Building Alliances To Improve Lives

Analyst Briefing
1H FY2020

27 November 2019

ALLIANCE BANK

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1HFY20 Performance Highlights

1 Revenue & Franchise Development	▪ **Revenue** grew **4.5% y-o-y** to **RM836.2 million** ▪ **Net interest income** grew **1.5% y-o-y** ✓ **Net interest margin** at **2.37%**, impacted mainly by OPR cut (-7bps) ✓ **Gross loans** up **5.9% y-o-y**, outpacing industry* (+3.8% y-o-y) ▪ **Non-interest income** grew **17.4% y-o-y** ▪ **Cost to Income Ratio** at **47.4%** ▪ **Pre-Provision Operating Profit** grew **3.4% y-o-y** to RM440.2 million
2 Effective Risk Management	▪ **Customer based funding** grew **6.0% y-o-y** (CASA ratio improved to 37.4%) ▪ **Liquidity coverage ratio** at **161.5%** ▪ **Impaired loans** uptick mainly from residential properties ▪ **2QFY20 net credit cost (including bond impairment)** at **17.5 bps** (vs 1QFY20: 24.6 bps)
3 Key Results	▪ **2QFY20 NPAT** at **RM115.5 million** (vs 1QFY20: RM76.7 million) ▪ **2QFY20 ROE** improved to **8.1%**, revised ROE guidance to >8% ▪ **Maintained dividend payout ratio** at **48%:** Declared 1st interim dividend of 6.0 sen
4 Transformation Progress	▪ **Alliance ONE Account**: Doubled loan balances y-o-y to RM 4.3 billion ▪ **Personal Financing:** +18% y-o-y to RM2.1 billion ▪ **SME Expansion**: +10% y-o-y to >RM9.0 billion mark (industry: Flat y-o-y#) ▪ **Alliance@Work**: Acquired >810 company payroll accounts & >15,000 employee CASA

** BNM Monthly Statistical Bulletin September 2019*
 # BNM Financial Institution Network September 2019 statistics

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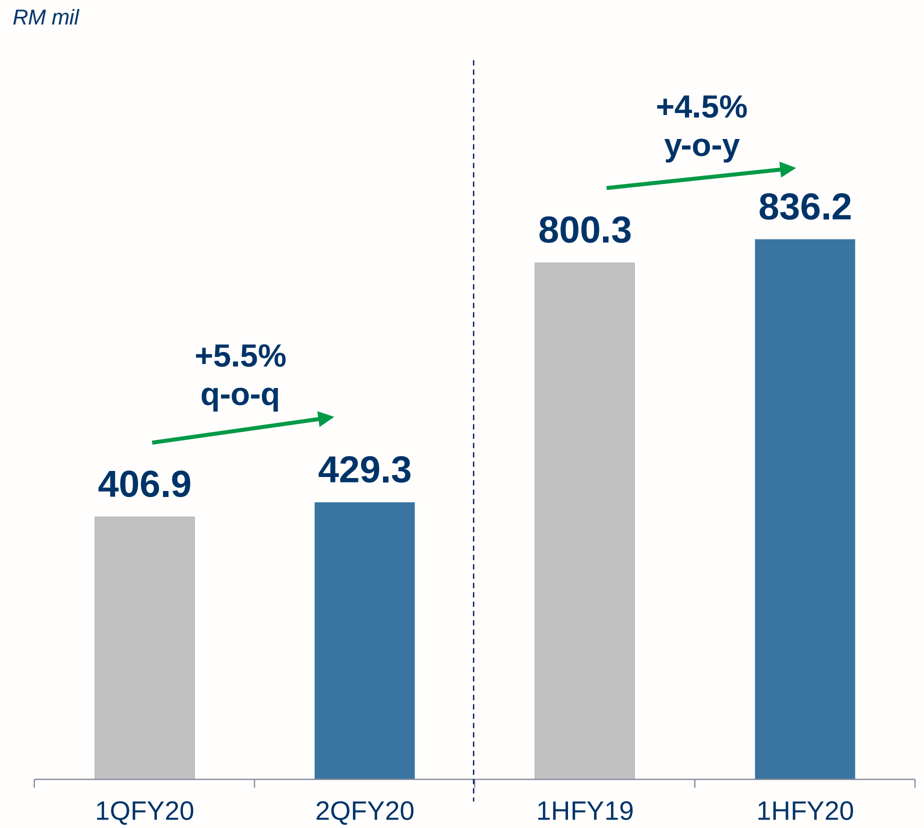
Revenue grew 4.5% y-o-y to RM836.2 million

a) Revenue grew 4.5% y-o-y to RM836.2 million contributed by:

- Net-interest income: +1.5% y-o-y
- Non-interest income: +17.4% y-o-y

b) Q-o-q: Revenue grew 5.5%

Revenue

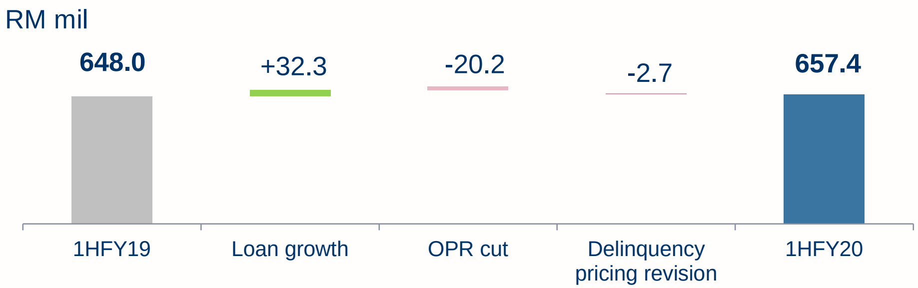


^Based on Jun-19 local peers average

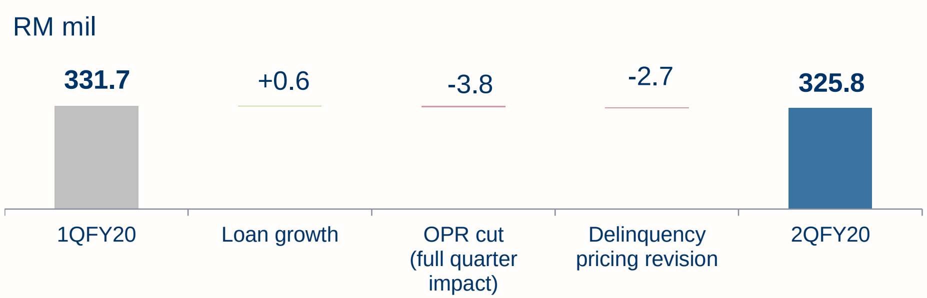
Net interest income grew 1.5% y-o-y

a) Net interest income grew 1.5% y-o-y contributed by:

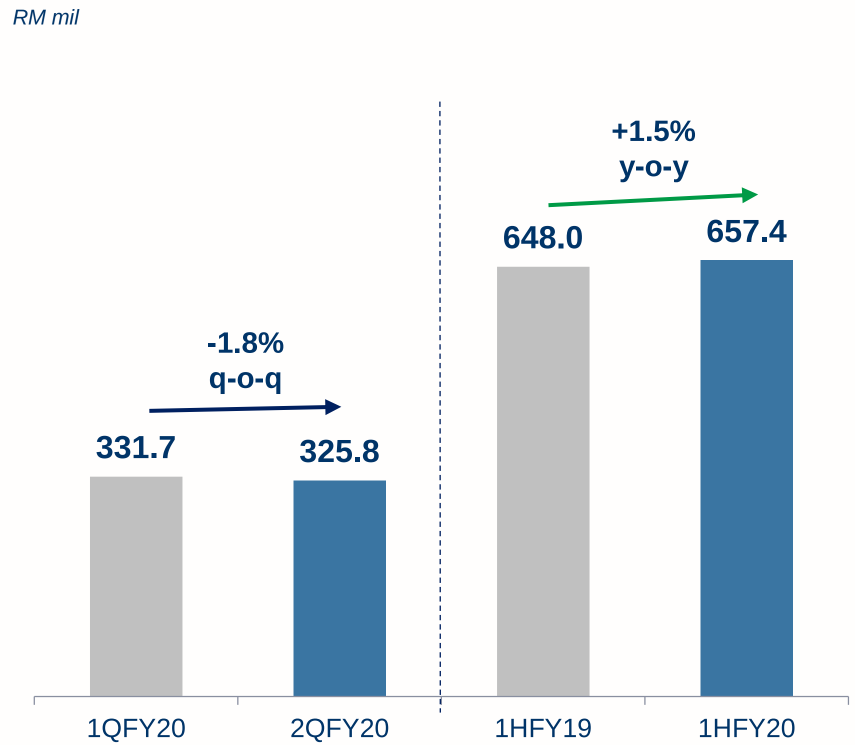
- Loan growth of +5.9% y-o-y outpacing industry (industry*: +3.8% y-o-y)
- Partly offset by OPR cut & delinquency pricing revision (regulatory changes)



b) Q-o-q: Net interest income declined 1.8% q-o-q impacted by regulatory changes



Net Interest Income



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NIM at 2.37%, mainly due to OPR cut impact in a full quarter

a) YTD NIM: 2.37%, mainly due to OPR cut impact in a full quarter and delinquency pricing revision (regulatory changes). Total impact: -RM22.9 million or -8 bps

b) YTD GIM: -8 bps
- OPR cut impact (-12 bps)
- Delinquency pricing revision (-1 bp)
- <u>Partly offset by</u>: yield improvement from better RAR loans growth (+5 bps)

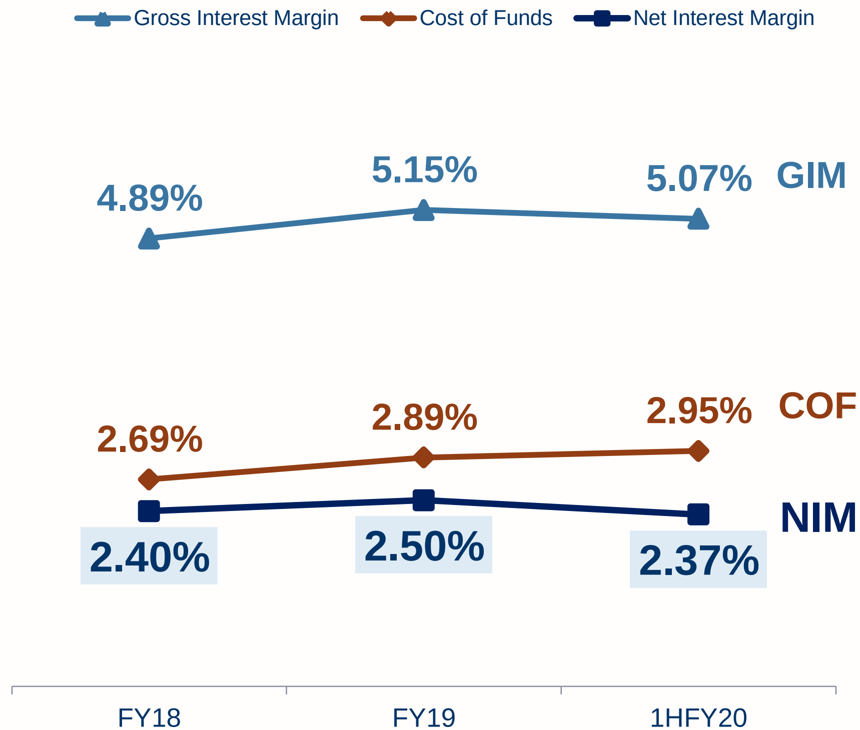
c) YTD COF: +6 bps
- Liabilities growth sufficient to fuel future business growth
  - SavePlus: +RM1.3 bil (+7 bps)
  - FD: +RM0.3 bil (+4 bps)
- <u>Partly offset by</u>: OPR cut impact (-5 bps)

d) Continue to focus on efficient funding mix to contain NIM

e) FY20 NIM guidance revised to ~2.38%

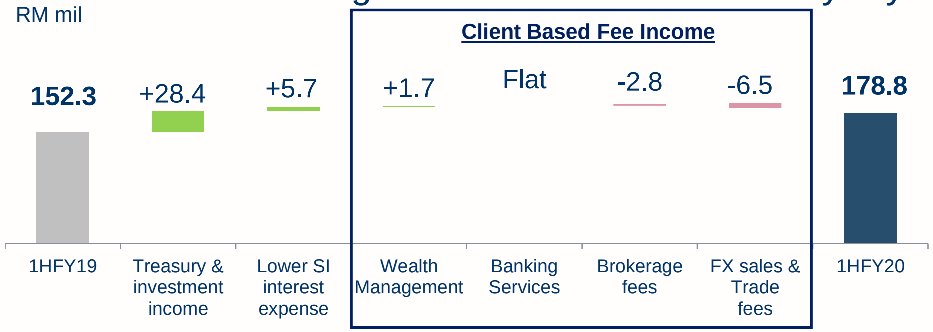
(factoring in delinquency pricing revision: -2 bps)

