



ALLIANCE BANK

Building Alliances to Improve Lives

Analyst Briefing 1QFY21

28 August 2020



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Contents

1 1QFY21 Financial Performance

- Revenue & Franchise Development
- Effective Risk Management

2 Going Forward

- Our Strategy
 - FY21 Strategic Priorities
 - FY21 YTD Progress

3 Appendix – Financial Results

- 1QFY21

1QFY21 Performance Highlights

1

Revenue & Franchise Development

- Revenue grew 4.1% y-o-y to RM421.6 million
- Non-interest income grew 25.5% y-o-y
- Net interest income declined 0.8% y-o-y, impacted by OPR cuts
 - ✓ Net interest margin at 2.21% (-19 bps YTD)
 - ✓ Gross loans grew 1.7% y-o-y
- Customer based funding grew 6.1% y-o-y
- Cost to Income Ratio improved to 44.3%, Positive JAW: +8.9%
- PPOP grew 12.4% y-o-y to RM234.9 million

2

Effective Risk Management

- Net credit cost at 21.8 bps (including high risk segment pre-emptive provision of 13.4 bps)
- Liquidity and capital positions remained strong
 - ✓ Liquidity coverage ratio at 212.2%
 - ✓ CET-1 ratio: 14.5%; Total capital ratio: 19.8%

3

FY21 Strategic Priorities Progress

COVID-19 Management

- BNM Special Relief Facility (“SRF”): approved RM627 million (hence SME Expansion: +10.1% y-o-y)
- Alliance@Work CASA grew RM334 million y-o-y

Accelerate digitisation

- Launched BizSmart mobile & eTrade (e-Bankers Acceptance & e-Trust Receipts) in June 2020 (*first bank in Malaysia for eTrade submission via mobile*)
- Plan to launch e-Know Your Customer (“KYC”) solution in September 2020

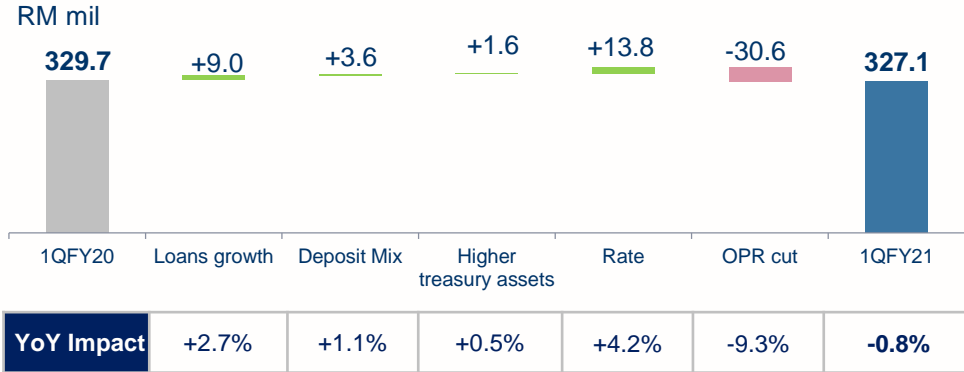
Revenue up 4.1% y-o-y, NPAT up 36% y-o-y

Income Statement	1QFY20 RM mil	1QFY21 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	329.7	327.1	(2.6)	(0.8%)
Non-Interest Income	75.3	94.5	19.2	25.5%
Revenue	405.0	421.6	16.6	4.1%
OPEX	196.1	186.7	9.4	4.8%
Pre-Provision Operating Profit (PPOP)	208.9	234.9	26.0	12.4%
Net Credit Cost & impairments	105.2	95.0	10.1	9.6%
Pre-tax Profit	103.8	139.8	36.0	34.7%
Net Profit After Tax	76.7	104.3	27.6	36.0%



