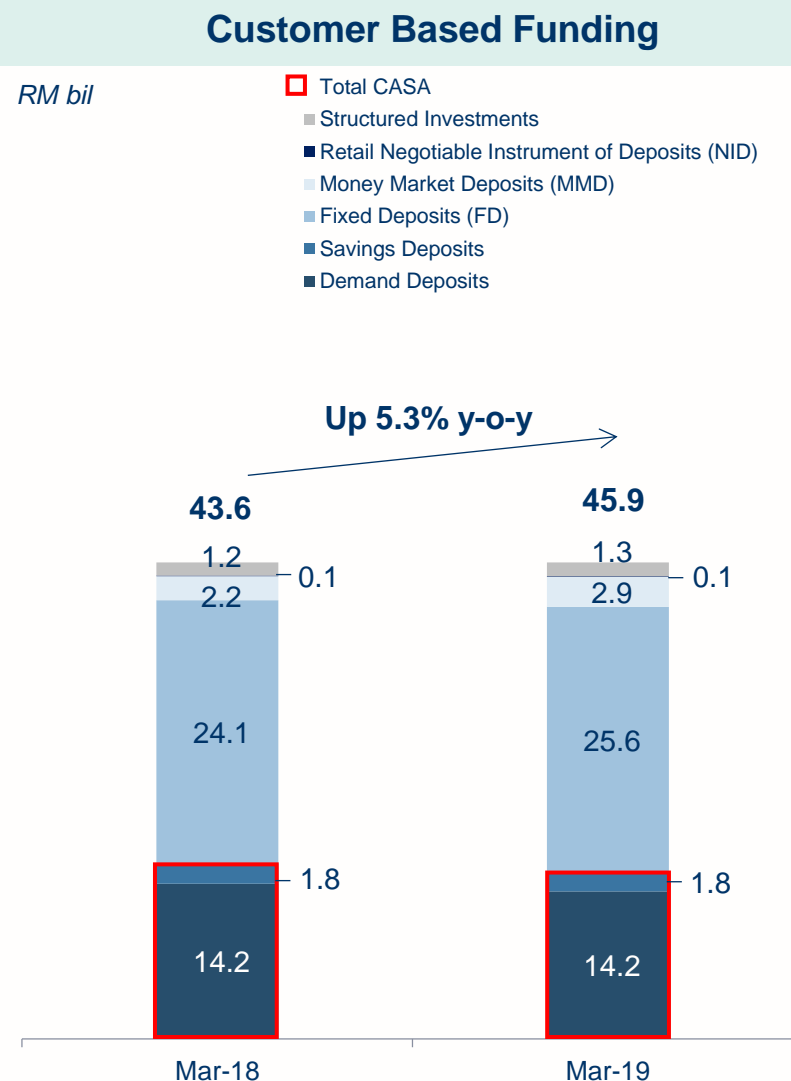


Note: Normalised operating expenses exclude restructuring cost



## Customer based funding grew 5.3% y-o-y

- Customer based funding grew 5.3% y-o-y, mainly driven by consumer deposits
- CASA ratio at 35.5% (Mar-18: 37.3%)
  - Alliance Saveplus: +RM671 mil y-o-y
  - Alliance@Work (Payroll/CASA): +RM128 mil y-o-y
- FD growth: +RM1.5 bil y-o-y, utilised mainly to fund AOA and Personal Financing



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



## Liquidity coverage ratio at 154.3%

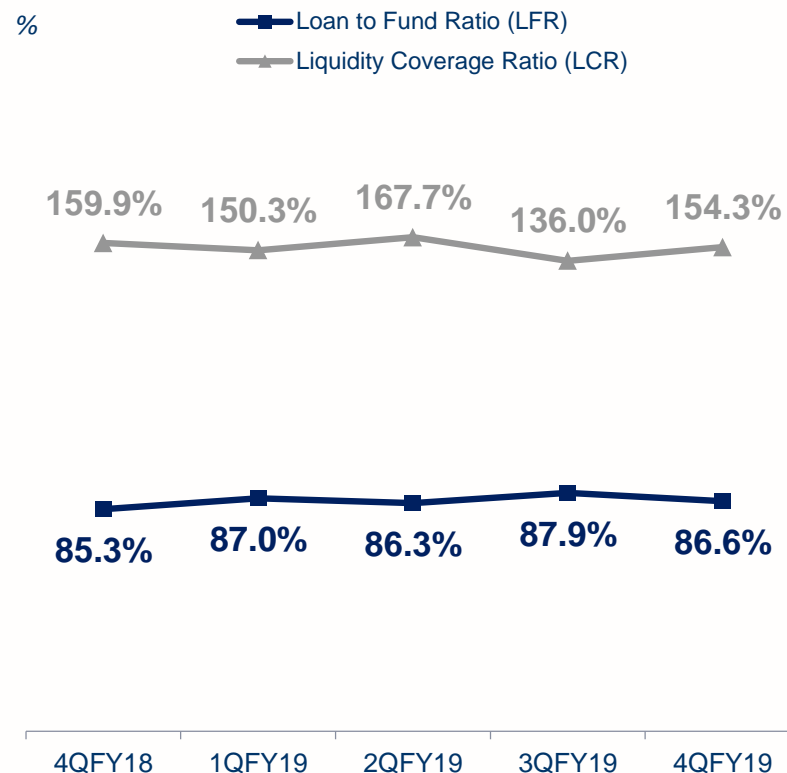
### a) Healthy liquidity position:

- Liquidity coverage ratio at 154.3% (industry\*: 143.0%)
- Loan to fund ratio at 86.6% (industry^: 85.3%)

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

- Proforma NSFR is already above 100%

### Liquidity: LCR, LFR



^ Dec'18 local peers' average

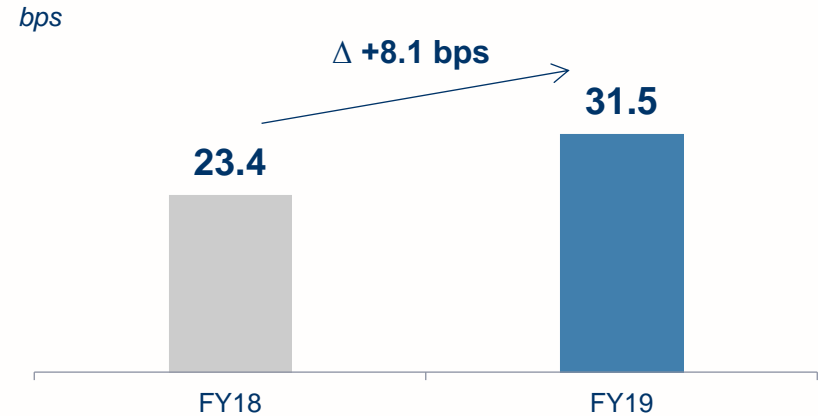
\* BNM Monthly Statistical Bulletin March 2019



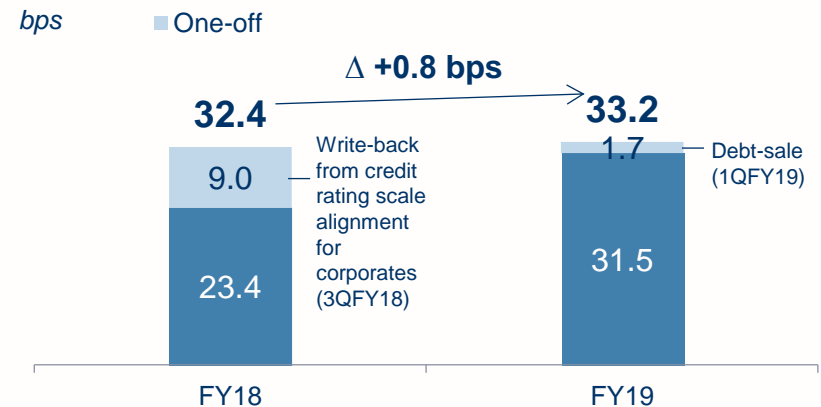
## Net credit cost at 31.5bps

- a) FY19 net credit cost: at 31.5 bps, within guidance (~35 bps)
- b) Excluding one-off, normalised net credit cost increased marginally by 0.8 bps y-o-y to 33.2 bps
- c) FY19 GIL ratio improved by 31 bps y-o-y to 1.12% (from 1.43% in FY18) (industry\* GIL: 1.46%)
- d) FY20 Net Credit Cost guidance: ~35 bps