Interest Margin Trend



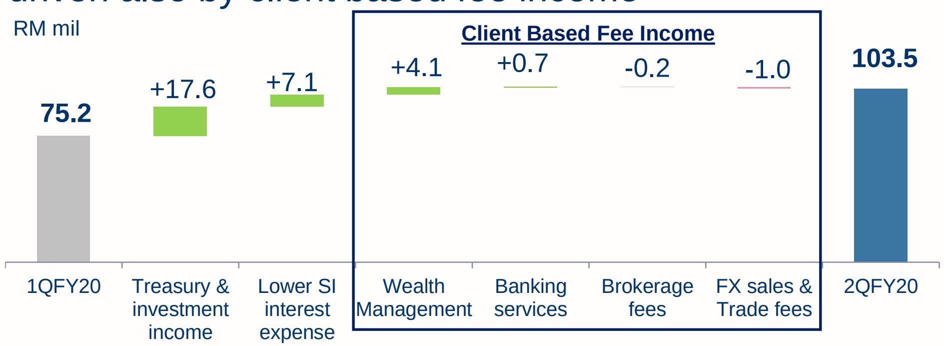
Non-interest income grew 17.4% y-o-y

a) Non-interest income grew 17.4% or +RM36.5 mil y-o-y:

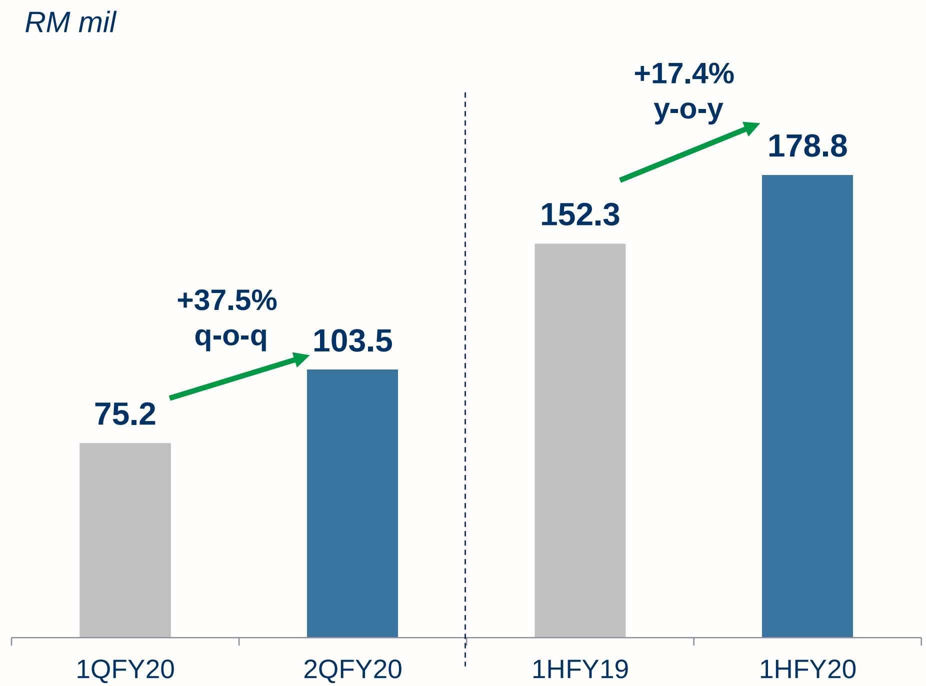


- Higher realised gain from sale of government bonds: +RM19.5 mil
- Higher revaluation gain from social economic investments: +RM14.7 mil
- Higher wealth management: +RM1.7 mil
- Partly offset by lower brokerage, FX sales & trade fee: -RM9.3 mil

b) Q-o-q: Non-interest income grew 37.5% or +RM28.3 mil driven also by client based fee income



Non-interest income



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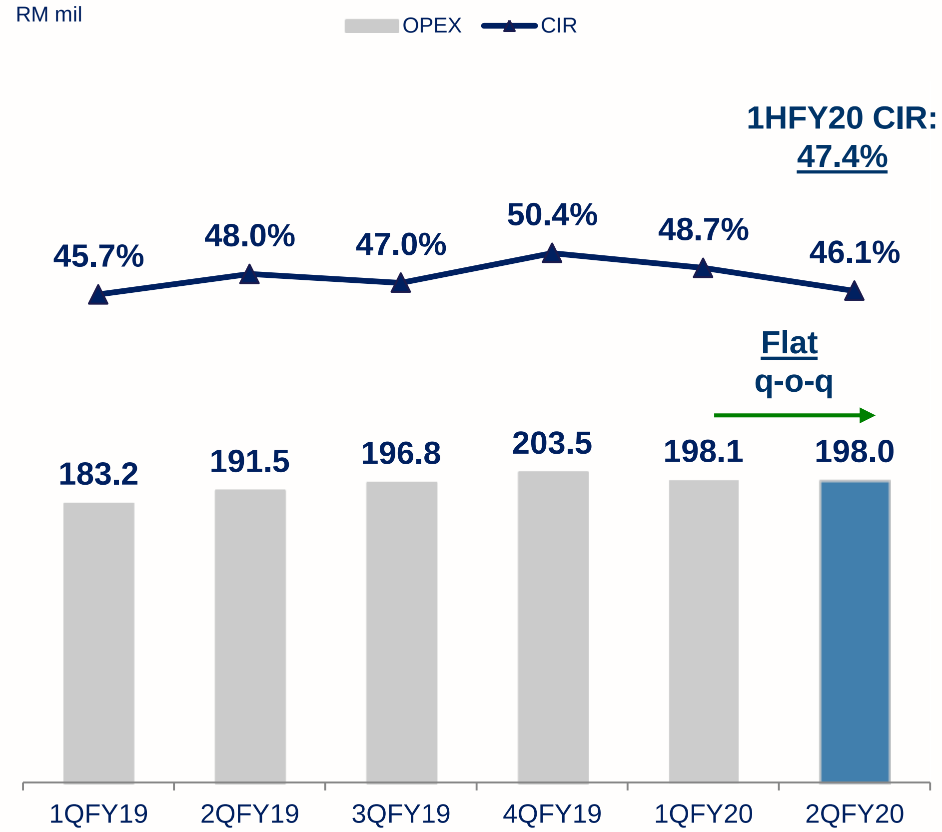
1HFY20 Cost to Income Ratio at 47.4%

a) 2QFY20 operating expenses flat q-o-q

b) Maintain cost to income ratio guidance at ~48%, as new investments continue to stabilise

- Cost savings initiatives:
  - Hiring priority given to Business & Collection
  - Re-negotiating IT maintenance services & non-essential discretionary expenses

Operating Expenses



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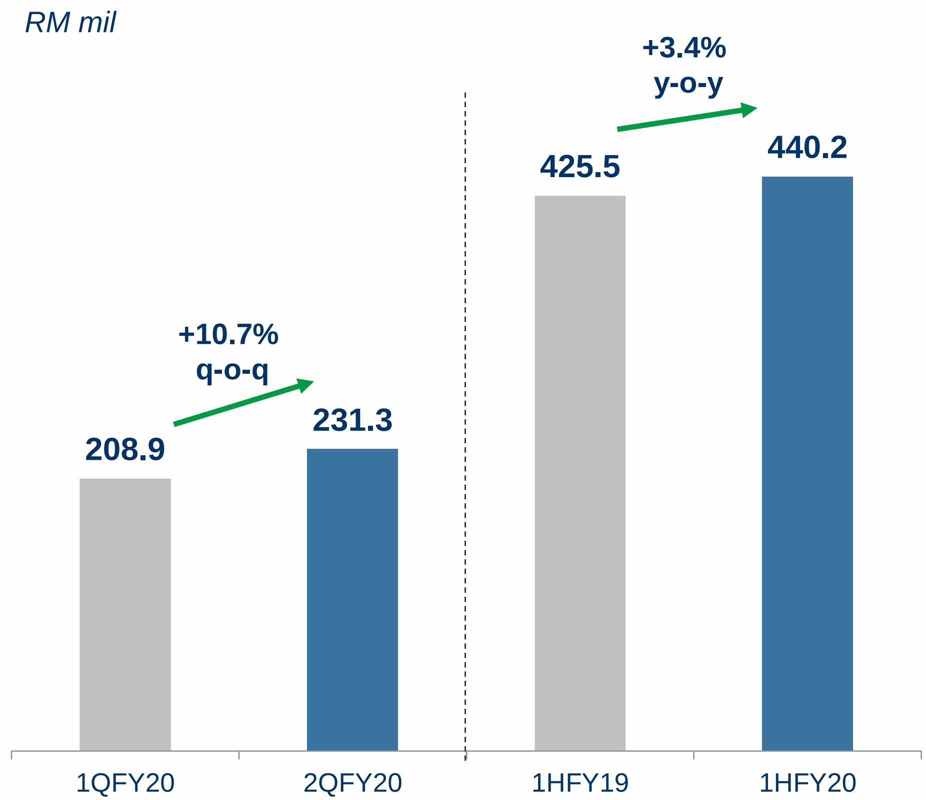
Pre-Provision Operating Profit grew 3.4% y-o-y

a) 1HFY20 Pre-Provision Operating Profit (PPOP) grew by 3.4% y-o-y to RM440.2 mil

b) Q-o-q: 2QFY20 PPOP grew 10.7% to RM231.3 mil

- Supported by a positive JAWS of 5.6%

Pre-Provision Operating Profit



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Customer based funding grew 6.0% y-o-y

a) Customer based funding grew 6.0% y-o-y

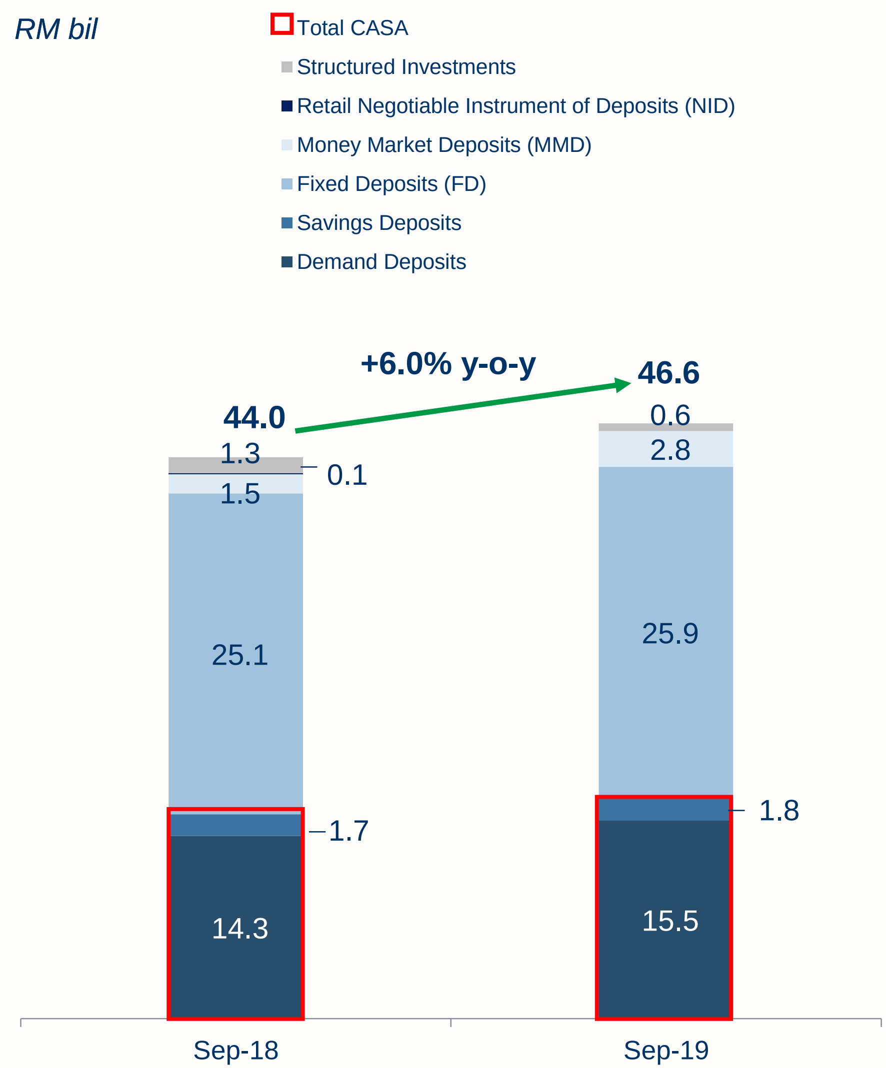
b) CASA grew RM1.3 bil or 7.7% y-o-y mainly from:
- Alliance SavePlus: +RM1.1 bil y-o-y
- Alliance@Work payroll/ CASA: +RM180 mil y-o-y

c) CASA ratio remained high at 37.4%

d) Funding growth was utilised mainly to fund AOA and Personal financing

e) Continue focusing on Consumer and SME deposit growth (deposit initiatives):
- Consumer deposit campaigns
- SME new business current account & referral campaigns

Customer Based Funding



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

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Liquidity coverage ratio at 161.5%