Net interest income impacted by OPR cut

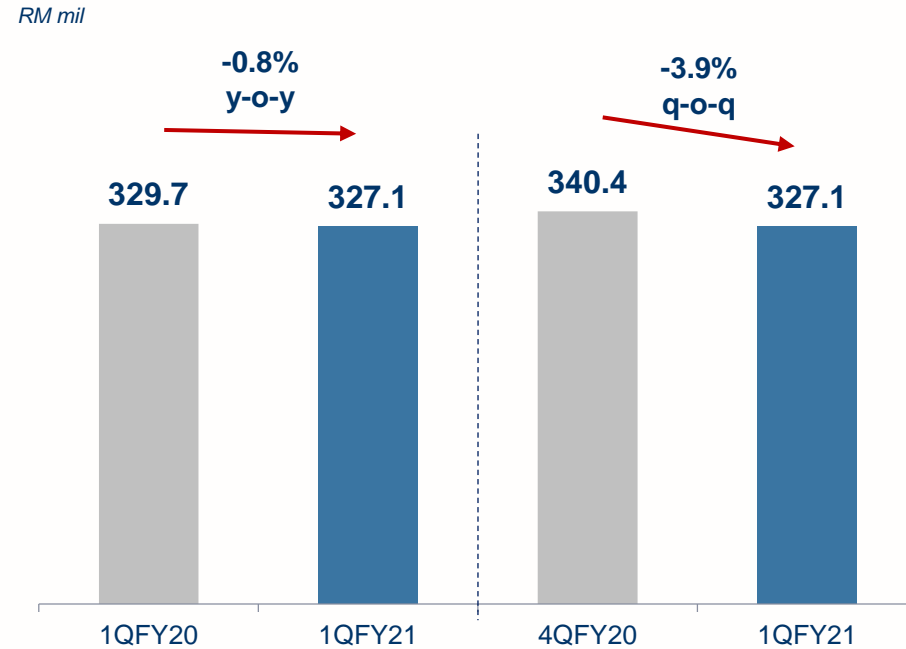
a) Net interest income marginally lower by 0.8% y-o-y despite impacted by a series of OPR cuts:



b) Net interest income lowered by 3.9% q-o-q impacted by a series of OPR cuts:



Net Interest Income



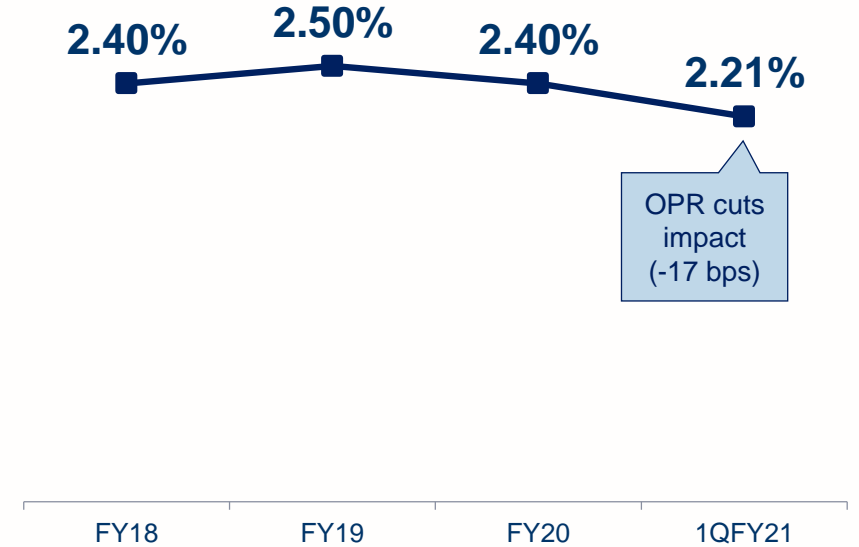


NIM affected by OPR

NIM mainly impacted by OPR cuts



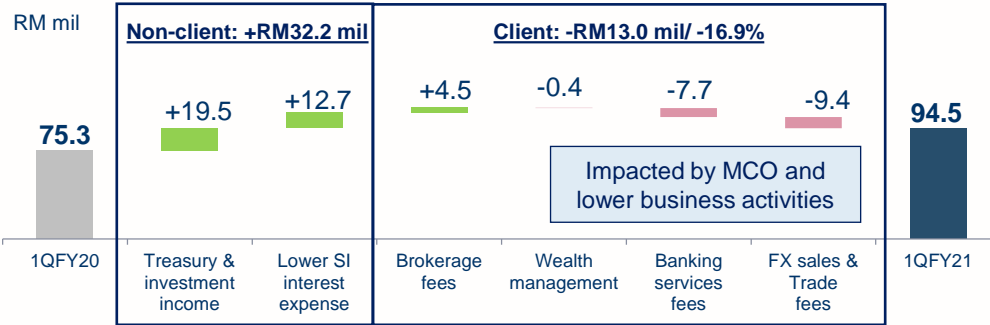
Net Interest Margin Trend



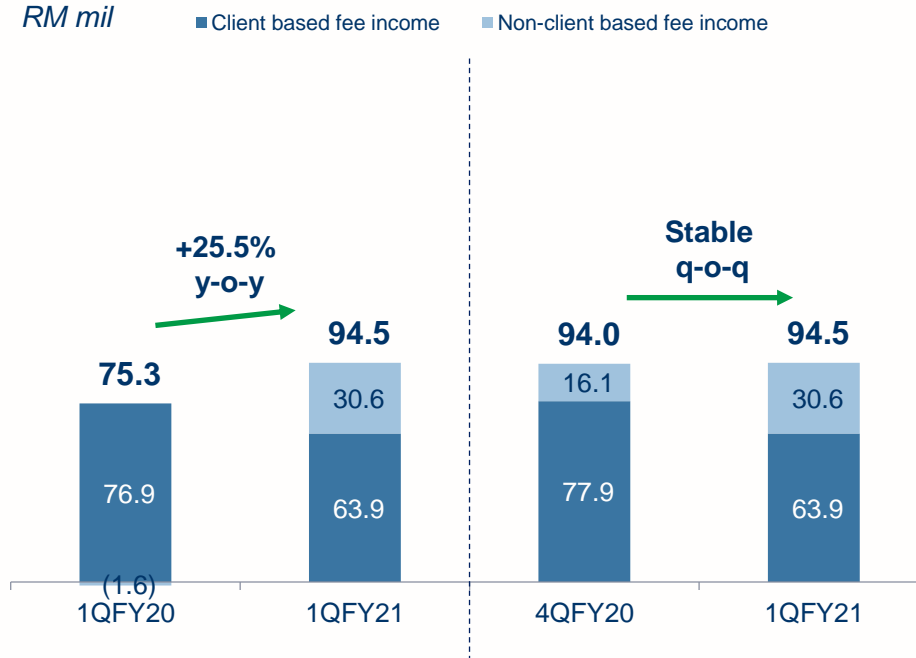


Non-interest income grew 25.5% y-o-y

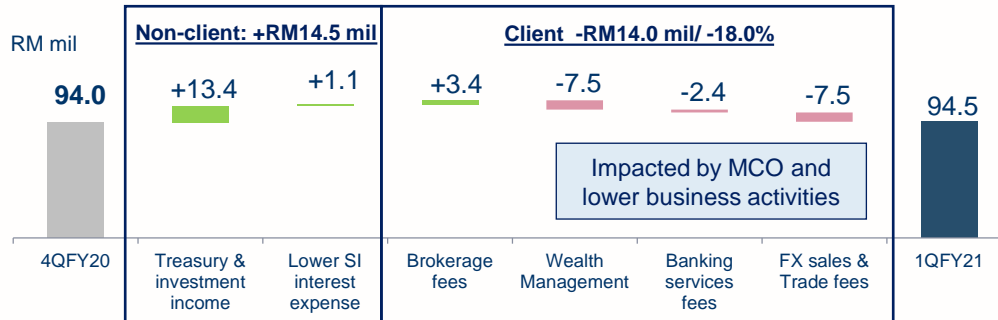
a) Non-interest income grew 25.5% or +RM19.2 mil y-o-y mainly driven by higher treasury income