### Reported Net Credit Cost (bps)



### Normalised Net Credit Cost (bps)^



<sup>^</sup>Excluding one-off write back from credit rating scale alignment for corporates (9.0 bps) in 3QFY18 and one-off debt-sale (1.7 bps) in 1QFY19

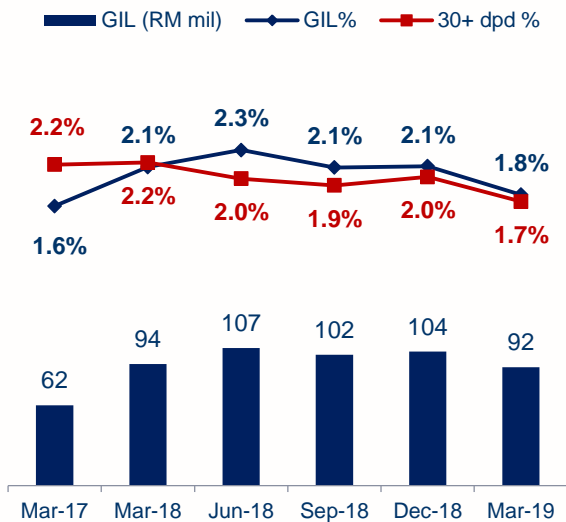
\* Based on BNM Monthly Statistical Bulletin March 2019



# Asset quality has shown improvement q-o-q

1

## SME Programme



## Portfolio Overview

- The delinquency trend has stabilised since Jun-18
- Impairment continues to improve q-o-q due to repayment from several major business accounts (GIL ratio improved to 1.8%)

## Mitigating Proactive Actions

### Origination

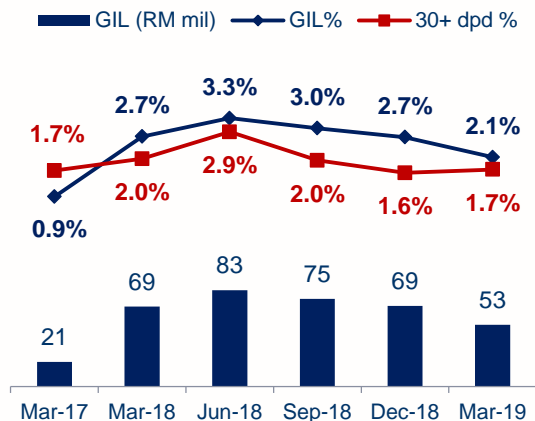
- Implemented new SME scorecard
  - A more effective model in filtering customer's credit profile
  - GINI index increase from 37% to 51% (above benchmark: 30%)

### Portfolio Management

- Enhanced early warning process with new triggers
- Continue to intensify monthly collection efforts

2

## Business Premises Financing



- Impairment continues to improve q-o-q due to repayment from several major business accounts (GIL ratio improved to 2.1%)
- Delinquency increased q-o-q mainly due to retail trade industry

### Origination

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

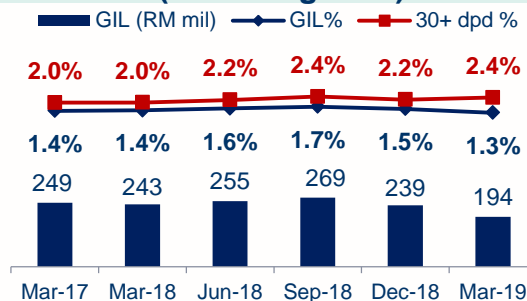
### Portfolio Management

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



# Continue proactive credit management practices

## 2 Conventional Mortgage (excluding AOA)



### Portfolio Overview

- The proactive collection programme has helped to improve the repayment in mortgage impairment accounts (GIL ratio improved to 1.3%)
- AOA portfolio is seasoning with increasing delinquency
- The spike in 4QFY19 AOA GIL is mainly driven by the cross default policy implemented in Mar19
- Despite higher credit cost, AOA's RAR is still ~3 times higher than conventional mortgage

### Mitigating Proactive Actions

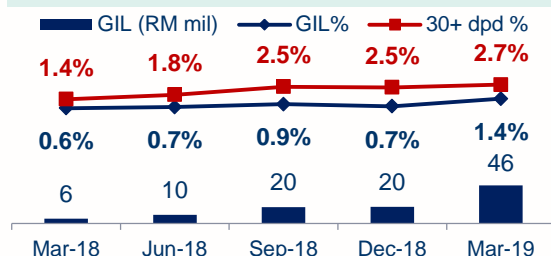
#### Origination

- Stricter valuation requirements
- Revised overdraft amortization policy
- Revised Debt-Service-Ratio (DSR) computation for refinancing
- Price up the higher risk segment identified via AOA portfolio review
- Duo score strategy (internal score + CTOS score) target to be implemented in 2QFY19

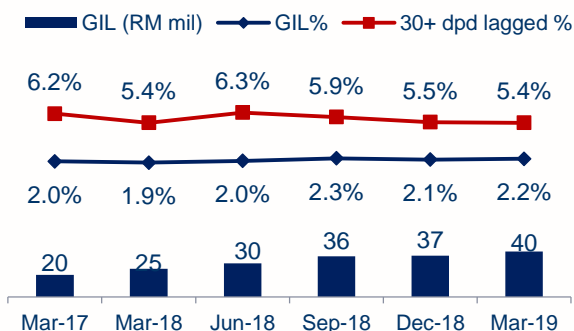
#### Portfolio Management

- Continued with the proactive collection programme
- Close monitoring on AOA portfolio

## 3 Alliance ONE Account ("AOA")



## 4 Personal Financing



- Lagged indicators are better proxy for a growing portfolio
- Delinquency trend continues to improve and stabilise

#### Origination

- Tightened underwriting policies for higher risk segments
- Implemented Unsecured CTOS bureau score version 2

#### Portfolio Management

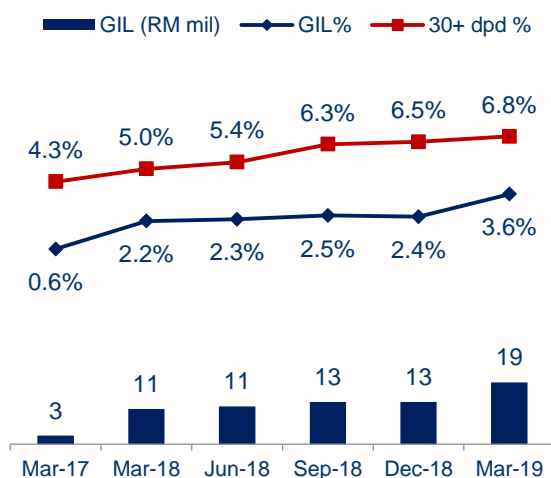
- Increased front-end collections capacity
- Implemented collections auto-dialer



# Continue proactive credit management practices

6

## Equipment Hire Purchase



## Portfolio Overview

- EHP is a relatively small portfolio with only RM0.5 bil loan balance in Mar-19
- GIL increased to 3.6% mainly due to construction related industry
- 30+ dpd% increased due to a couple of accounts