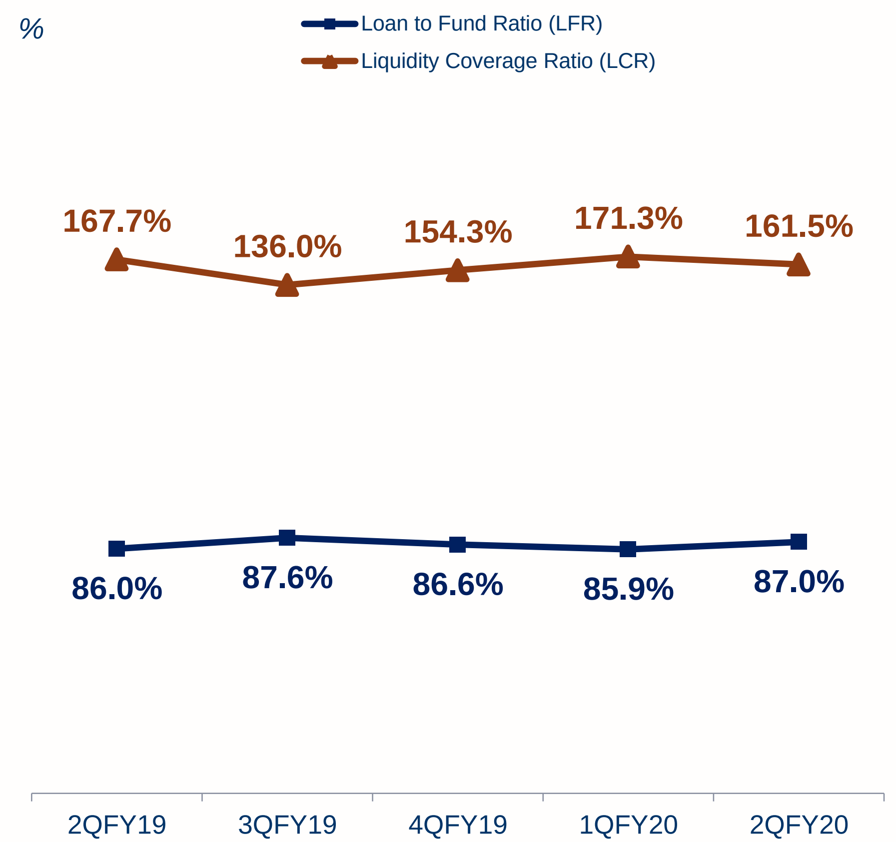
a) Healthy liquidity position:

- Liquidity coverage ratio at 161.5% (industry*: 143.6%)
- Loan to fund ratio at 87.0% (industry^: 85.7%)

b) Net stable funding ratio (NSFR):

- Proforma NSFR is already above 100%

Liquidity: LCR, LFR



^ Jun'19 local peers' average
** BNM Monthly Statistical Bulletin September 2019*

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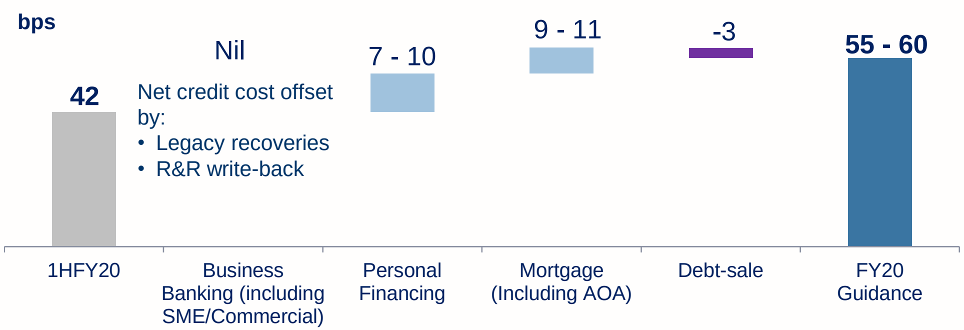
2QFY20 net credit cost at 17.5 bps

a) 2QFY20 net credit cost (including bond impairment) at 17.5 bps (vs 1QFY20: 24.6 bps)

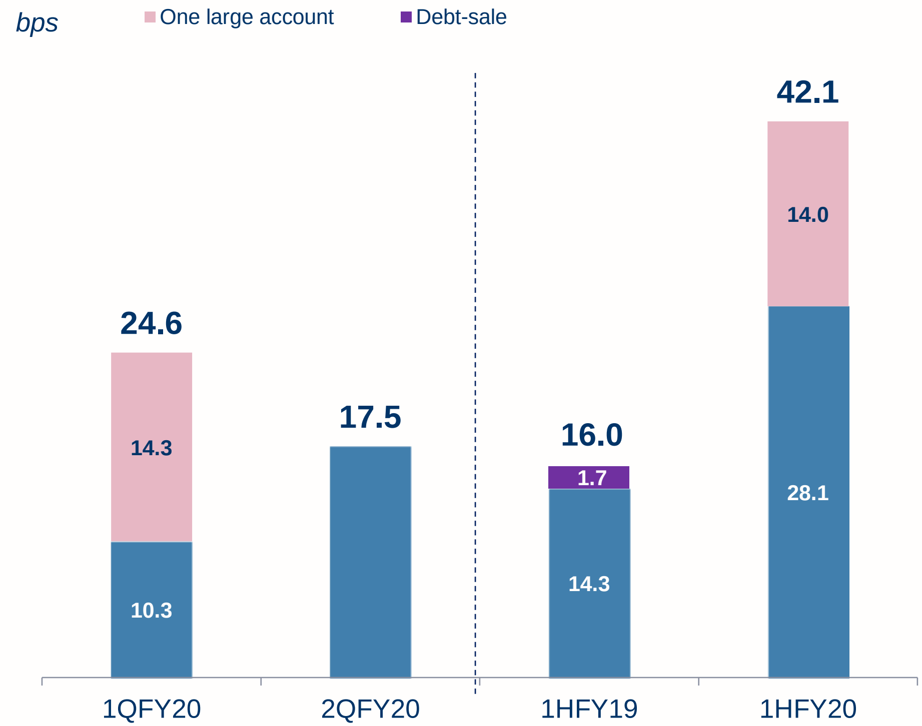
b) 2QFY20 net credit cost comprises:

- SME/Commercial: 6.0 bps
- Personal Financing: 5.6 bps
- Mortgage (including AOA): 5.7 bps

c) Revised FY20 net credit cost guidance: 55 – 60 bps (including bond impairment)



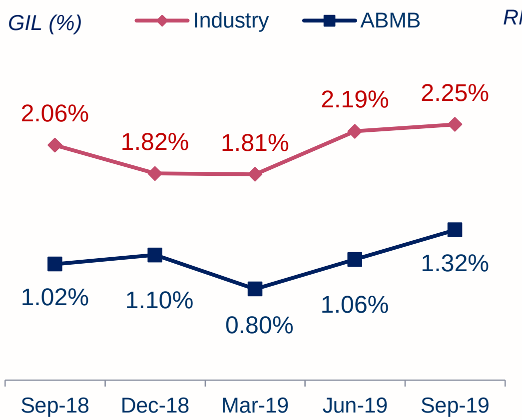
Net Credit Cost* (bps)

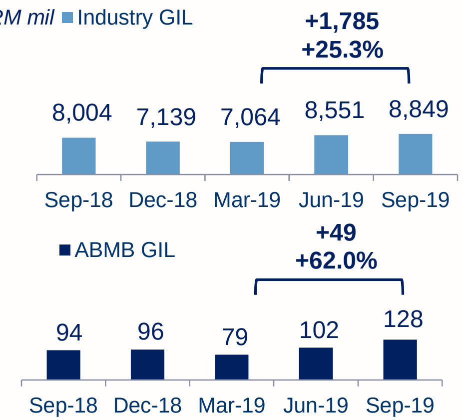


* Net credit cost (including bond impairment)

Impairment in key loan segments

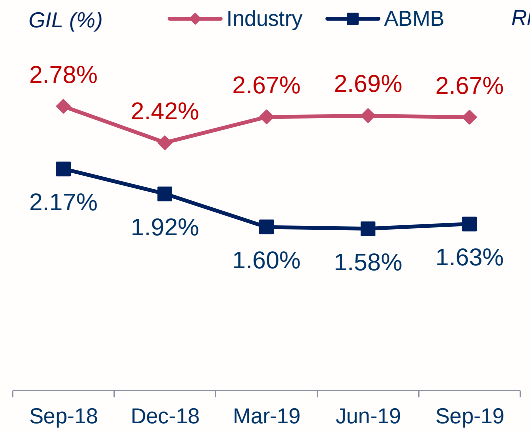
Working Capital

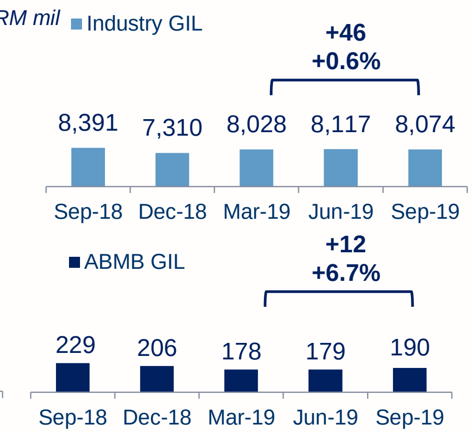




- Working capital GIL ratio remain lower than industry despite RM49m increase YTD (a few large accounts in 1Q & commercial segment in 2Q)

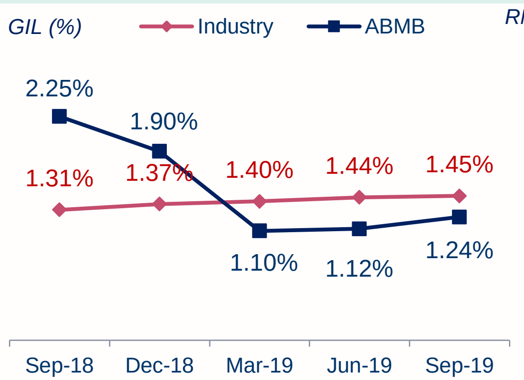
SME

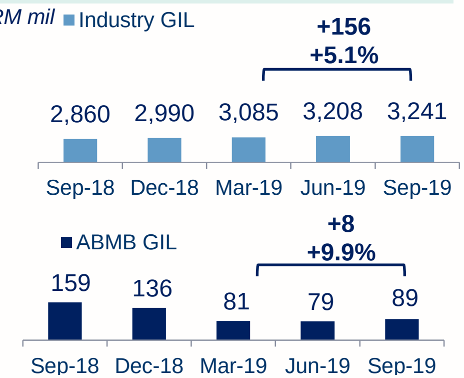




- SME GIL: minor uptick of RM12m YTD
- SME GIL ratio remain lower than industry

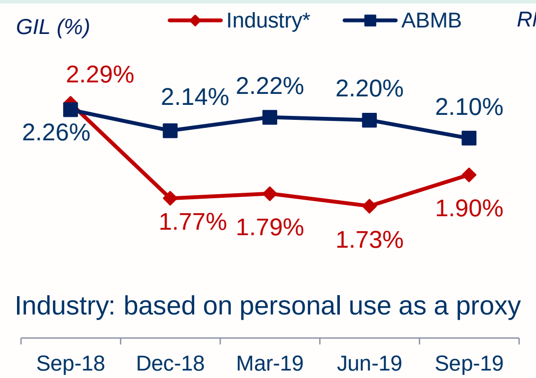
Non-Residential

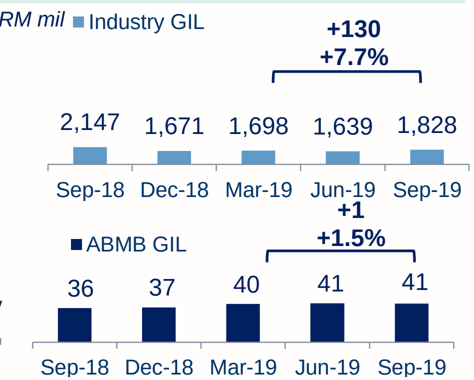




- Non-residential GIL ratio has improved since Sep18, due to a number of further tightening since Nov 18 (e.g. reduced maximum margin of financing & increased DSR threshold)

Personal Financing





- PF GIL ratio contained at between 2.1% to 2.2% (vs Personal Use Industry GIL ratio of 1.9%)

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Impaired loans uptick mainly from residential properties

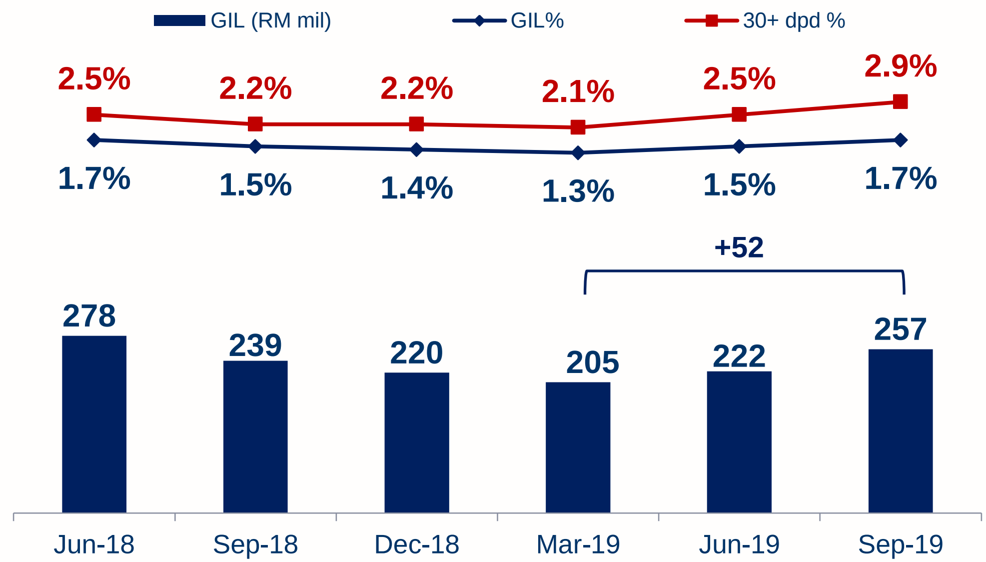
a) Conventional mortgage GIL increased by RM52m YTD mainly from legacy accounts (pre-2013):