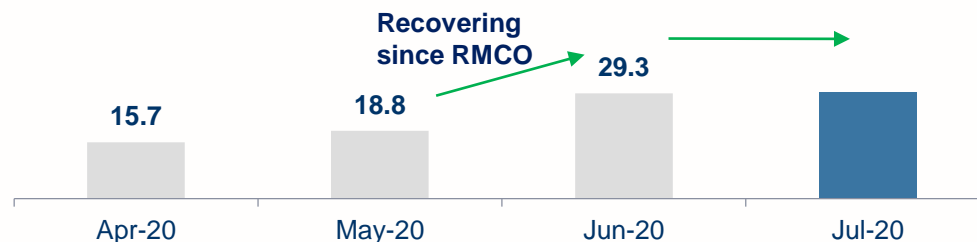
Non-interest income



b) Q-o-q non-interest income remained stable

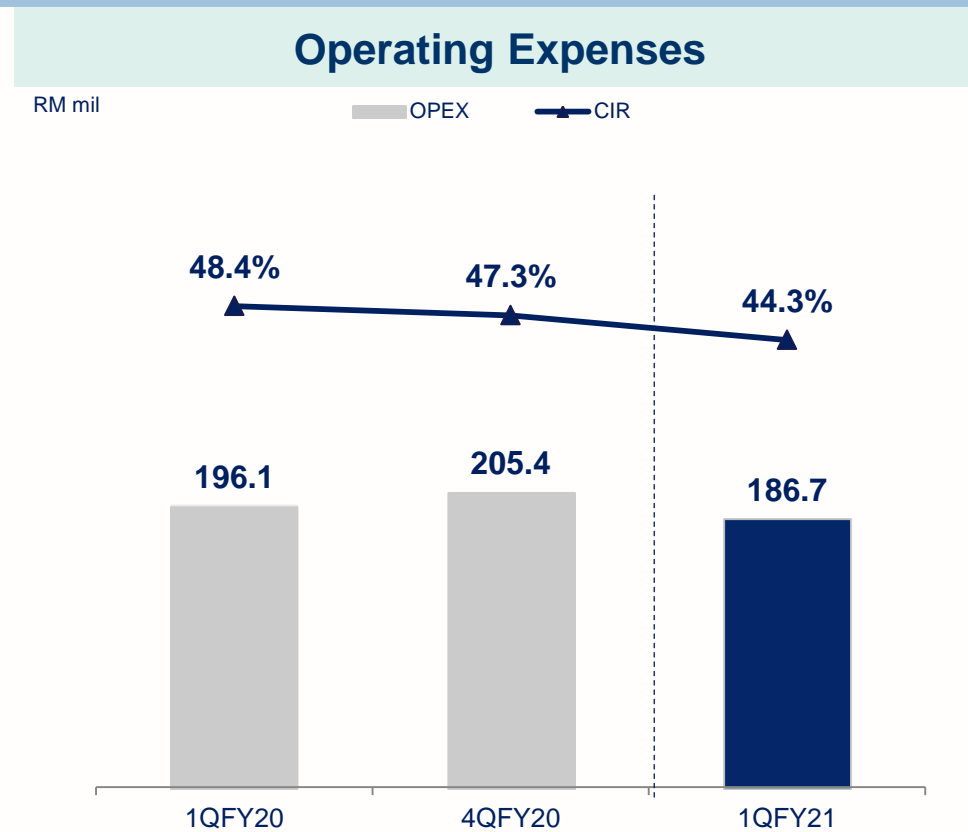


c) Client-based fee income (especially wealth management) picking up since Jun-20