## Mitigating Proactive Actions

### Origination

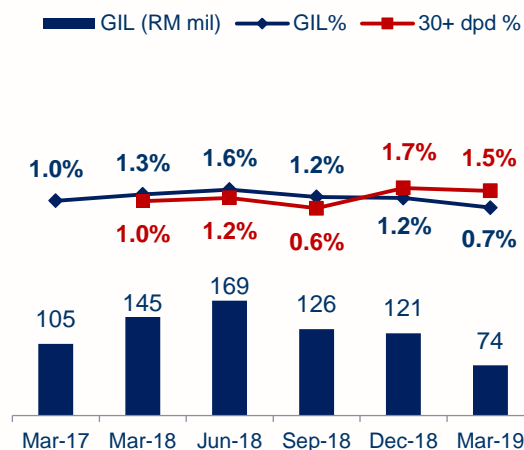
- Customer group exposure capped at RM10 mil
- Introduced risk tiered maximum exposure limit
- Introduce CCRIS tightening and roll out in Apr-19

### Portfolio Management

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

7

## Corporate & Commercial



- Impairment continues to improve q-o-q due to repayment from one major business account (GIL ratio improved to 0.7%)
- Real estate exposure maintain at 18% in Mar-18 and Mar-19

### Origination

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

### Portfolio Management

- Ongoing portfolio reviews, particularly in real estate, construction and oil palm





## Continue to sustain capital position

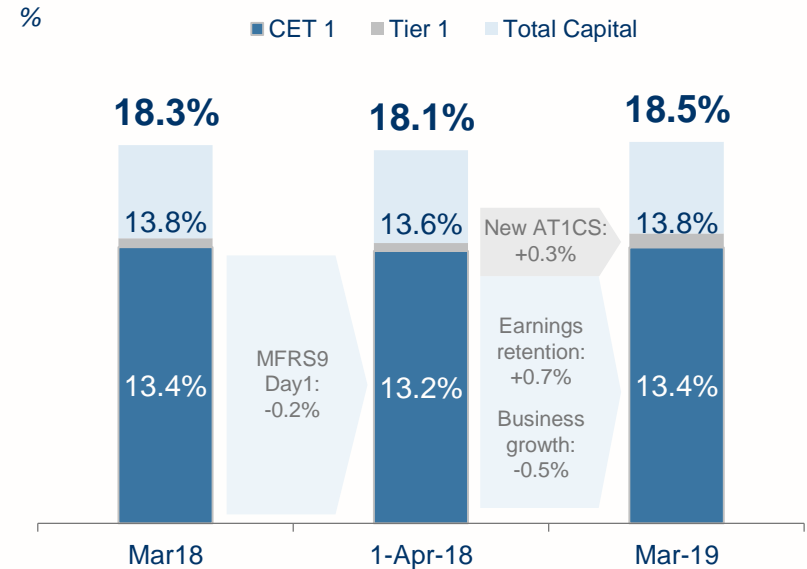
### a) Capital position remained strong:

- CET-1 ratio: 13.4%
- Tier 1 ratio: 14.1%
- Total capital ratio: 18.5%

### b) Proactive capital management to be supportive of future business expansion:

- 8 Mar 2019: ABMB issued RM100 mil new Additional Tier-1 Capital Securities (AT1CS)
- 29 Mar 2019: Alliance Islamic Bank issued RM100 mil new Islamic Additional Tier-1 Sukuk Wakalah

### Capital Position



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	13.4%	11.6%	11.3%	78.1%
Tier 1 Capital Ratio	14.1%	12.5%	12.6%	78.1%
Total Capital Ratio	18.5%	17.4%	15.4%	79.1%



# Maintaining high standard of sustainability practices

## 1 Helping the SMEs & Community



### Alliance BizSmart Challenge

- Nurture young SME entrepreneurs (launched in 2013)
- 2018: first reality TV business show on Astro Awani & AXN
- Awarded RM1 mil prizes to winners and extended RM5 mil financing to finalists

### Credit Guarantee Corporate (“CGC”) programme

- Provide assistance to SMEs with promising growth
- RM50 mil in Nov-18, another RM100 mil in Feb-19

### AEIOU Challenge

- Financial literacy program for young children
- >29,000 entries submitted by >165 schools since 2015

## 2 Helping the Environment



### Eco-Biz Dream Project

- First-of-its-kind environment themed business challenge (launched in 2016)
- 2018: RM200,000 seed funding to revitalise Sungai Kerayong

### Lending policy

- Since 2013, prohibited lending to business activities that will cause environment hazards

### Paperless Branch

- Digitise current account opening (nationwide: Jul-19)
- Alliance Mobile Banking app: activated >52,000 users
- Alliance Origination System: simplify SME loan disbursement



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- 4Q FY19
- FY19





## Results of our FY19 Focus

### Scaling Up for Growth

1	2	3	4
<b>Alliance ONE Account (AOA)</b>	<b>SME Expansion</b>	<b>Alliance@Work</b>	<b>Branch Transformation</b>
Tripled loan balance	+11% loan growth Y-o-Y	>1,390 Companies & >25,300 local employees	Launched Individual CASA STP in >45 branches