- Reschedule and restructure: +RM26 mil
- Majority of the portfolio were booked before 2015 with average origination LTV at 80% (current: 62%)

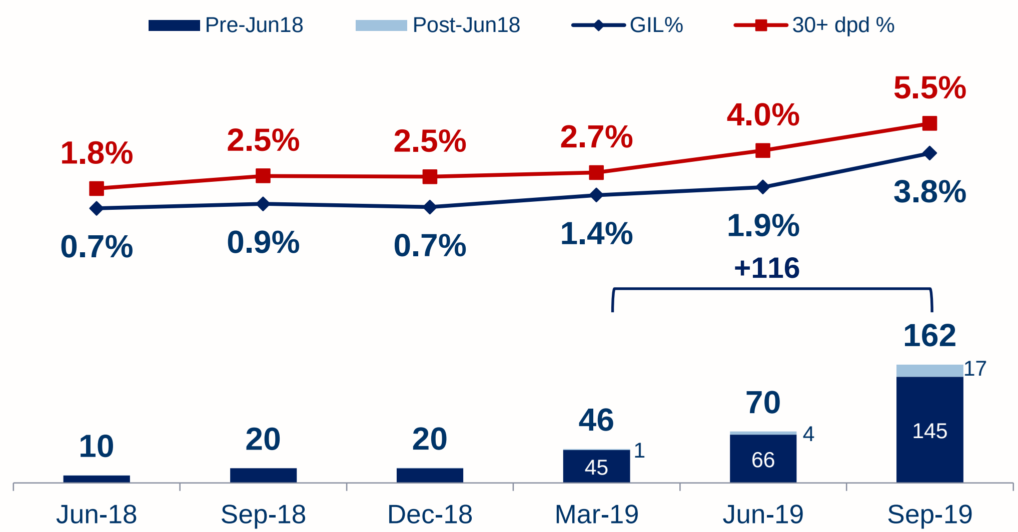
b) AOA impairment increased by RM116m YTD

- Pre-Jun18: +RM100 mil
- Post-Jun18: +RM16 mil

Conventional Mortgage



Alliance ONE Account



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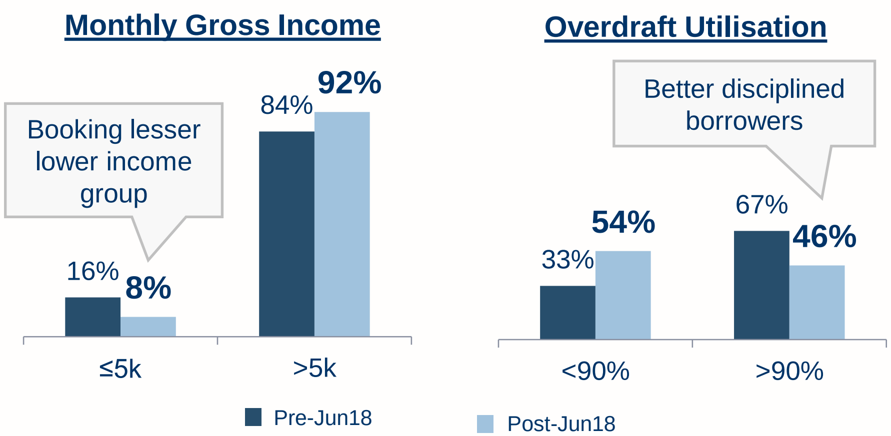
Intensified proactive credit management

On-going refinement in AOA credit policy

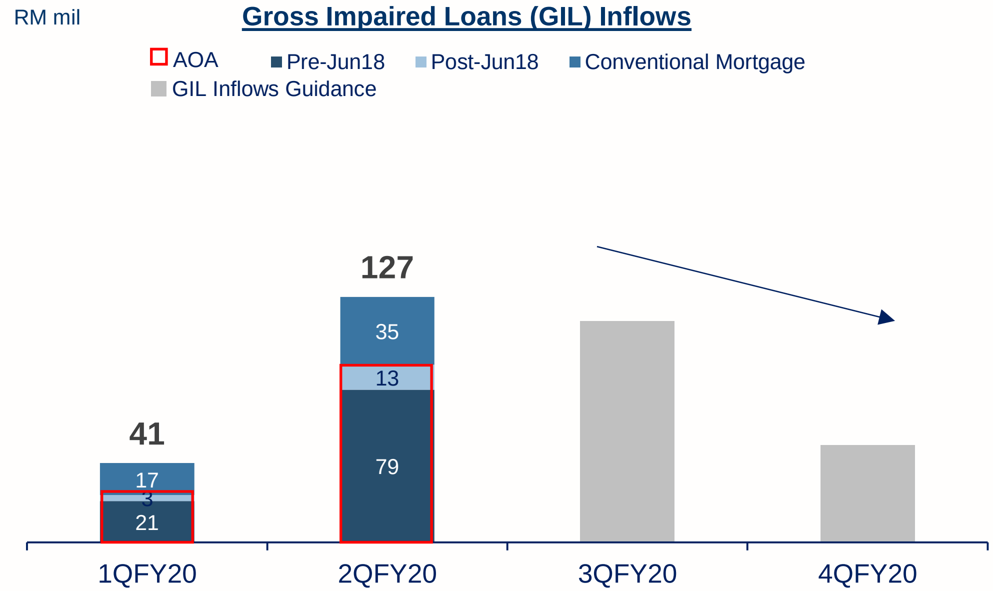
- Implemented a series of credit tightening since its launching:

#	Date	Origination
1	Jun18	▪ Revised overdraft amortization policy ▪ Revised Debt-Service-Ratio (DSR) computation for refinancing
2	Apr19	▪ Lower OD limit for new applications ▪ More differentiated risk-based pricing
3	Aug19	▪ Implemented duo score strategy (internal + CTOS score)

- Post-Jun18 portfolio has been displaying better asset quality since credit tightening with better new bookings:



Intensified proactive credit management



- GIL inflows peaked in 2QFY20 and will taper off
- Increase collection efforts from Oct-19 to contain impairment for residential portfolio in 2HFY20:
  - ➢ Offer R&R to high OD accounts
  - ➢ Increase call intensity with more collectors
  - ➢ Step up pre-delinquency calling
  - ➢ Improve foreclosure process
- Revising pricing for AOA new bookings to reflect the higher credit risk

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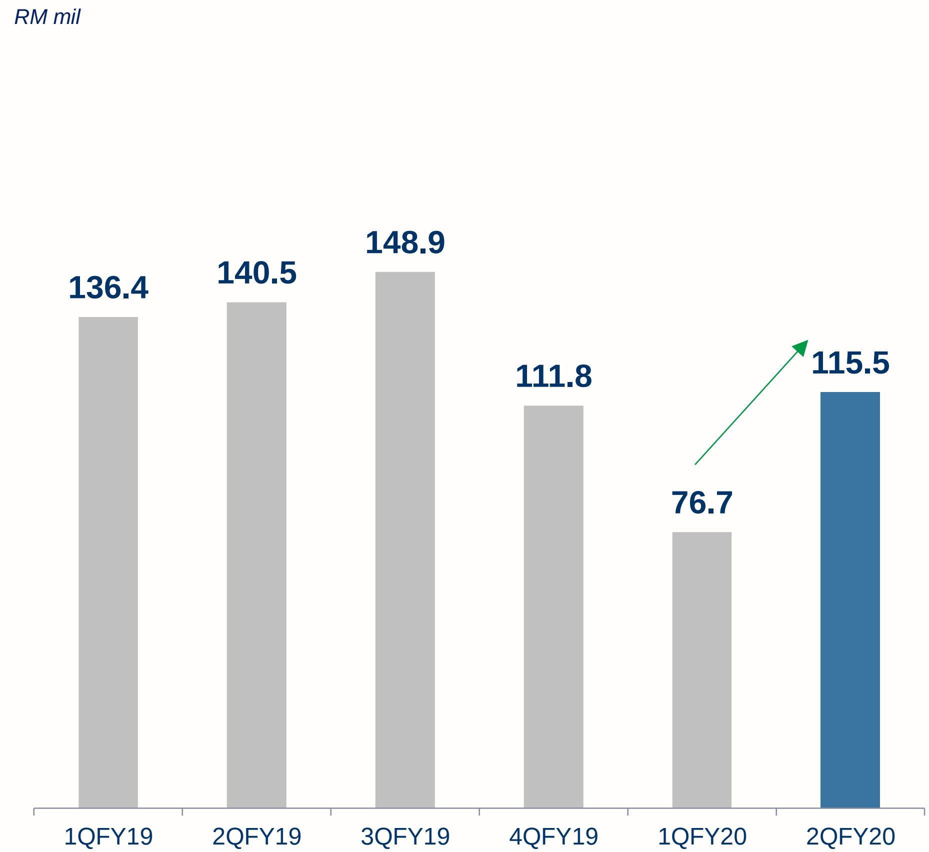
2QFY20 NPAT recovered to RM115.5 mil

a) 2QFY20 NPAT at RM115.5 mil (vs 1QFY20: RM76.7 mil)

b) 1HFY20 NPAT at RM192.2 mil

c) 2QFY20 ROE improved to 8.1%,
revised ROE guidance: >8%

Net Profit After Tax (NPAT)



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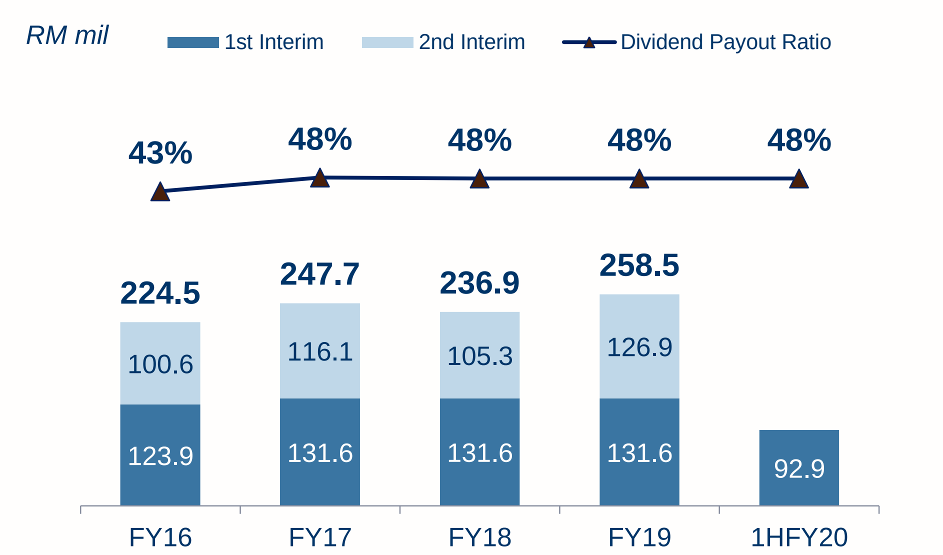
Maintained dividend payout of 48%