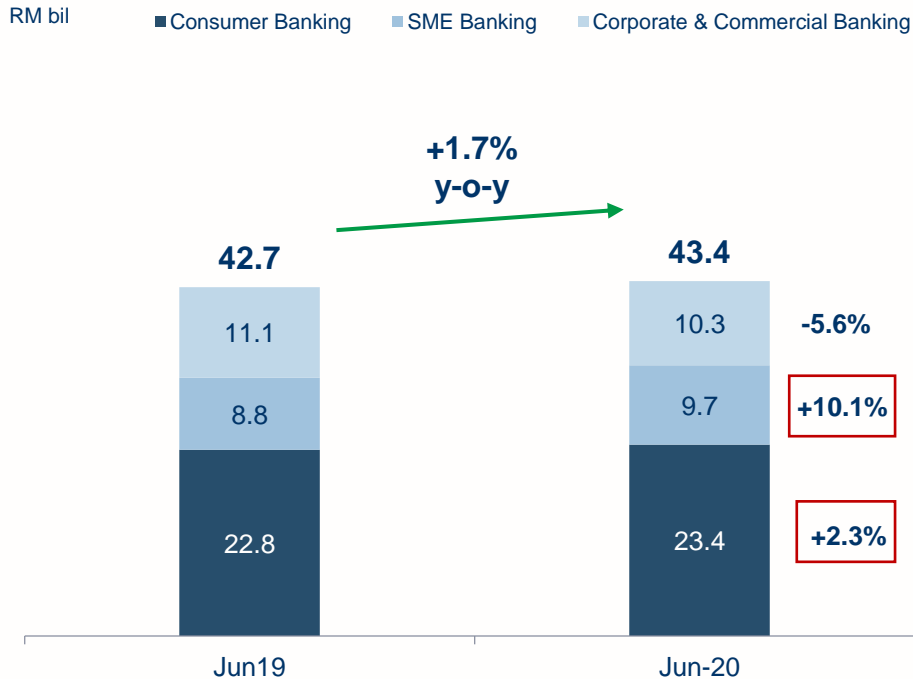
Cost to Income Ratio improved; positive JAWS: +8.9%

- a) Cost to income ratio improved to 44.3%
- b) Lower operating expenses by RM9.4 mil or 4.8% y-o-y:
 - Lower personnel expenses from moderated compensation and restricted hiring
 - Successfully reduced discretionary expenses in marketing and IT & premises expenses
- c) PPOP grew 12.4% y-o-y to RM234.9 million



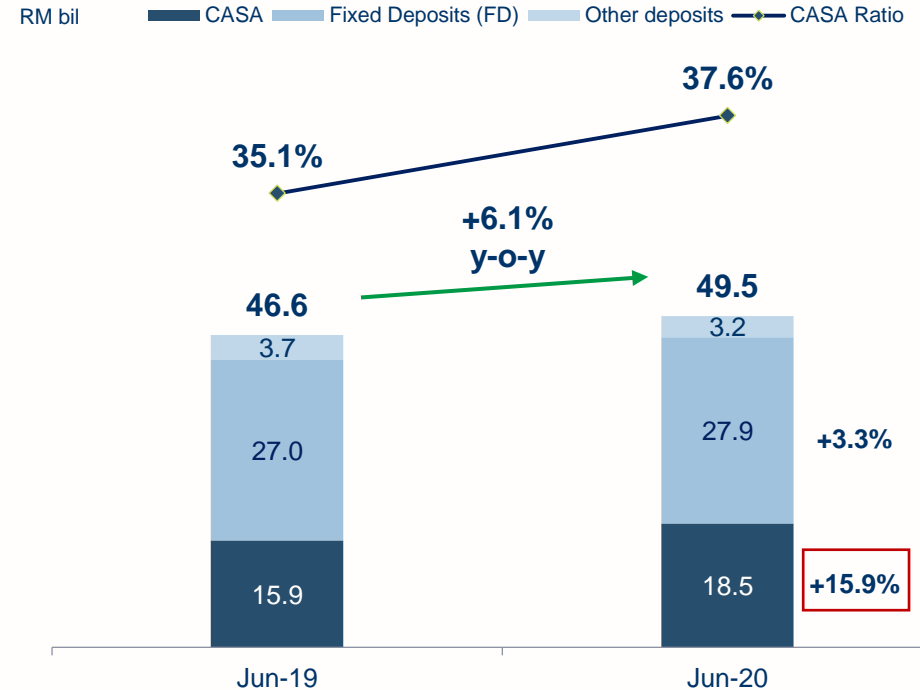
Funding and loans continued to grow y-o-y