### Digital / Technology Capabilities

- ✓ Over 52,000 mobile banking users

### Brand and Financial Metrics

- ✓ Improvements in customers satisfaction at key touch points

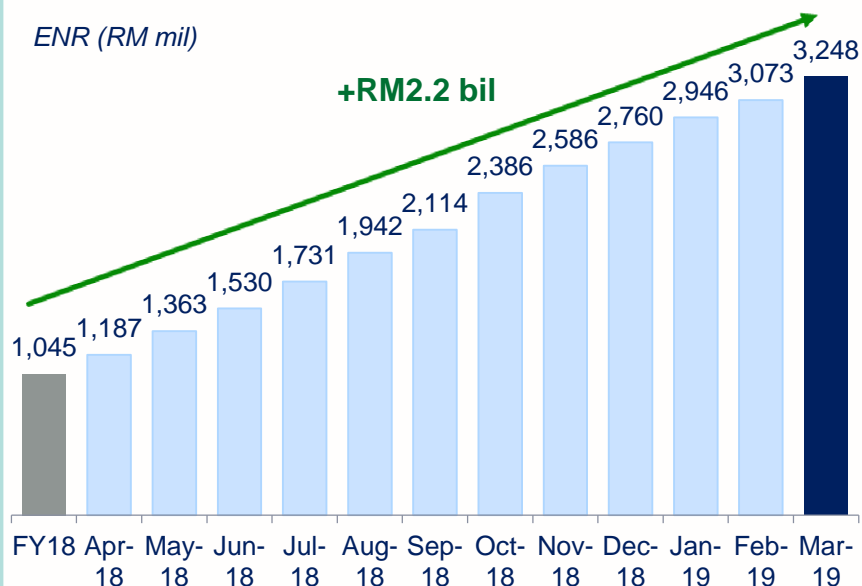


# 1 Alliance ONE Account: FY19 Achievements

## FY19 Performance

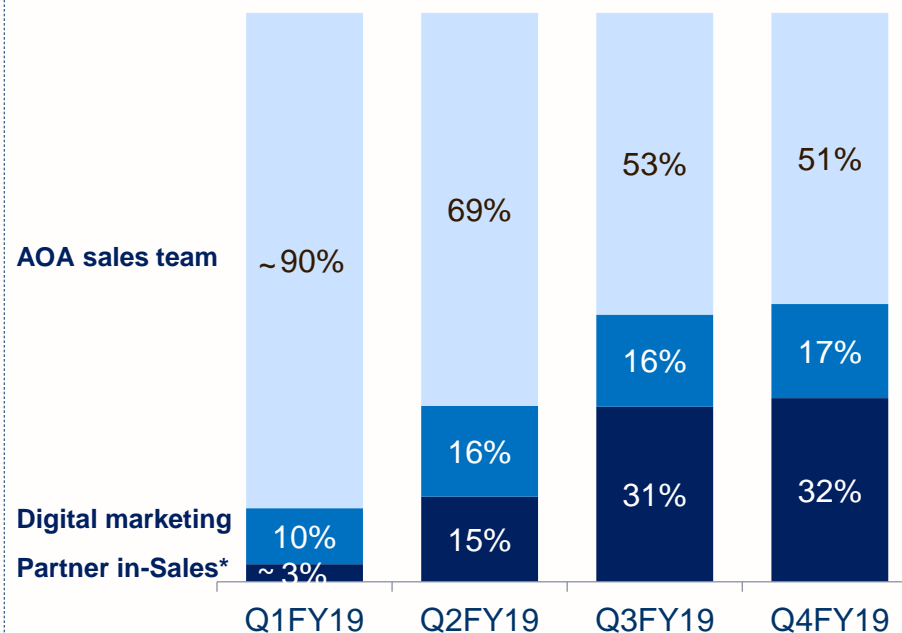
**FY19: Accelerated AOA loan balances to >RM3.2 bil from RM1.0 bil in Mar 18**

ENR (RM mil)



## Half of AOA bookings from our partners in-sales & Digital Marketing

% AOA approval of by channel



No. of Partner in-Sales	Q1FY19	Q2FY19	Q3FY19	Q4FY19
	455	798	963	1,157

	FY18	FY19	Growth (%)
Loan approval	RM 2,445.4 mil	RM3,335.8 mil	36%
Loan disbursements	RM 1,211.8 mil	RM2,449.6 mil	102%



## 2 SME Expansion: FY19 Achievements

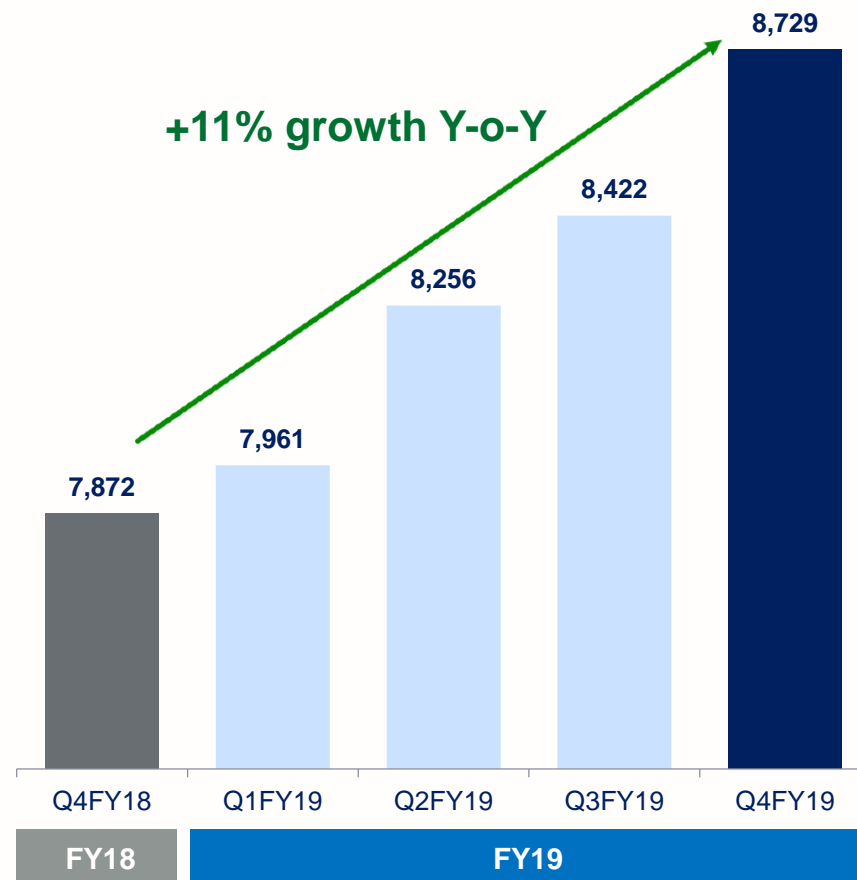
### FY19 Performance

**FY19: Loans disbursements at RM2.35 billion (+39% vs. FY18)**

	FY18	FY19	Growth (%)
Loan acceptance	RM2,235 mil	RM2,581 mil	15%
Loan disbursements	RM1,687 mil	RM2,351 mil	39%

**+11% growth Y-o-Y for SME loan balances vs. industry loans contracted 1.1% y-o-y<sup>#</sup>**

ENR (RM mil)



<sup>#</sup> BNM Financial Institution Network March 2019 statistics



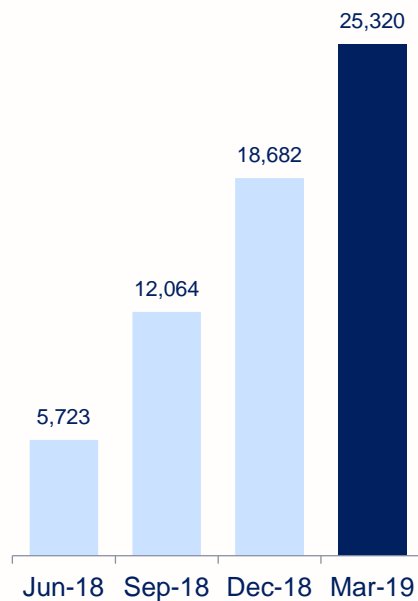
### 3 Alliance@Work: FY19 Achievements

***FY19: CASA balance built up to >RM150 million***

- Local employees acquisition: >25,300
- New company payroll accounts: >1,390

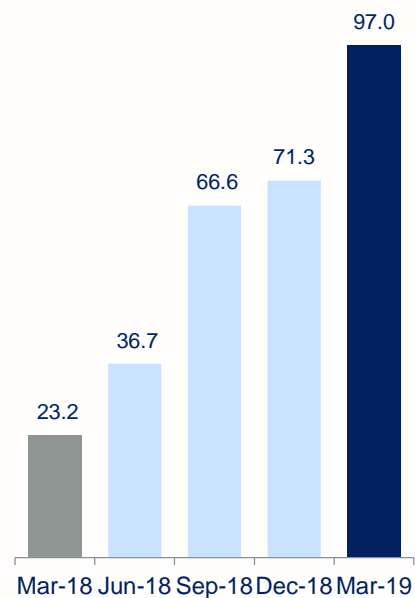
#### Local Employees CASA Acquisition

No. of accounts - accumulative



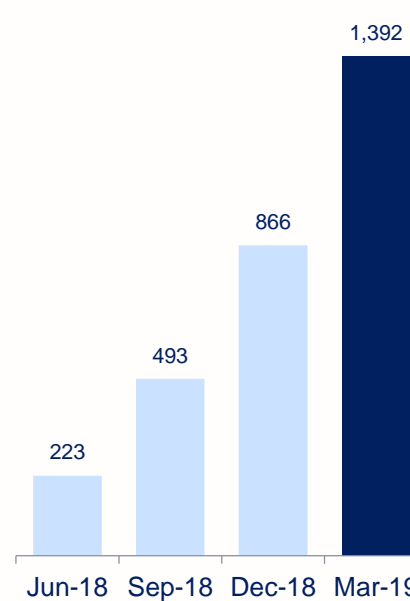
#### Consumer CASA Balance (Local Employees)