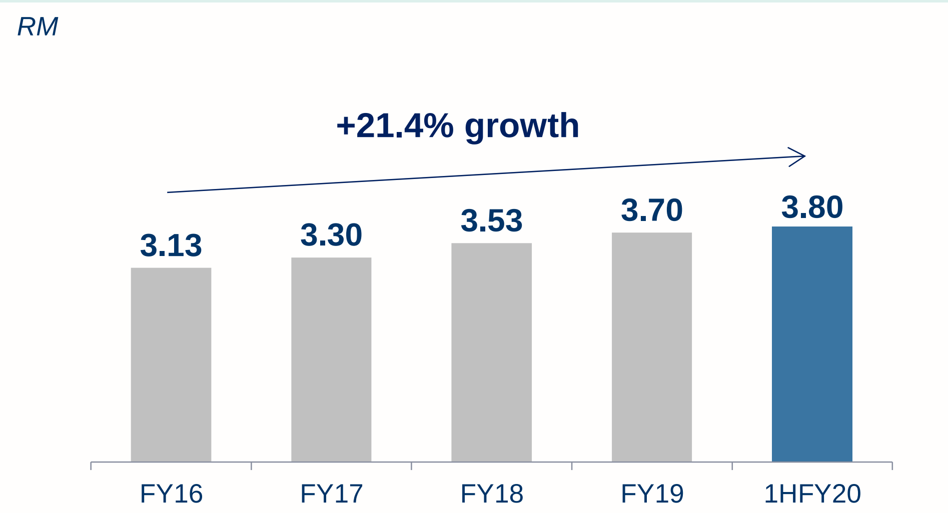
a) Dividend payout ratio of 48%
  - Declared 1st interim dividend: 6.0 sen
  - 1st interim dividend yield: 2.1% (annualised dividend yield: 4.2%)

b) Net asset per share grew steadily to RM3.80

Dividend Paid and Payout Ratio



Net Assets per Share



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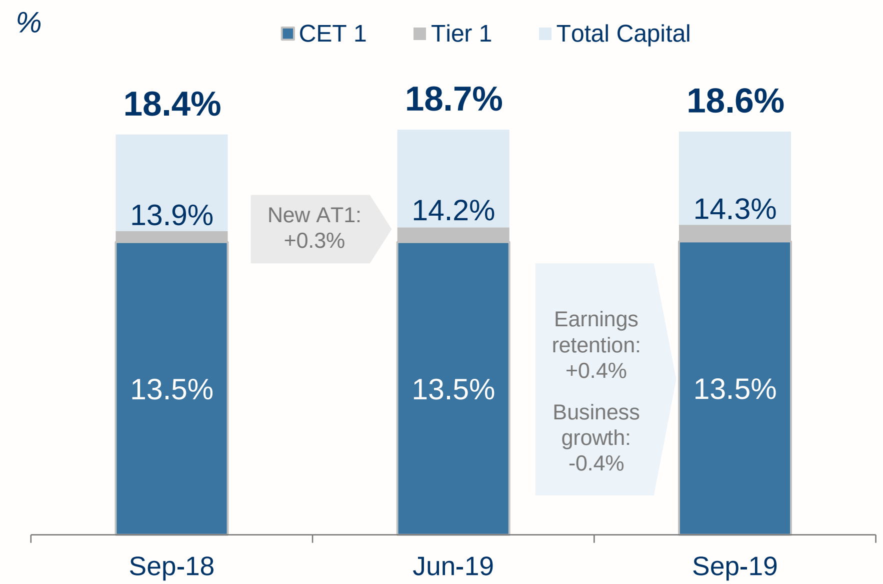
Continue to sustain capital position

a) Capital position remained strong:
- CET-1 ratio: 13.5%
- Tier 1 ratio: 14.3%
- Total capital ratio: 18.6%

b) Continue to conserve CET 1 capital through earnings net of dividend

c) Sufficient capital programmes (Additional Tier 1 and Tier 2 Capital) to support future business expansion and potential regulatory requirement

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	13.5%	12.0%	10.9%	85.6%
Tier 1 Capital Ratio	14.3%	12.9%	12.0%	85.6%
Total Capital Ratio	18.6%	17.7%	14.7%	86.6%

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FY20 Priorities

FY20 Priorities

1 Accelerate core businesses

Consumer

a. AOA: Loan balances of **>RM5.0 billion**

b. Personal Loan: Loan balances of **>RM2.3 billion**

c. CASA: **100k** new consumer CASA

Business

d. SME loans: Loan balances **>RM9.5 billion**

e. Alliance@Work: **1,800** new Payroll Companies

2 Partnerships + Digital SME

a. **Ecosystem partnerships**

b. **Digital SME**

3 Branch in a Tablet / Streamlining

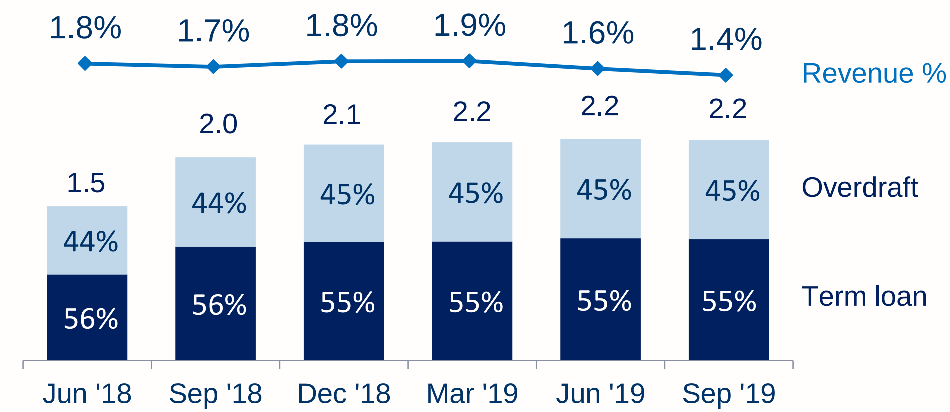
a. **Digital / Straight-Through Processing (STP)** account opening (CASA & other products)

b. **Products & electronic service requests** in a **tablet**

Overview of AOA portfolio with sustainable leads generation

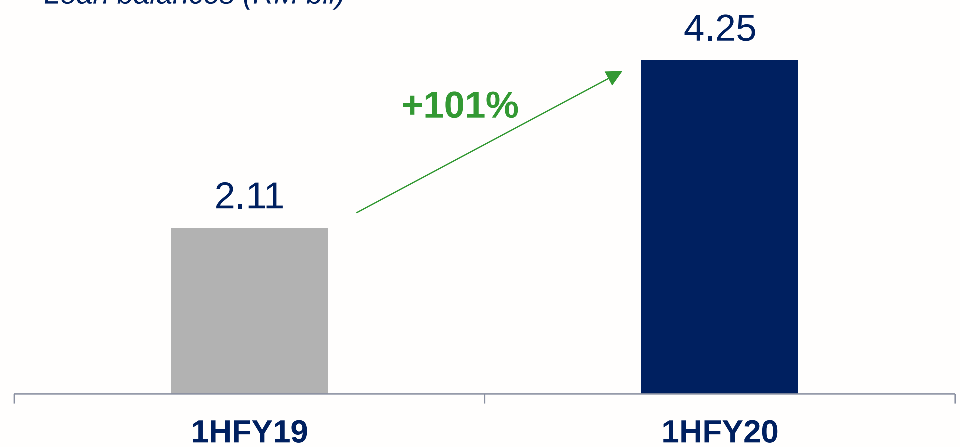
Alliance ONE Account ("AOA") Pre-Jun18

AOA ENR (RM 'bil)



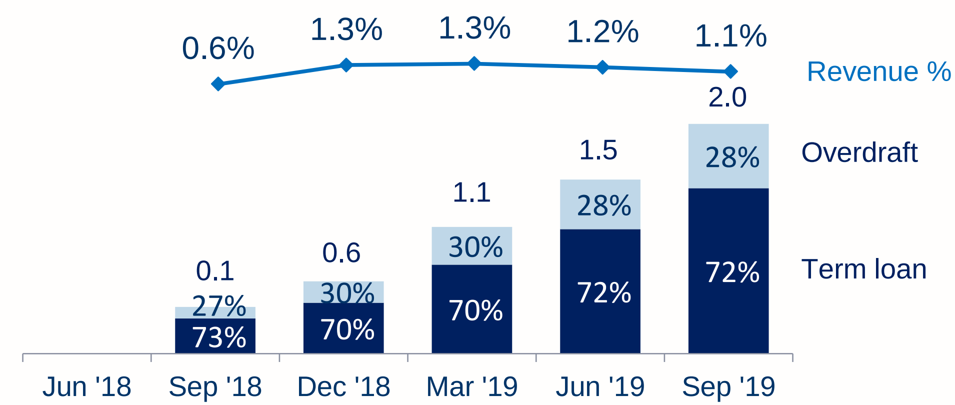
1HFY20 Performance

Loan balances (RM bil)



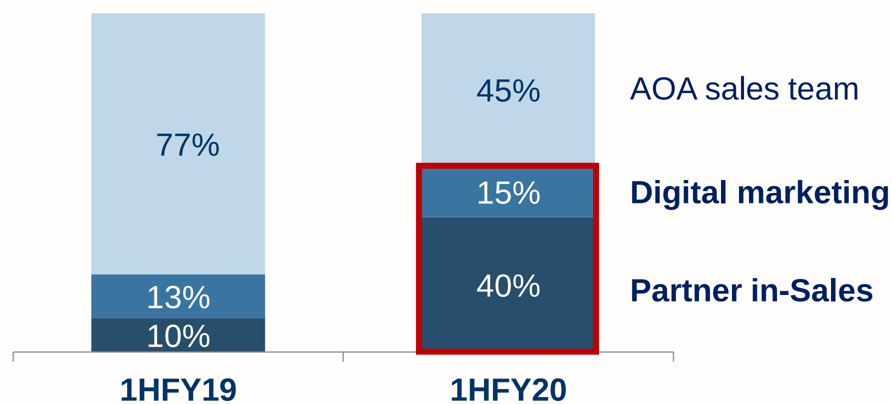
Alliance ONE Account ("AOA") Post-Jun18

AOA ENR (RM 'bil)



55% of AOA bookings are from our Partners in-Sales & Digital Marketing

% AOA approval by channel



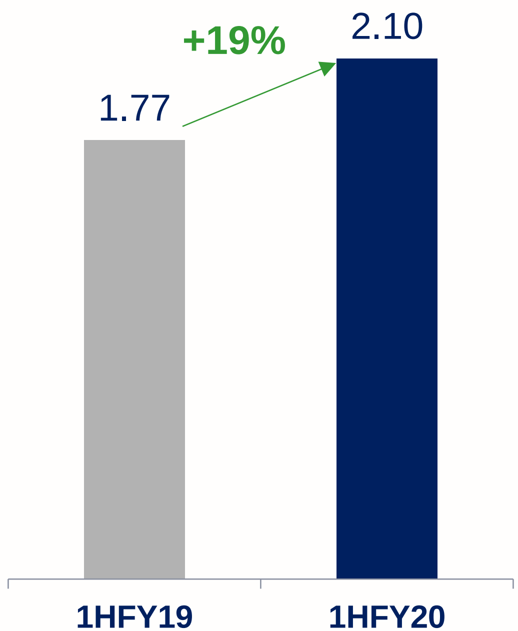
FY20 Priorities

1 Accelerate core businesses	2 Partnerships + Digital SME	3 Branch in a Tablet / Streamlining

+23% Y-o-Y growth for Personal Loans balances

1HFY20 Performance

Loan balances[1] (RM bil)



	1HFY19	1HFY20	Growth (%)
Loan approval	RM458.8 mil	RM484.3 mil	6%
Loan disbursement	RM458.9 mil	RM483.8 mil	5%

Note: 1. Net IIS

Simple Personal Loan Application

1 Semi-STP for Personal Loans via web

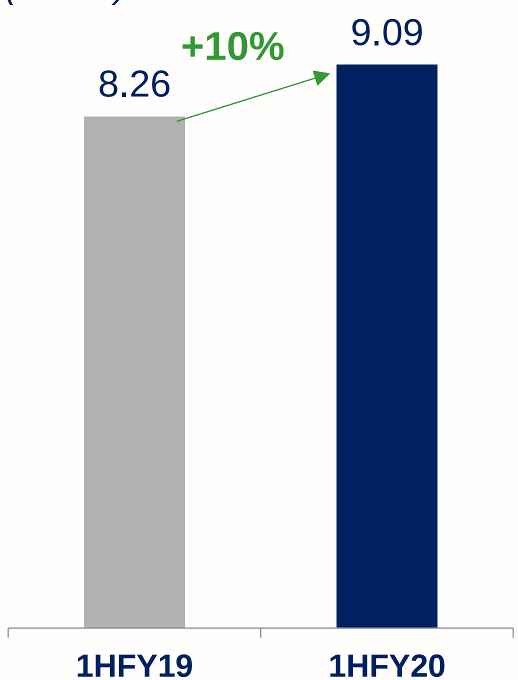
✓ Pilot: Sep '19

- Submit application and income documents via web
- TAT: **1-2 working days**

+10% Y-o-Y growth for SME loan balances

1HFY20 Performance

Loan balances[1] (RM bil)



	1HFY19	1HFY20	Growth (%)
Loan acceptance	RM1.49 bil	RM1.52 bil	2%
Loan disbursement	RM1.09 mil	RM1.25 bil	15%

Note: 1. Net IIS

Alliance Way: Fulfilled via Tablet / Smartphone

1 **"1-day, 1 visit"**
- Business CASA account opening — **✓ Pilot launched**
- BizSmart online banking activation — **Dec '19**

2 **Mobile BizSmart** for SMEs and **Electronic Banker Acceptance** — **4Q FY20**