Gross Loans



- a) Gross loans grew 1.7% y-o-y
 - SME Banking: +10.1% or +RM0.9 bil y-o-y (SRF: +RM0.3 bil & CGC: +RM0.3 bil)
 - Consumer Banking: RM0.5 bil/ +2.3%

Customer Based Funding

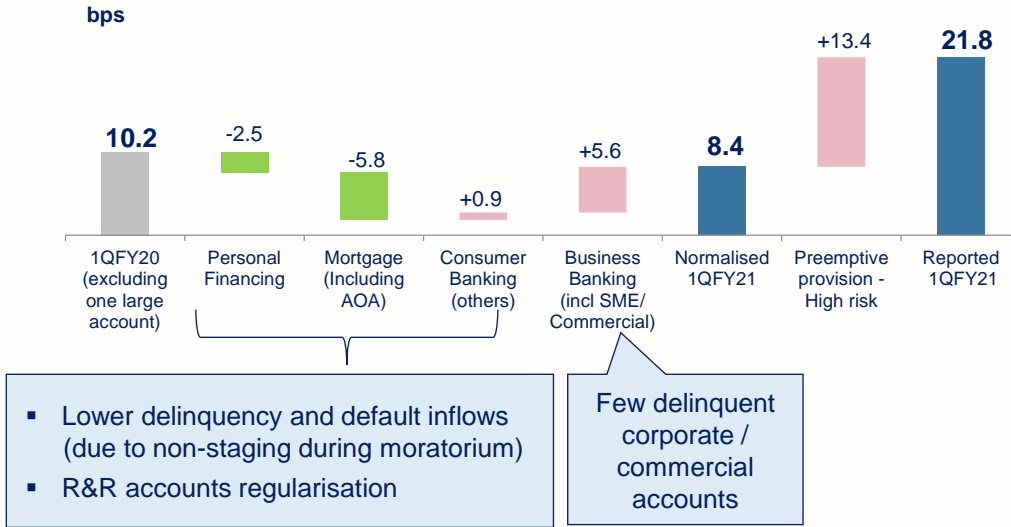


- a) Customer based funding grew 6.1% y-o-y
- b) CASA grew RM2.5 bil (or 15.9%) y-o-y mainly from:
 - Alliance SavePlus: +RM1.7 bil y-o-y
 - Alliance@Work: +RM334 mil y-o-y
- c) CASA ratio improved to 37.6%



Net credit cost at 21.8 bps

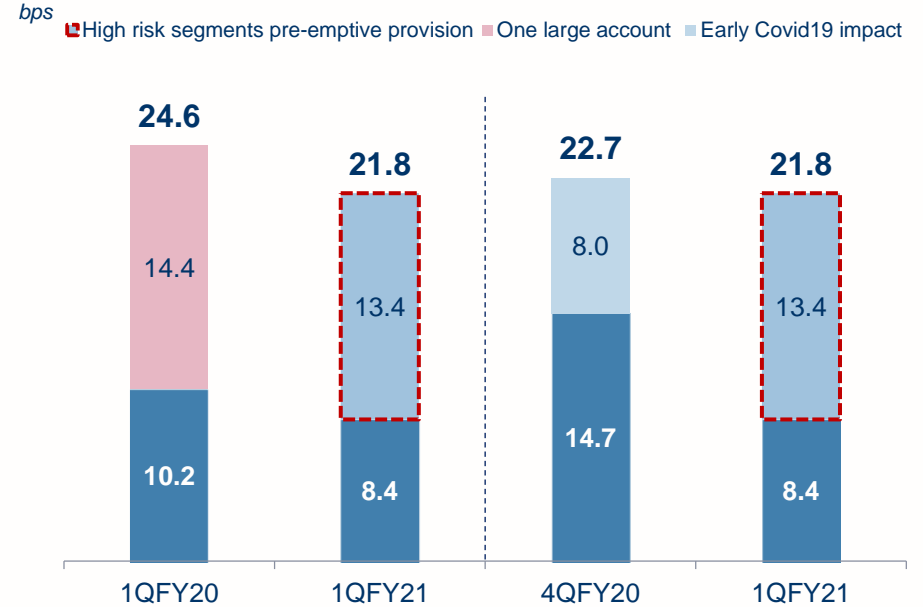
a) Normalised net credit cost lower by 1.9 bps y-o-y:



b) Including high risk segment pre-emptive provision of 13.4 bps, net credit cost at 21.8 bps

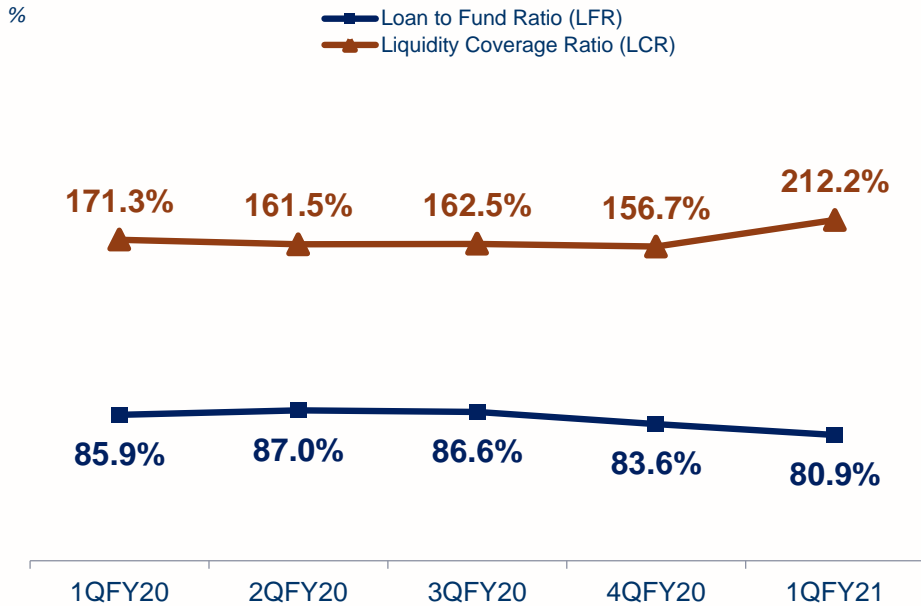
c) Maintaining net credit cost guidance: <100 bps (industry: doubling effect)

Net Credit Cost* (bps)



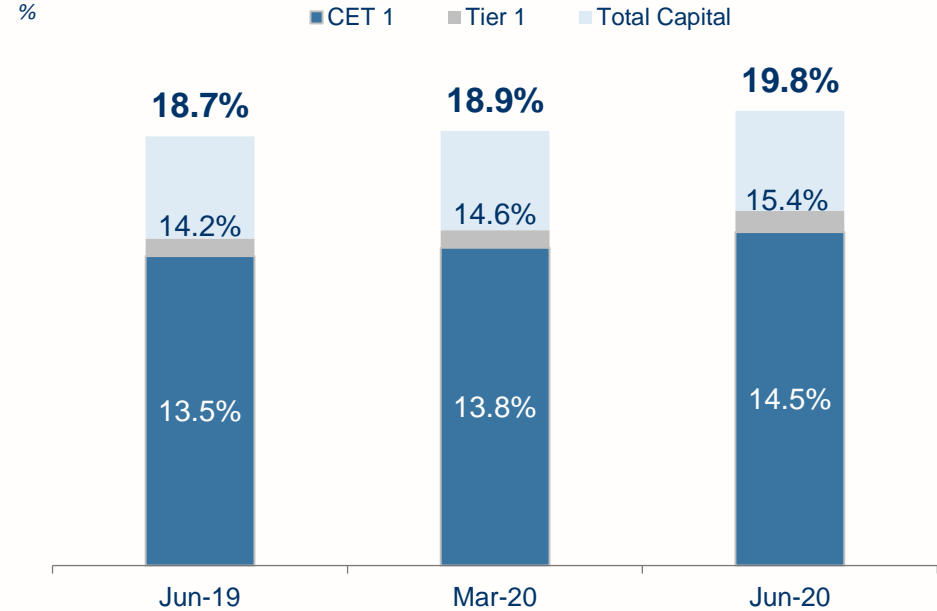
Liquidity and capital position remained strong