RM 'mil



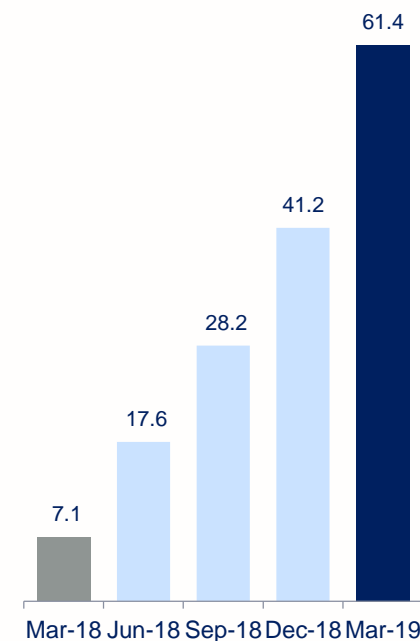
#### New Company Payroll Accounts Acquisition

No. of accounts - accumulative



#### Business CASA Balance

RM 'mil



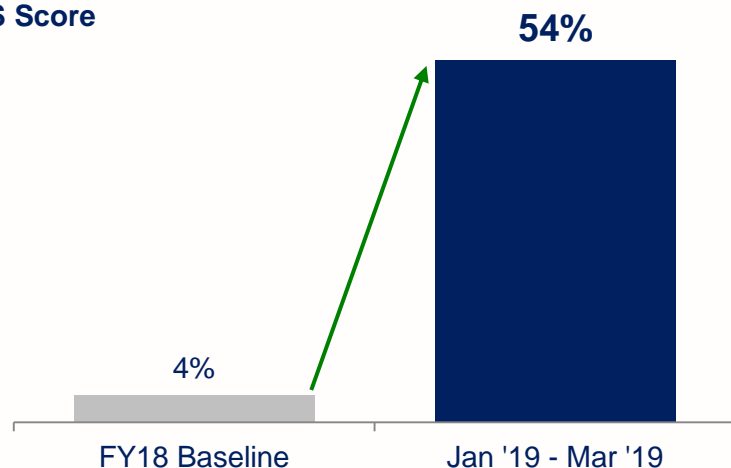




## Customers satisfaction at key touch points has improved

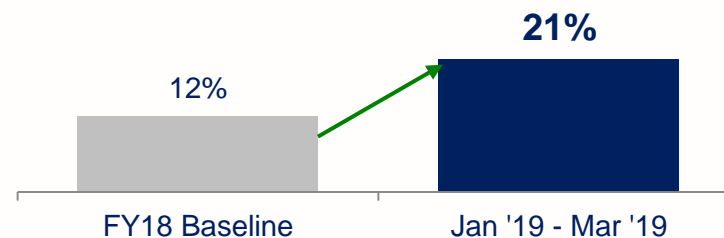
### RM – Wealth Sales

NPS Score



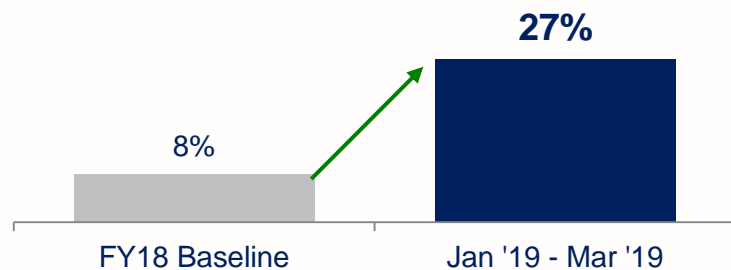
### PB RM Relationship Call

NPS Score



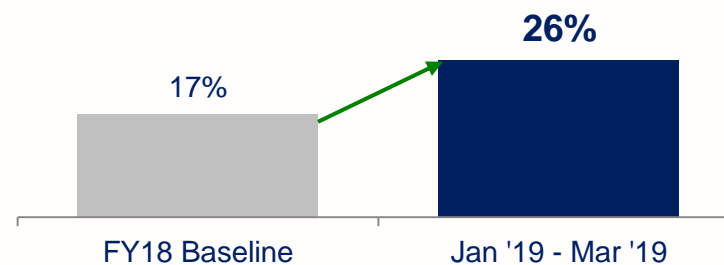
### Branch Account Opening

NPS Score



### Contact Centre Inbound Call Handling

NPS Score





# FY22 Ambitions

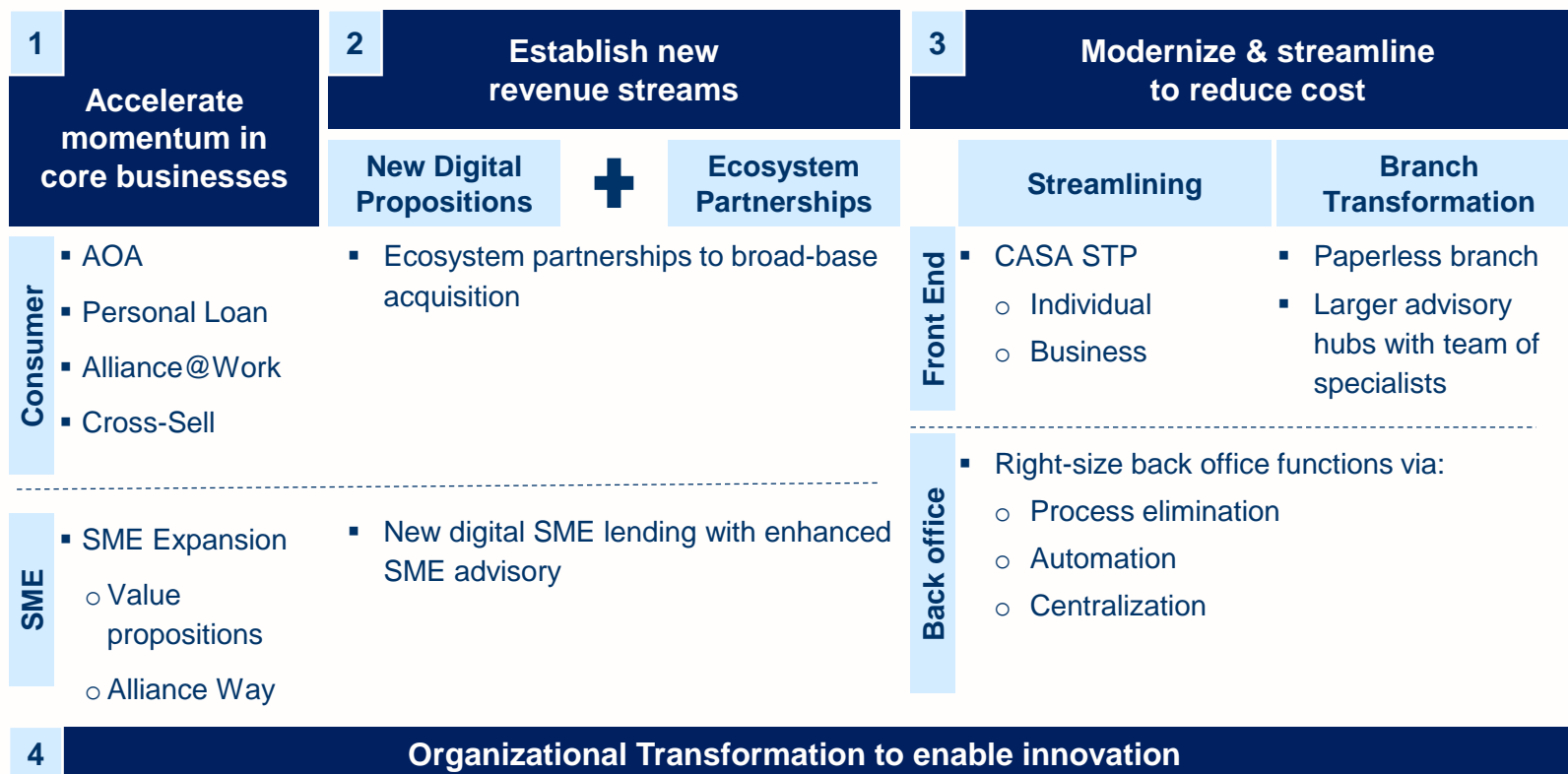
## A Our ambitions & focus

### FY22 Group Ambitions

ROE 11%-12%

No. 1 in Brand attributes ranking for SME

## B How to get there?





# FY20 Priorities & Management Guidance

## FY20 Priorities

1

### Accelerate core businesses

Consumer

- AOA: ENR of **>RM5.5 billion**
- Personal Loan: ENR of **>RM2.3 billion**
- CASA: **>50k** new CASA