3 **Financial health calculator** for RMs — **Pilot: 3Q FY20**

4 **Fully digital, small ticket unsecured loans** to SMEs — **Pilot: 4Q FY20**

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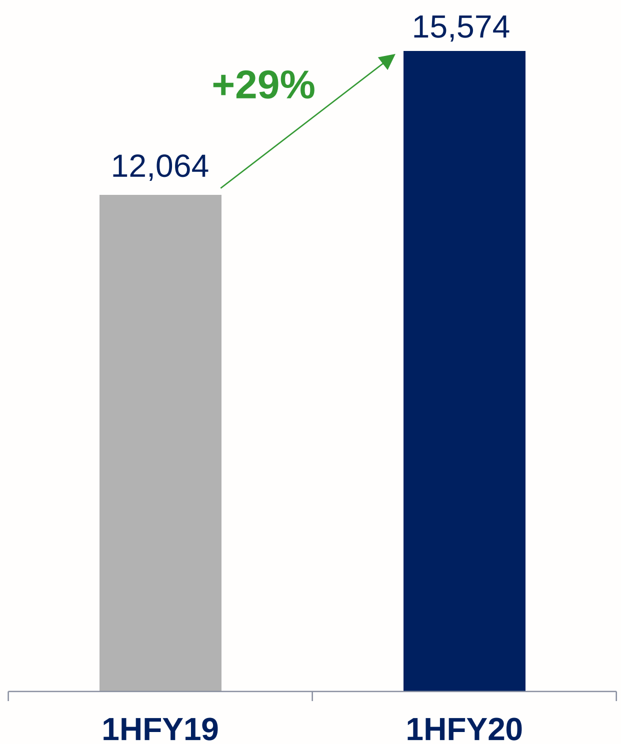
FY20 Priorities

1 Accelerate core businesses | 2 Partnerships + Digital SME | 3 Branch in a Tablet / Streamlining

Alliance@Work: Acquired >15,000 new local employees & >810 new payroll companies

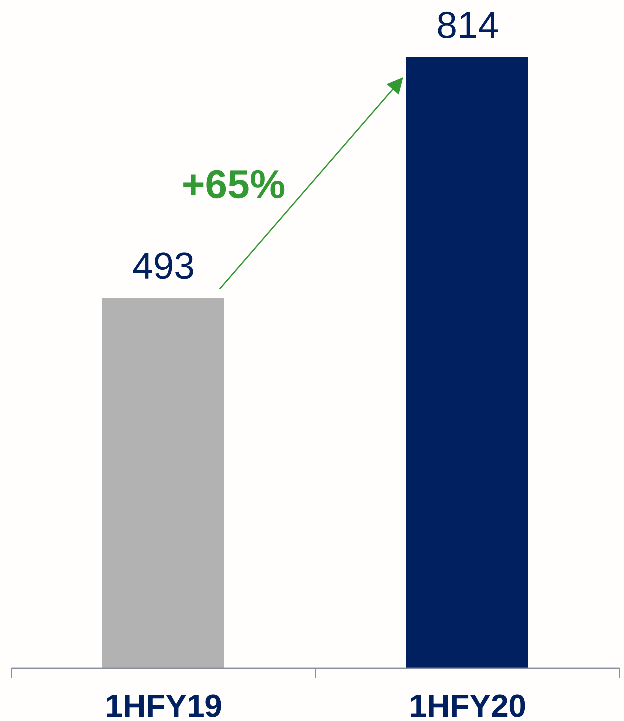
New local employees CASA acquired

Number of accounts



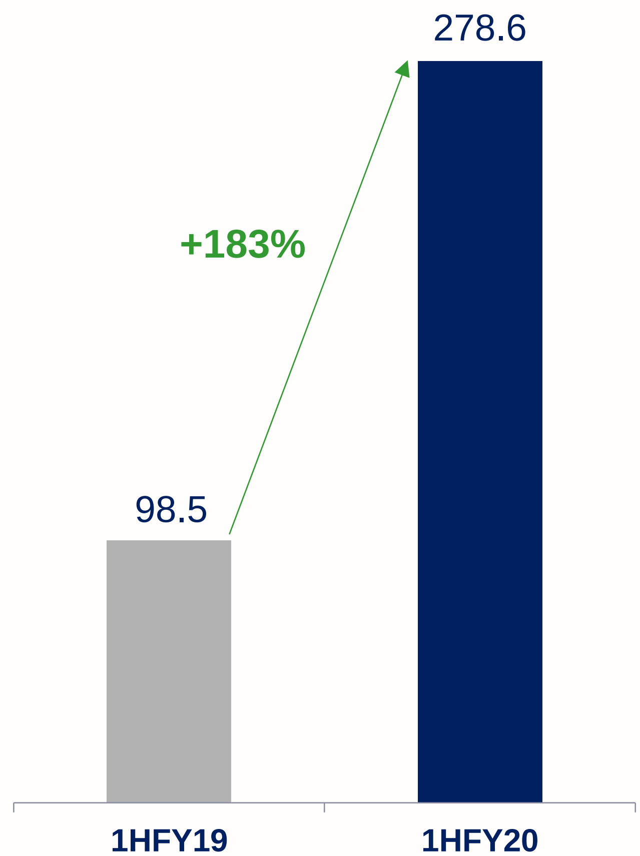
New company payroll accounts acquired

Number of accounts



CASA growth

CASA balances (RM 'mil)



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

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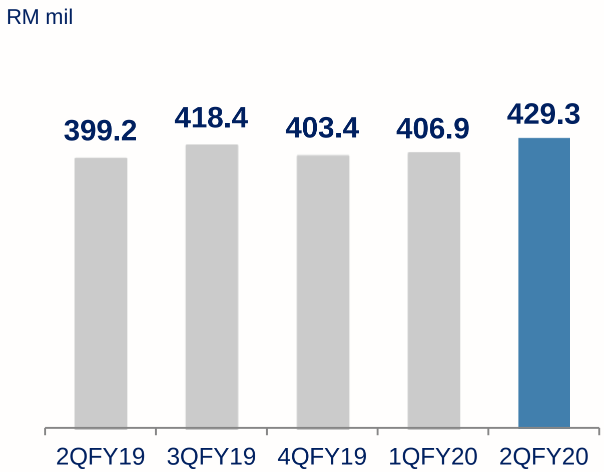
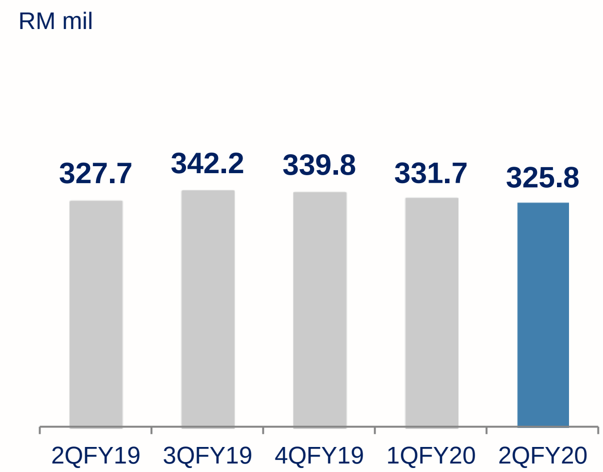
2QFY20 Revenue grew 5.5% q-o-q to RM429.3 million

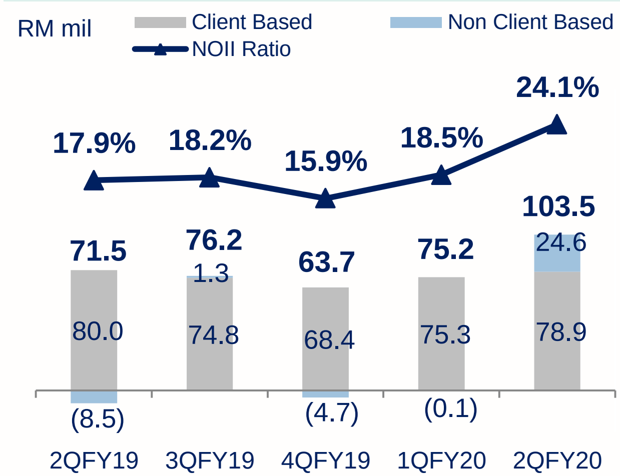
Revenue



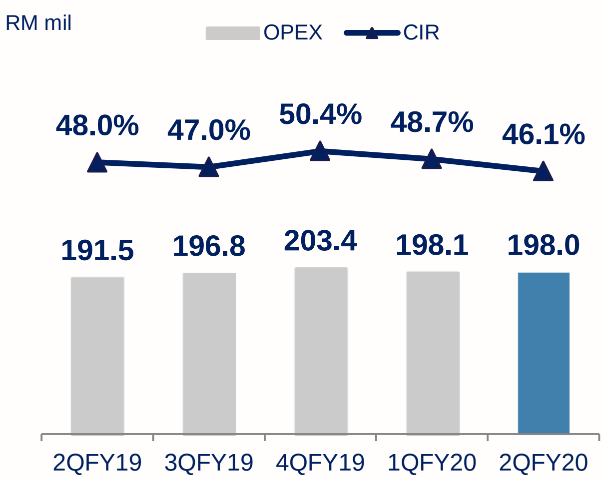
Net Interest Income & Islamic Net Financing Income



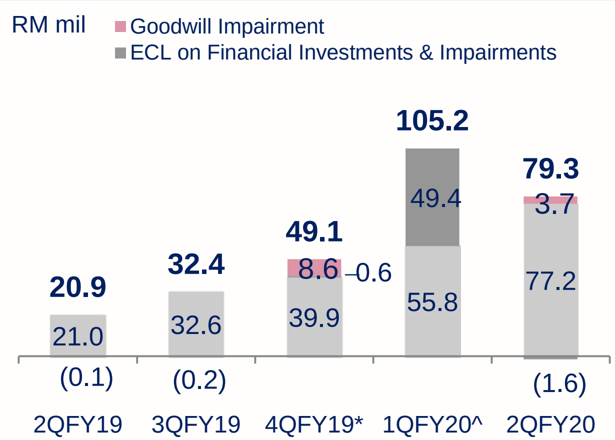
Non Interest Income & NOII Ratio



Operating Expenses & CIR Ratio

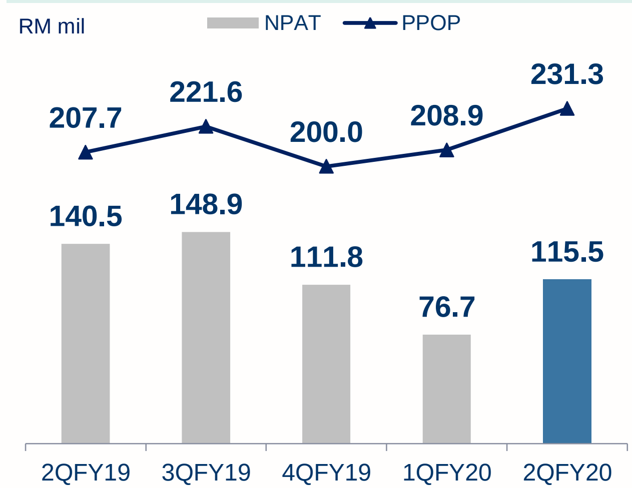


Expected Credit Losses ("ECL") & Goodwill Impairments



*Goodwill impairment of RM8.7m for stockbroking business
^Full provisioning of RM49.4m from one large account

Pre-Provision Operating Profit & Net Profit



Note: Revenue and non interest income includes Islamic banking income

2Q FY2020: Q-o-Q Income Statement

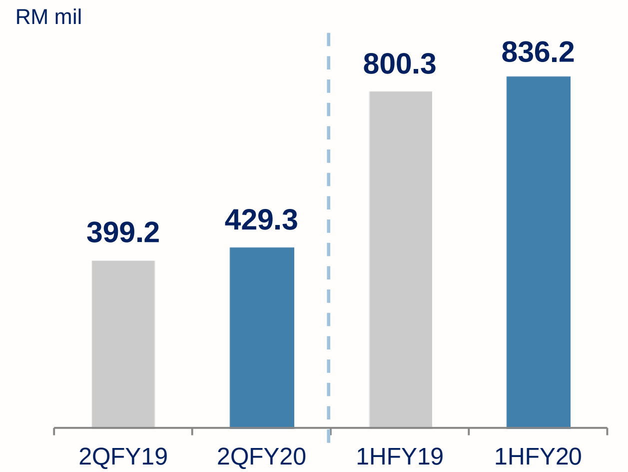
Income Statement	1QFY20 RM mil	2QFY20 RM mil	Q-o-Q Change Better / (Worse)	
			RM mil	%
Net Interest Income	248.0	241.8	(5.9)	(1.8%)
Islamic Net Financing Income	83.7	84.0		
Islamic Non-Financing Income	9.4	7.9	28.3	37.5%
Non-Interest Income	65.8	95.6		
Net Income*	**406.9**	**429.3**	**22.3**	**5.5%**
OPEX	198.1	198.0	0.1	0.1%
Pre-Provision Operating Profit (PPOP)	**208.9**	**231.3**	**22.4**	**10.7%**
Net Credit Cost	55.8	77.2	(21.4)	(38.4%)
Expected Credit Losses on Financial Investments	49.4	(1.6)	51.0	>100.0%
Impairment Losses on Non-financial Assets	-	3.7	(3.7)	-
Pre-tax Profit	**103.8**	**152.0**	**48.3**	**46.5%**
Net Profit After Tax	**76.7**	**115.5**	**38.8**	**50.6%**

- **Higher revenue** of RM22.3 mil or 5.5% q-o-q:
  - Net interest income declined as a result of lower net interest margin due to full quarter impact of post OPR cut in May 2019 and delinquency pricing revision
  - Higher non-interest income q-o-q:
    - ✓ Higher treasury & investment income
    - ✓ Higher client based fee on higher wealth management fee
- **Operating expenses** were contained at RM198.0 mil
- **Pre-provision Operating Profit (PPOP)** grew RM22.4 mil or 10.7% q-o-q to RM231.3 mil
- **Higher net credit cost** due to:
  - AOA portfolio (mainly from pre-Jun18 portfolio)
  - Commercial and SME
- **Goodwill impairment** from stock broking business (RM3.7 mil)

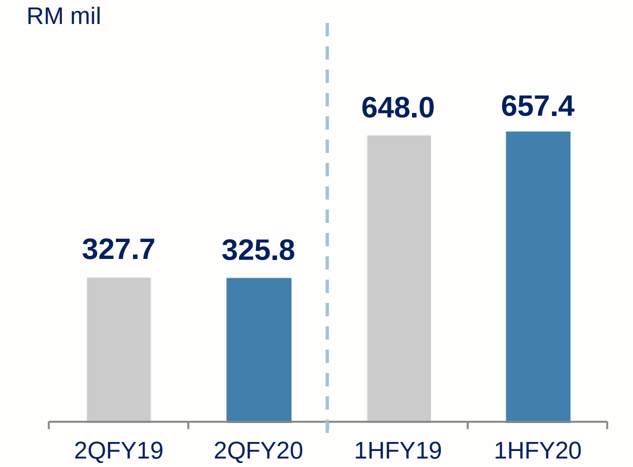
Notes:
** Revenue, net interest income and non interest income includes Islamic banking income*

1HFY20 Revenue grew 4.5% y-o-y to RM836.2 million

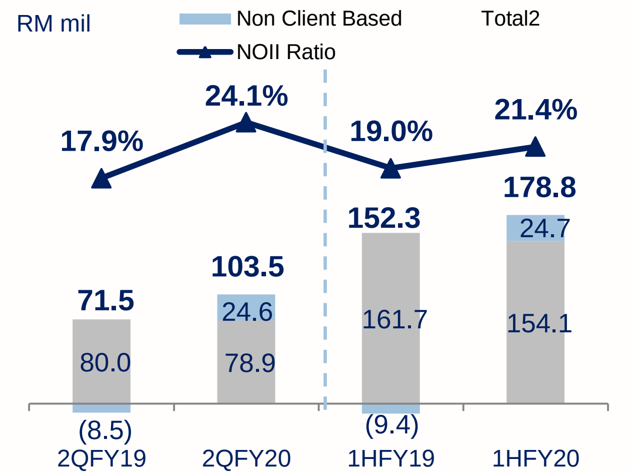
Revenue



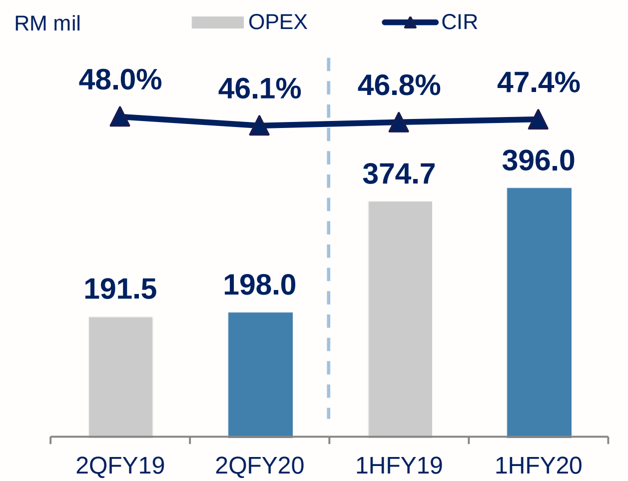
Net Interest Income & Islamic Net Financing Income



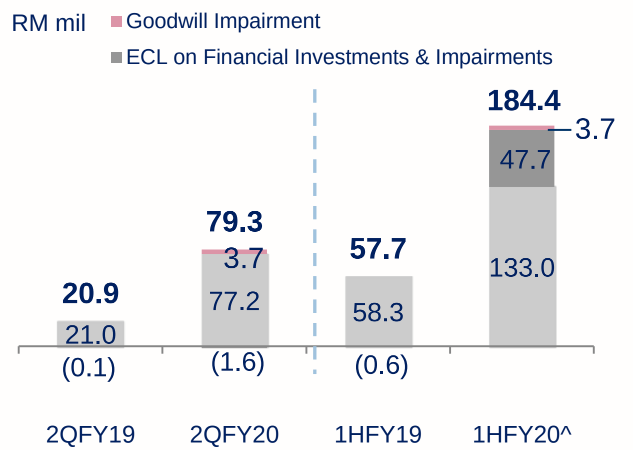
Non Interest Income & NOII Ratio



Operating Expenses & CIR Ratio

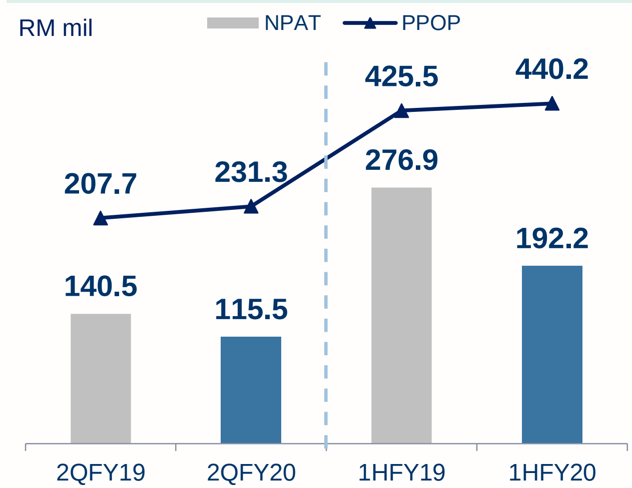


Expected Credit Losses ("ECL") & Goodwill Impairment



^Full provisioning of RM47.7m from one large account

Pre-Provision Operating Profit & Net Profit



Note: Revenue and non interest income includes Islamic banking income

Income Statement	2QFY19 RM mil	2QFY20 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	246.7	241.8	(1.9)	(0.6%)
Islamic Net Financing Income	81.0	84.0		
Islamic Non-Financing Income	7.0	7.9	32.0	44.8%
Non-Interest Income	64.5	95.6		
Net Income*	**399.2**	**429.3**	**30.1**	**7.5%**
OPEX	191.5	198.0	(6.5)	(3.4%)
Pre-Provision Operating Profit (PPOP)	**207.7**	**231.3**	**23.6**	**11.4%**
Net Credit Cost	21.0	77.2	(56.2)	(>100.0%)
Expected Credit Losses on Financial Investments	(0.1)	(1.6)	1.5	>100.0%
Impairment Losses on Non-financial Assets	-	3.7	(3.7)	-
Pre-tax Profit	**186.8**	**152.0**	**(34.8)**	**(18.6%)**
Net Profit After Tax	**140.5**	**115.5**	**(25.0)**	**(17.8%)**

- **Higher revenue** of RM30.1 mil or 7.5% y-o-y:
  - Net interest income declined as a result of lower net interest margin post OPR cut in May 2019 and delinquency pricing revision
  - Non-interest income increased RM32.0 mil or 44.8% y-o-y:
    - ✓ Higher treasury & investment income
    - ✓ Lower client based fee income due to lower FX sales
- **Higher operating expenses** by RM6.5 mil mainly due to higher personnel expenses and investment in IT infrastructure
- **Pre-provision Operating Profit (PPOP)** grew RM23.6 mil or 11.3% y-o-y to RM231.3 mil
- **Higher net credit cost** due to:
  - AOA portfolio (mainly from pre-Jun18 portfolio)
  - Commercial and SME
- **Goodwill impairment** from stock broking business (RM3.7 mil)

<u>Notes</u>:
** Revenue, net interest income and non interest income includes Islamic banking income*

Income Statement	1HFY19 RM mil	1HFY20 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	489.8	489.9	9.4	1.5%
Islamic Net Financing Income	158.1	167.6		
Islamic Non-Financing Income	12.7	17.4	26.5	17.4%
Non-Interest Income	139.5	161.4		
Net Income*	**800.3**	**836.2**	**36.0**	**4.5%**
OPEX	374.7	396.0	(21.3)	(5.7%)
Pre-Provision Operating Profit (PPOP)	**425.5**	**440.2**	**14.6**	**3.4%**
Net Credit Cost	58.3	133.0	(74.7)	(>100.0%)
Expected Credit Losses on Financial Investments	(0.6)	47.7	(48.3)	(>100.0%)
Impairment Losses on Non-financial Assets	-	3.7	(3.7)	-
Pre-tax Profit	**367.9**	**255.8**	**(112.1)**	**(30.5%)**
Net Profit After Tax	**276.9**	**192.2**	**(84.7)**	**(30.6%)**

- **Higher revenue** of RM36.0 mil or 4.5% y-o-y:
  - ➢ Net interest income increased RM9.5 mil or 1.5%:
    - ✓ Gross loan growth of 5.9% & improved asset mix
    - ✓ Partly offset by lower net interest margin (-7 bps) due to post OPR cut in May 2019 & delinquency pricing revision
  - ➢ Non-interest income increased RM26.4 mil or 17.4%:
    - ✓ Higher treasury & investment income
    - ✓ Lower client based fee income on lower wealth management, FX sales and Trade Fees
- **Higher operating expenses** by RM21.3 mil mainly due to higher personnel expenses and investment in IT infrastructure
- **Pre-provision Operating Profit (PPOP)** grew RM14.6 mil or 3.4% y-o-y to RM440.2 mil
- **Higher net credit cost** due to:
  - ➢ AOA portfolio (mainly from pre-Jun18 portfolio)
  - ➢ Conventional Mortgage
  - ➢ Commercial and SME
- **Full impairment on financial investments** from one of those large accounts (RM47.7 mil)
- **Goodwill impairment** from stock broking business (RM3.7 mil)

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

Q-o-Q Summarised Balance Sheet

Balance Sheet	Jun 19 RM bil	Sep 19 RM bil	Q-o-Q Change	
			RM bil	%
Total Assets	57.3	58.0	0.7	1.1%
Treasury Assets*	10.3	10.8	0.5	4.8%
Net Loans	42.3	42.8	0.5	1.2%
CASA Deposits	15.9	17.3	1.4	8.3%
Customer Based Funding+	46.6	46.6	Flat	Flat
Shareholders' Funds	5.7	5.9	0.2	2.9%
Net Loans Growth (y-o-y)	6.1%	5.8%		
CASA Deposits Growth (y-o-y)	1.6%	7.7%		
Customer Based Funding+ Growth (y-o-y)	8.8%	6.0%		

- **Net loans** grew 1.2% q-o-q
- **Better RAR loans** grew 4.9% q-o-q while lower RAR loans declined 1.6% q-o-q:
  - SME loans growth of 3.3% q-o-q (vs industry: 0.8%#)
  - Continued strong build up for Alliance ONE Account (+RM506 mil or 13.5% q-o-q).
- **CASA deposits grew 8.8% q-o-q** mainly driven by SavePlus (+RM628 mil) and business CASA (+RM761 mil)
- **Customer based funding** remained stable at RM46.6 bil.
- **Liquidity coverage ratio**: 161.5% (vs 171.3% in June 2019, industry: 143.6%^).

Notes:
** Treasury assets comprise financial assets (FVOCI, FVTPL, AMC), derivative financial assets & long term placements with Financial Institutions*
+ Customer based funding = CASA + Fixed Deposits + Money Market Deposits + Retail Negotiable Instrument of Deposits + Structured Investments
^ BNM Monthly Statistical Bulletin September 2019
 # BNM Financial Institution Network September 2019 statistics

Balance Sheet	Mar 19 RM bil	Sep 19 RM bil	YTD Change	
			RM bil	%
Total Assets	56.5	58.0	1.5	2.7%
Treasury Assets*	9.9	10.8	0.9	10.1%
Net Loans	42.3	42.8	0.5	1.2%
CASA Deposits	16.0	17.3	1.3	8.1%
Customer Based Funding⁺	45.9	46.6	0.7	1.5%
Shareholders' Funds	5.7	5.9	0.2	3.5%
Net Loans Growth (y-o-y)	5.8%	5.8%		
CASA Deposits Growth (y-o-y)	-	7.7%		
Customer Based Funding⁺ Growth (y-o-y)	5.3%	6.0%		

- **Net loans** grew 1.2% YTD.
- **Better RAR loans** grew 8.0% YTD while lower RAR loans declined by 3.9% YTD:
  - SME loans growth of 4.9% (vs industry: 0.7%#)
  - Continued strong build up for Alliance ONE Account (+RM1.0 bil or 30.9%).
- **CASA deposits increased 8.1% YTD** mainly driven by SavePlus (+RM914 mil) and business CASA (+RM488 mil).
- **Customer based funding** grew by 1.5% YTD mainly driven by SavePlus.
- **Liquidity coverage ratio**: 161.5% (vs 154.3% in March 2019, industry: 143.6%^).