Business

- SME loans: ENR **>RM9.5 billion**
- Alliance@Work: **1,800** new payroll Companies

2

### Partnerships + Digital SME

- Ecosystem partnerships
- Exclusive General Insurance partnership
- Digital SME

3

### Branch in a Tablet

- Digital / STP account opening (CASA & other products)
- Products & electronic service request in a tablet



## FY19 Achievements & FY20 Management Guidance

Growth Y-o-Y	FY19 Guidance	FY19 Actual	FY20 Guidance
Gross Loans	>10%	6.0% ▼	~7%
Net Interest Margin	Maintain at ~2.40%	2.50% ▲	Range between 2.40% to 2.45%
Cost to Income Ratio	<50%	47.8% ▼	Maintain at ~48%
Net Credit Cost	~35 bps	31.5 bps ▼	~35 bps
ROE	~10%	9.9% =	>10%
Dividend Payout Ratio	Maintain dividend payout policy	48% =	Maintain dividend payout policy

# Contents

## 1 FY19 Financial Performance

- Key Results
- Revenue & Profitability
- Effective Risk Management
- Sustainability

## 2 Going Forward

- Our Strategy
  - FY19 Achievements
  - FY22 Ambitions
  - FY20 Priorities & Management Guidance

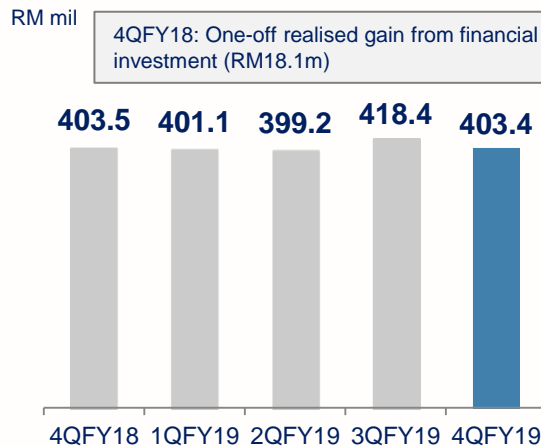
## 3 Appendix - Financial Results

- 4Q FY19
- FY19

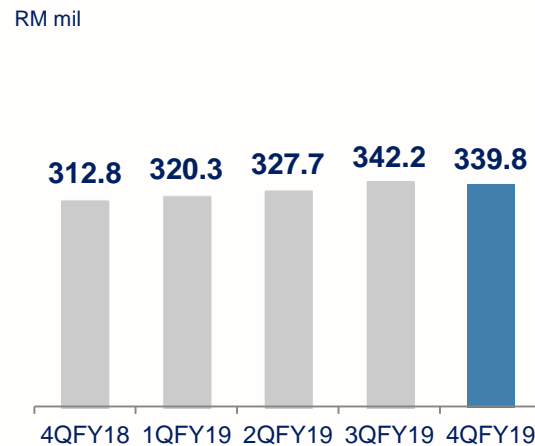


# 4QFY19 net profit after tax: RM111.8 million

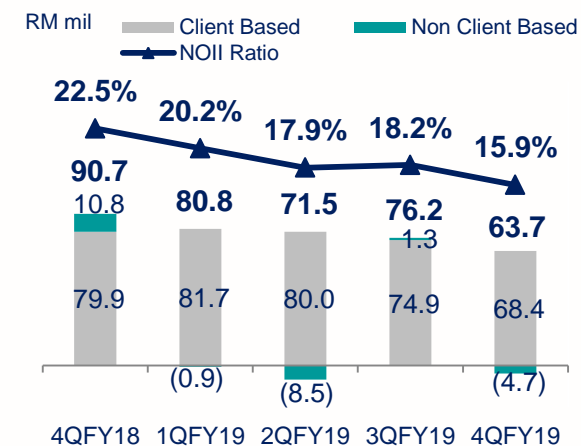
## Revenue



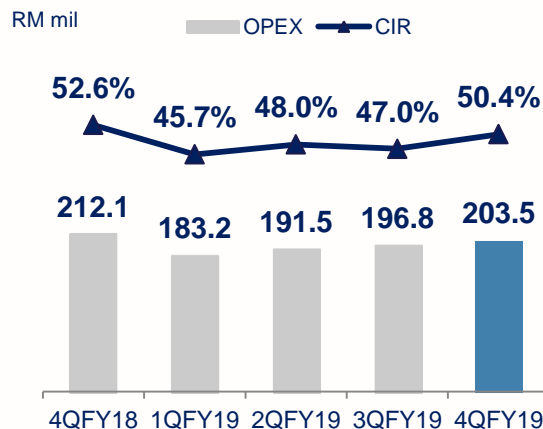
## Net Interest Income & Islamic Net Financing Income



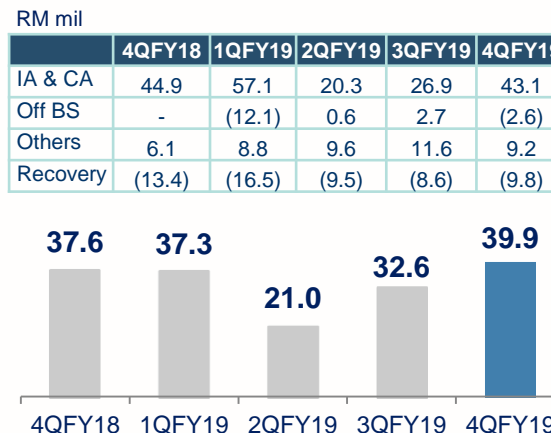
## Non Interest Income & NOII Ratio



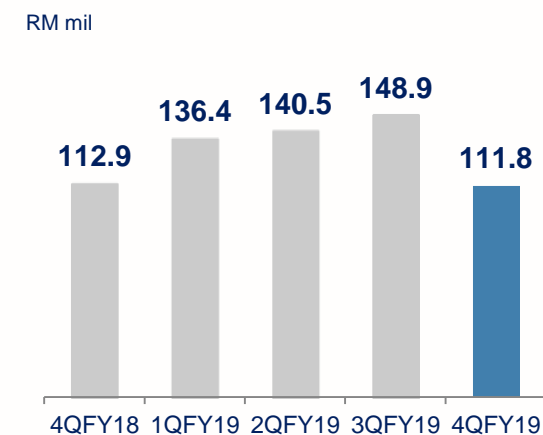
## Operating Expenses & CIR Ratio



## Credit Cost



## Net Profit



Note: Revenue and non interest income includes Islamic banking income



Income Statement	3QFY19 RM mil	4QFY19 RM mil	Q-o-Q Change Better / (Worse)	
			RM mil	%
Net Interest Income	254.9	253.3	(2.4)	(0.7%)
Islamic Net Financing Income	87.3	86.5		
Islamic Non-Financing Income	7.3	7.2	(12.6)	(16.5%)
Non-Interest Income	68.9	56.5		
Net Income*	418.4	403.4	(15.0)	(3.6%)
OPEX	196.8	203.5	(6.7)	(3.4%)
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>221.6</b>	<b>200.0</b>	<b>(21.7)</b>	<b>(9.8%)</b>
Net Credit Cost & impairment^	32.4	49.1	(16.7)	(51.4%)
<b>Pre-tax profit</b>	<b>189.2</b>	<b>150.9</b>	<b>(38.3)</b>	<b>(20.2%)</b>
<b>Net Profit After Tax</b>	<b>148.9</b>	<b>111.8</b>	<b>(37.2)</b>	<b>(24.9%)</b>