Notes:
** Treasury assets comprise financial assets (FVOCI, FVTPL, AMC), derivative financial assets & long term placements with Financial Institutions*
⁺ Customer based funding = CASA + Fixed Deposits + Money Market Deposits + Retail Negotiable Instrument of Deposits + Structured Investments
^ BNM Monthly Statistical Bulletin September 2019
 # BNM Financial Institution Network September 2019 statistics

Balance Sheet	Sep 18 RM bil	Sep 19 RM bil	Y-o-Y Change	
			RM bil	%
Total Assets	54.3	58.0	3.7	6.9%
Treasury Assets*	9.5	10.8	1.3	13.5%
Net Loans	40.4	42.8	2.4	5.8%
CASA Deposits	16.0	17.3	1.3	7.7%
Customer Based Funding+	44.0	46.6	2.6	6.0%
Shareholders' Funds	5.6	5.9	0.3	5.8%
Net Loans Growth (y-o-y)	5.1%	5.8%		
CASA Deposits Growth (y-o-y)	0.6%	7.7%		
Customer Based Funding+ Growth (y-o-y)	0.7%	6.0%		

- **Net loans** grew by 5.8% y-o-y (industry: +3.8%^).
- **Better RAR loans** grew 22.5% y-o-y while lower RAR loans contracted 4.8%:
  - SME loans growth of 10.6% y-o-y (industry: no growth#)
  - Continued strong build up for Alliance ONE Account (+RM2.1 bil)
  - Personal Financing growth of 18.3% y-o-y
- **CASA deposits** grew by 7.7% y-o-y mainly driven by SavePlus (+RM1.1 bil).
- **Customer based funding** increased by 6.0% y-o-y mainly driven by SavePlus (+RM1.1 bil) and Fixed Deposits (+RM0.8 bil).
- **Liquidity coverage ratio**: 161.5% (vs 167.7% in September 2018, industry: 143.6%^).

Notes:
** Treasury assets comprise financial assets (FVOCI, FVTPL, AMC), derivative financial assets & placements with Financial Institutions*
+ Customer based funding = CASA + Fixed Deposits + Money Market Deposits + Retail Negotiable Instrument of Deposits + Structured Investments
^ BNM Monthly Statistical Bulletin September 2019
 # BNM Financial Institution Network September September 2019 statistics

	Financial Ratios	2QFY19	1QFY20	2QFY20	1HFY19	1HFY20
Shareholder Value	Return on Equity	10.4%	5.5%	8.1%	10.3%	6.7%
	Earnings per Share	9.1sen	5.0sen	7.5sen	17.9sen	12.4sen
	Net Assets per Share	RM3.59	RM3.69	RM3.80	RM3.59	RM3.80
Efficiency	Net Interest Margin	2.45%	2.40%	2.34%	2.44%	2.37%
	Non-Interest Income Ratio	17.8%	18.5%	24.1%	19.0%	21.4%
	Cost to Income Ratio	48.0%	48.7%	46.1%	46.8%	47.4%
Balance Sheet Growth	Net Loans (RM bil)	40.6	42.3	42.8	40.4	42.8
	Total Deposits (RM bil)	42.9	45.5	46.1	42.9	46.1
Asset Quality	Quarterly credit cost (basis points)	20.5	13.1	18.0	28.6	30.9
	Gross Impaired Loans Ratio	1.4%	1.3%	1.7%	1.4%	1.7%
	Net Impaired Loans Ratio	0.9%	0.7%	1.0%	0.9%	1.0%
	Loan Loss Coverage Ratio^	115.7%	128.2%	105.0%	115.7%	105.0%
Liquidity	CASA Ratio	37.3%	35.1%	37.4%	37.3%	37.4%
	Loan to Deposit Ratio	95.1%	93.9%	93.8%	95.1%	93.8%
	Loan to Fund Ratio	86.0%	85.9%	87.0%	86.0%	87.0%
	Liquidity Coverage Ratio	167.7%	171.3%	161.5%	167.7%	161.5%
Capital	Common Equity Tier 1 Capital Ratio	13.5%	13.5%	13.5%	13.5%	13.5%
	Tier 1 Capital Ratio	13.9%	14.2%	14.3%	13.9%	14.3%
	Total Capital Ratio	18.4%	18.7%	18.6%	18.4%	18.6%

Note: ^ Loan Loss Coverage includes Regulatory Reserve provision [excluding Regulatory Reserve: 79.6% at 2QFY20 (vs. 95.4% at 1QFY20)

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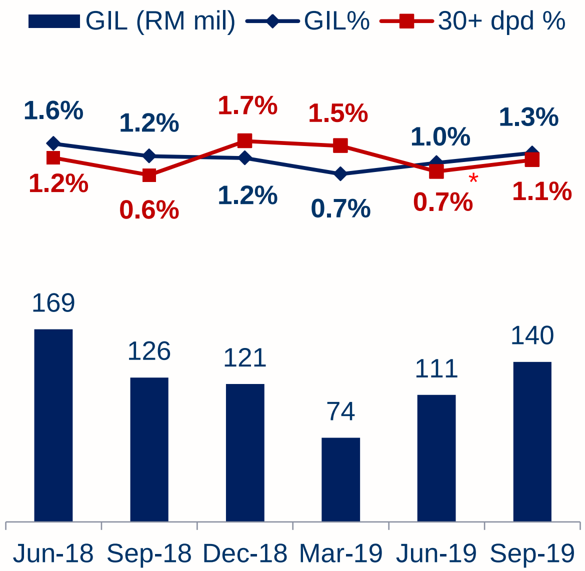
Continue proactive credit management practices

1 Corporate & Commercial



Portfolio Overview

- Slight uptick in delinquency and impairment q-o-q mainly from retail trade and business service sectors

Mitigating Proactive Actions

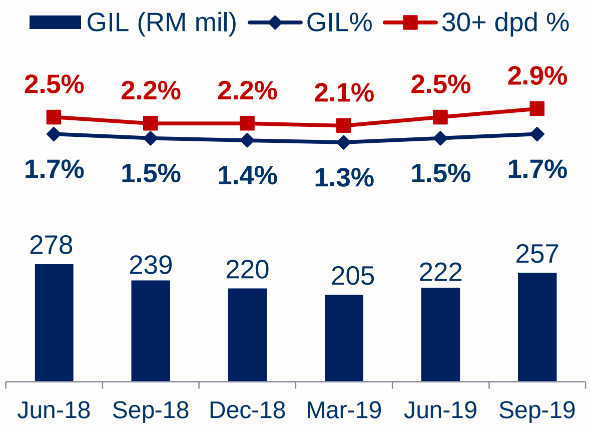
Origination

- Enhanced project financing assessment:
  - More selective & stringent new customer bookings
  - Enhanced stress testing on borrowers' financial capability

Portfolio Management

- Improved early warning process:
  - Increase frequency of financial assessment for PLC under Watchlist
  - Increase portfolio reviews and deep dive

2 Conventional Mortgage (excluding AOA)



- The uptick was mainly from older vintage, i.e. 2013 and before.
- Also, there are signs of stress on Johor property in more recent booking.
- Currently, we focus mainly on booking AOA portfolio

Origination

- Stricter valuation requirements
- Duo score strategy (internal score + CTOS score) implemented in 2QFY19

Portfolio Management

- Continued with the proactive collection programme

Continue proactive credit management practices

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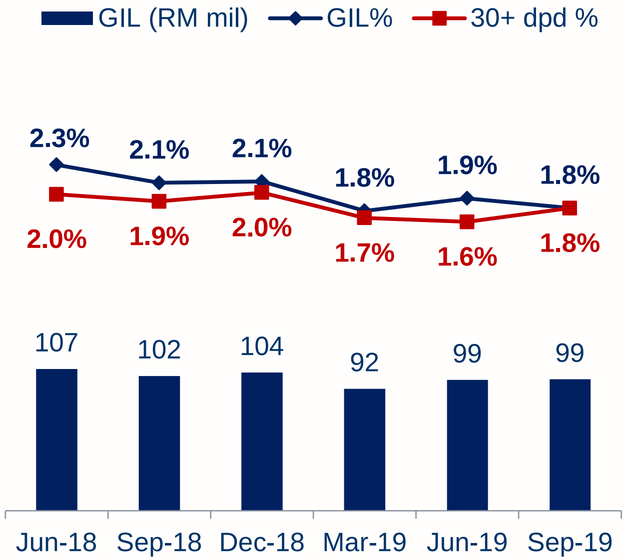
3 SME Programme



Portfolio Overview

- Slight uptick in delinquency mainly due to a few accounts
- Impairment amount remained stable

Mitigating Proactive Actions

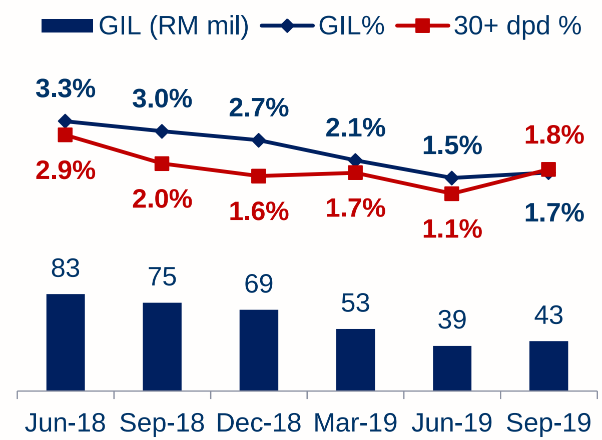
Origination

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

Portfolio Management

- Enhanced early warning process with new triggers
- Intensify proactive restructured & rescheduled remedial actions

4 Business Premises Financing



- Impairment has been stabilising q-o-q while delinquency increased to 1.8% mainly from accounts booked prior to credit tightening in 2015
- Continue to limit new bookings for investment purpose

Origination

- Tightened Margin of Financing for investment related financing (from max 90% to max 70%)
- Increased DSR threshold (from ≥1.2x to ≥1.4x)

Portfolio Management

- Enhanced early warning process with new triggers

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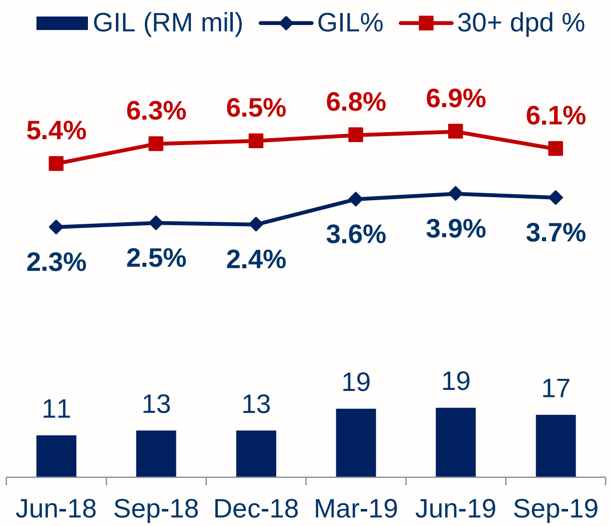
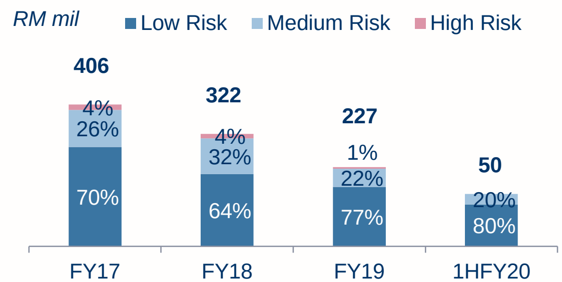
Continue proactive credit management practices

5 Equipment Hire Purchase



Portfolio Overview

- EHP remained a small portfolio
- Delinquency & impairment peaked in Jun-19 and improved in Sep-19 despite portfolio loan balanes dropped
- New bookings has reduced significantly since FY17



Mitigating Proactive Actions

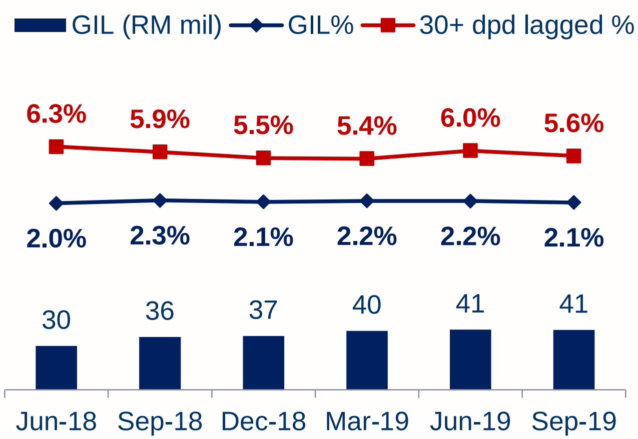
Origination

- Multiple rounds of policy tightening since 2017:
  - Continuation of suspension in booking high risk segments since 2018
  - Introduction of customer group exposure capped at RM10 mil & introduced risk tiered maximum exposure limit in Jul-18

Portfolio Management

- Enhanced early warning process with new triggers & intensified monthly collection efforts

6 Personal Financing



- Both delinquency and impairment improved q-o-q as portfolio loan balances continues to grow with delinquent and impairment amount remains stagnant
- Continue to monitor the performance and tighten the origination policy when is necessary

Origination

- Tightened underwriting policies for higher risk segments in Sep-17
- Implemented Unsecured CTOS Duo score strategy version 2 in Jan-19

Portfolio Management

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

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Thank You.

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