□ **Net profit after tax** declined by RM37.2 mil or 24.9% q-o-q, mainly due to:

- **Lower revenue** of RM15.0 mil or 3.6% q-o-q :
  - Lower net interest income<sup>+</sup> due to shorter quarter (90 days in 4QFY19 vs 92 days in 3QFY19)
  - Lower non-interest income mainly due to lower realised gain from financial investments and lower banking services fee income
- **Higher operating expenses** mainly due to higher marketing and administrative expenses
- **Higher net credit cost & impairment:**
  - Primarily from the growth of personal financing portfolio offset by write backs from repayment of several major business accounts
  - Goodwill impairment of RM8.7 mil in 4QFY19 for stockbroking business due to lower projected cash flows from the reassessment of expected future business performance in the light of current trading and economic conditions

Notes:

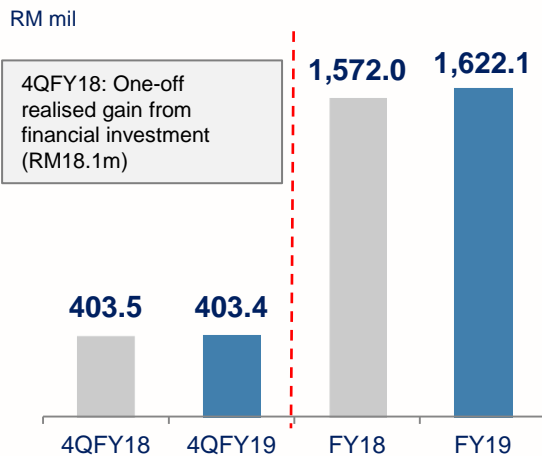
\* Revenue

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

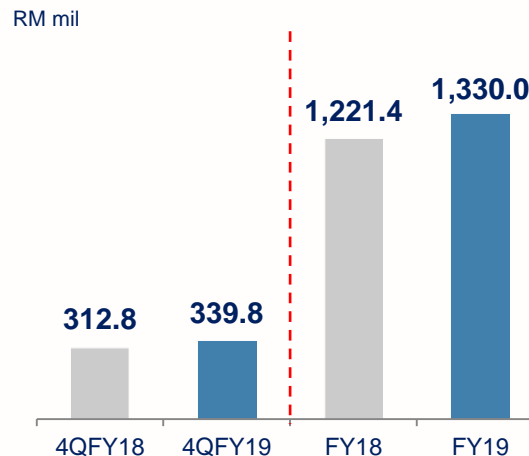
\* Inclusive of Islamic Banking Income

# FY19 net profit after tax: RM537.6 million

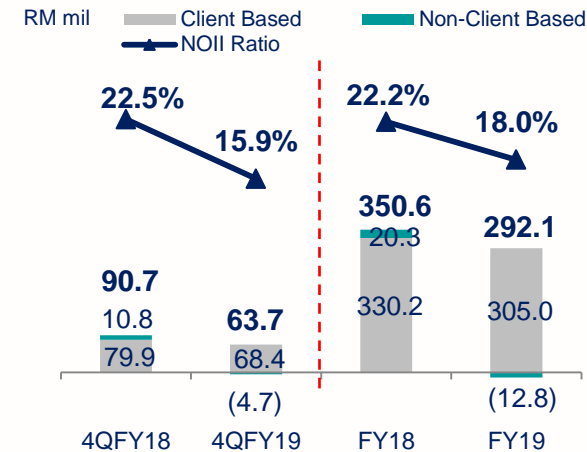
## Revenue



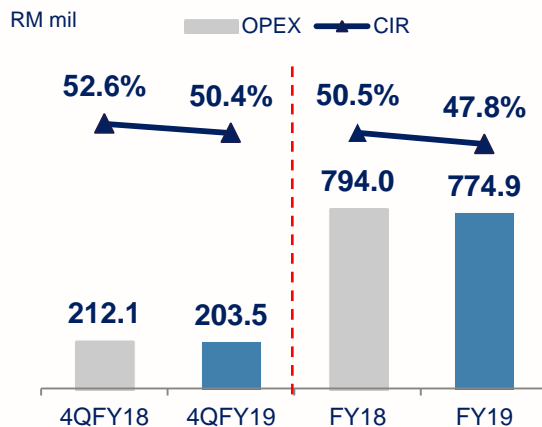
## Net Interest Income & Islamic Net Financing Income



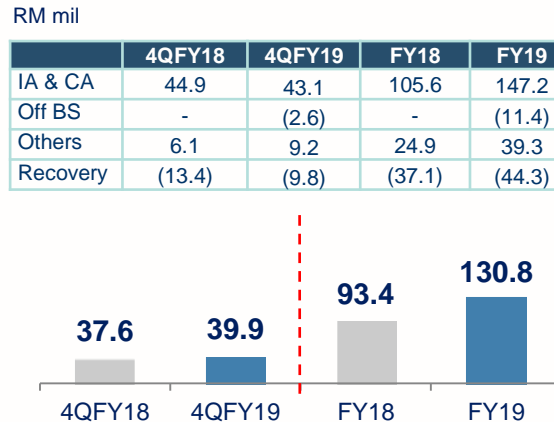
## Non Interest Income & NOII Ratio



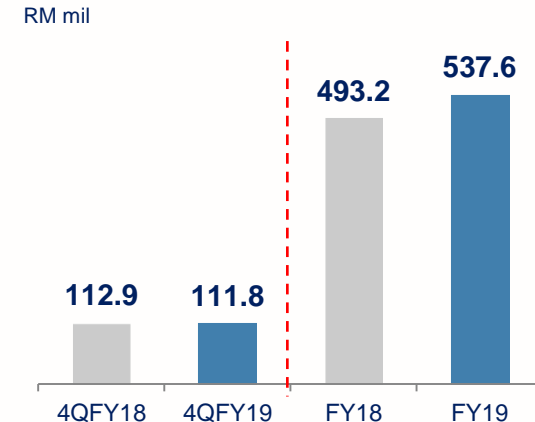
## Operating Expenses & CIR Ratio



## Credit Cost



## Net Profit



Note: Revenue and non interest income includes Islamic banking income





Income Statement	4QFY18 RM mil	4QFY19 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	234.6	253.3	26.9	8.6%
Islamic Net Financing Income	78.2	86.5		
Islamic Non-Financing Income	5.2	7.2	(27.1)	(29.8%)
Non-Interest Income	85.5	56.5		
Net Income*	403.5	403.4	(0.1)	(0.02%)
OPEX	212.1	203.5	8.7	4.1%
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>191.4</b>	<b>200.0</b>	<b>8.6</b>	<b>4.5%</b>
Net Credit Cost & impairment^	37.7	49.1	(11.4)	(30.2%)
<b>Pre-tax profit</b>	<b>153.8</b>	<b>150.9</b>	<b>(2.8)</b>	<b>(1.8%)</b>
<b>Net Profit After Tax</b>	<b>112.9</b>	<b>111.8</b>	<b>(1.1)</b>	<b>(1.0%)</b>

❑ **4QFY19 net profit after tax** decrease by RM1.1 mil or 1.0% y-o-y, driven by:

▪ **Revenue remained flat** at around RM403 mil:

- Higher net interest income<sup>+</sup> growth mainly due to the expansion of loans, improved asset mix from better risk adjusted return ("RAR") loans and OPR hike impact
- Partly offset by lower non-interest income due to lower treasury & investment income and lower fee income from wealth management & credit card fee

▪ **Lower operating expenses** mainly due to lower marketing expenses and administrative expenses

▪ **Higher net credit cost & impairment:**

- Primarily from the growth of personal financing portfolio offset by write backs from repayment of several major business accounts
- Goodwill impairment of RM8.7 mil in 4QFY19 for stockbroking business due to lower projected cash flows from the reassessment of expected future business performance in the light of current trading and economic conditions

Notes:

\* Revenue

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

\* Inclusive of Islamic Banking Income



Income Statement	FY18 RM mil	FY19 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	925.2	998.1	108.5	8.9%
Islamic Net Financing Income	296.3	331.9		
Islamic Non-Financing Income	21.9	27.2	(58.4)	(16.7%)
Non-Interest Income	328.6	265.0		
Net Income *	1,572.0	1,622.1	50.1	3.2 %
OPEX	794.0	774.9	19.1	2.4%
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>778.0</b>	<b>847.2</b>	<b>69.2</b>	<b>8.9%</b>
Net Credit Cost & impairment <sup>^</sup>	93.4	139.2	(45.8)	(49.0%)
<b>Pre-tax profit</b>	<b>684.6</b>	<b>708.0</b>	<b>23.4</b>	<b>3.4%</b>
<b>Net Profit After Tax</b>	<b>493.2</b>	<b>537.6</b>	<b>44.4</b>	<b>9.0%</b>

❑ **Net profit after tax** grew RM44.4 mil or 9.0% y-o-y, driven by:

▪ **Higher revenue of** RM50.1 mil or 3.2% y-o-y:

➢ Net interest income<sup>+</sup> grew 8.9% y-o-y mainly driven by:

- Growth in gross loan volume
- Improved asset mix with better risk adjusted return ("RAR") loans
- Full year impact on OPR hike

➢ Partly offset by lower non-interest income:

- Higher net interest expense on structured investment (fair value option)
- Lower treasury & investment income
- Lower fee income from wealth management and credit card business

▪ **Lower operating expenses** by 2.4% y-o-y mainly due to one-off restructuring cost incurred in previous year and lower administrative expenses

▪ Partly offset by **higher net credit cost & impairment**:

- Mainly due to the one-off write back from credit rating scale alignment for corporates of RM35.6 mil in FY18.
- Goodwill impairment of RM8.7 mil in 4QFY19 for stockbroking business due to lower projected cash flows from the reassessment of expected future business performance in the light of current trading and economic conditions

Notes:

\* Revenue

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

\* Inclusive of Islamic Banking Income



Balance Sheet	Dec 18 RM bil	Mar 19 RM bil	Q-o-Q Change	
			RM bil	%
Total Assets	54.3	56.5	2.2	4.1%
Treasury Assets*	9.5	9.9	0.4	4.7%
Net Loans	41.0	42.3	1.3	3.2%
CASA Deposits	16.2	16.0	(0.2)	(1.7%)
Customer Based Funding <sup>+</sup>	43.3	45.9	2.6	6.2%
Shareholders' Funds	5.6	5.7	0.1	2.9%
Net Loans Growth (y-o-y)	5.8%	5.8%		
CASA Deposits Growth (y-o-y)	1.9%	-		
Customer Based Funding <sup>+</sup> Growth (y-o-y)	6.1%	5.3%		

- **Net loans** increased 3.2% to RM42.3 bil (vs industry: +1.1%^).
- **Better RAR loans** grew 7.5% q-o-q while lower RAR loans grew marginally by 0.7% q-o-q:
  - SME loans growth of 3.9% q-o-q (vs industry: -0.5%#)
  - Continued strong build up for Alliance One Account (+RM484 mil or 22.9% q-o-q).
- **CASA deposits dropped by 1.7%** due to intense market competition.
- **Customer based funding** grew by 6.2% q-o-q mainly due to successful fixed deposits campaigns.
- **Liquidity coverage ratio:** 154.3% (vs 136.0% in December 2018, industry: 143.0%^).

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

<sup>^</sup> BNM Monthly Statistical Bulletin March 2019

<sup>#</sup> BNM Financial Institution Network March 2019 statistics



Balance Sheet	Mar 18 RM bil	Mar 19 RM bil	Y-o-Y Change	
			RM bil	%
Total Assets	53.9	56.5	2.6	4.8%
Treasury Assets*	9.0	9.9	0.9	9.5%
Net Loans	40.0	42.3	2.3	5.8%
CASA Deposits	16.0	16.0	-	-
Customer Based Funding <sup>+</sup>	43.6	45.9	2.3	5.3%
Shareholders' Funds	5.5	5.7	0.2	5.0%
Net Loans Growth (y-o-y)	2.6%	5.8%		
CASA Deposits Growth (y-o-y)	3.1%	-		
Customer Based Funding <sup>+</sup> Growth (y-o-y)	4.1%	5.3%		

- **Net loans** grew by 5.8% y-o-y (industry: +4.9%^).
- **Better RAR loans** grew 27.3% y-o-y while lower RAR loans contracted 5.6%:
  - SME loans growth of 8.8% y-o-y (industry: -1.1%#)
  - Continued strong build up for Alliance One Account (+RM2.2 bil)
  - Personal Financing growth of 27.2% y-o-y
- **CASA deposits** stay flat due to intense market competition.
- **Customer based funding** increased by 5.3% y-o-y due to successful fixed deposits campaigns and higher money market deposits.
- **Liquidity coverage ratio:** 154.3% (vs 159.9% in March 2018, industry: 143.0^).

#### 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

<sup>^</sup> BNM Monthly Statistical Bulletin March 2019

<sup>#</sup> BNM Financial Institution Network March 2019 statistics



	Financial Ratios	4QFY18	3QFY19	4QFY19	FY18	FY19
Shareholder Value	Return on Equity	8.6%	10.7%	8.1%	9.5%	9.9%
	Earnings per Share	7.3sen	9.6sen	7.2sen	31.9sen	34.7sen
	Net Assets per Share	RM3.53	RM3.60	RM3.70	RM3.53	RM3.70
Efficiency	Net Interest Margin	2.50%	2.56%	2.57%	2.40%	2.50%
	Non-Interest Income Ratio	22.5%	18.2%	15.9%	22.3%	18.0%
	Cost to Income Ratio	52.6%	47.0%	50.4%	50.5%	47.8%
Balance Sheet Growth	Net Loans (RM bil)	40.0	41.0	42.3	40.0	42.3
	Total Deposits (RM bil)	42.7	42.6	45.0	42.7	45.0
Asset Quality	Credit cost (basis points) (annualised)	38.5	31.4	38.5	23.4	31.5
	Gross Impaired Loans Ratio	1.4%	1.3%	1.1%	1.4%	1.1%
	Net Impaired Loans Ratio	1.0%	0.8%	0.6%	1.0%	0.6%
	Loan Loss Coverage Ratio^	96.7%	125.9%	142.9%	96.7%	142.9%
Liquidity	CASA Ratio	37.3%	38.1%	35.5%	37.3%	35.5%
	Loan to Deposit Ratio	94.3%	97.2%	94.9%	94.3%	94.9%
	Loan to Fund Ratio	85.3%	87.9%	86.6%	85.3%	86.6%
	Liquidity Coverage Ratio	159.9%	136.0%	154.3%	159.9%	154.3%
Capital	Common Equity Tier 1 Capital Ratio	13.4%	13.3%	13.4%	13.4%	13.4%
	Tier 1 Capital Ratio	13.8%	13.8%	14.1%	13.8%	14.1%
	Total Capital Ratio	18.3%	18.3%	18.5%	18.3%	18.5%

*Note: ^ Loan Loss Coverage includes Regulatory Reserve provision [excluding Regulatory Reserve: 105.5% at 4QFY19 (vs. 90.8% at 3QFY19)]*



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# Thank You.

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