Liquidity: LCR, LFR



- a) Liquidity coverage ratio (LCR) increased to 212.2% (industry*: 149.2%) due to:
 - holding higher HQLA for OPR cut mitigation, and
 - maintaining stronger liquidity buffer
- a) Loan to fund ratio at 80.9% (industry*: 82.3%)
- b) Proforma net stable funding ratio (NSFR) >100%

Capital Position



- a) Strong capital position to support future business expansion:
 - Continue to build-up CET1 capital through higher reserves
 - Prioritising capital conservation in view of COVID-19

* BNM Monthly Statistical Bulletin June 2020



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- 1QFY21

FY21 Strategic Priorities



1 Covid-19 management

Risk Stratification

Conducted risk stratification exercise to stratify overall bank portfolio into:

Grow	Maintain	Help	WIP
13%	78%	7%	2%

Grow: Sector with good growth prospects (e.g. healthcare)

Maintain: Moderately impacted by COVID-19 (e.g. manufacturing)

Help: Affected sectors (e.g. Tourism)

WIP: In the progress of engagement

Payment Relief Assistance:

Targeted Segment	Payment Relief Assistance Packages
<ul style="list-style-type: none"> Loss of Job B40 group Affected sectors: Hotel, Tour Operator & Restaurant 	Auto Enrolment: Extended 3-months moratorium
<ul style="list-style-type: none"> Mortgage AOA 	<ul style="list-style-type: none"> 12 months interest servicing only
<ul style="list-style-type: none"> Personal Loan Hire Purchase 	<ul style="list-style-type: none"> Maximum tenure extension
<ul style="list-style-type: none"> SME Loan Commercial / Corporate Loan 	<ul style="list-style-type: none"> Tenure extension up to 5 years Interest servicing with Step-up Repayment

2 Accelerate remote banking & branch transformation

Accelerate remote banking and digital solutions

- BizSmart® Mobile for SMEs and eTrade (e-Banker Acceptance / Trust Receipts) (1st in the market)
- e-KYC solution

Branch transformation

- Eliminate branch operations via automation and centralisation of processes
- Shift focus primarily to sales and servicing our customers

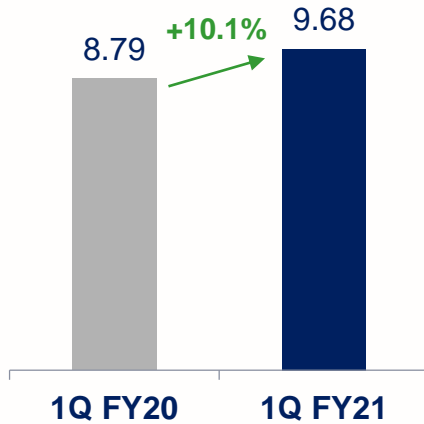
Videos:

- 1) BizSmart® Mobile and e-BA
<https://www.youtube.com/watch?v=bkGsn-4xEvA>
- 2) Personal Loan e-KYC solution
https://youtu.be/G_8FQ1vQ1FI

Restarted loans growth in core segments

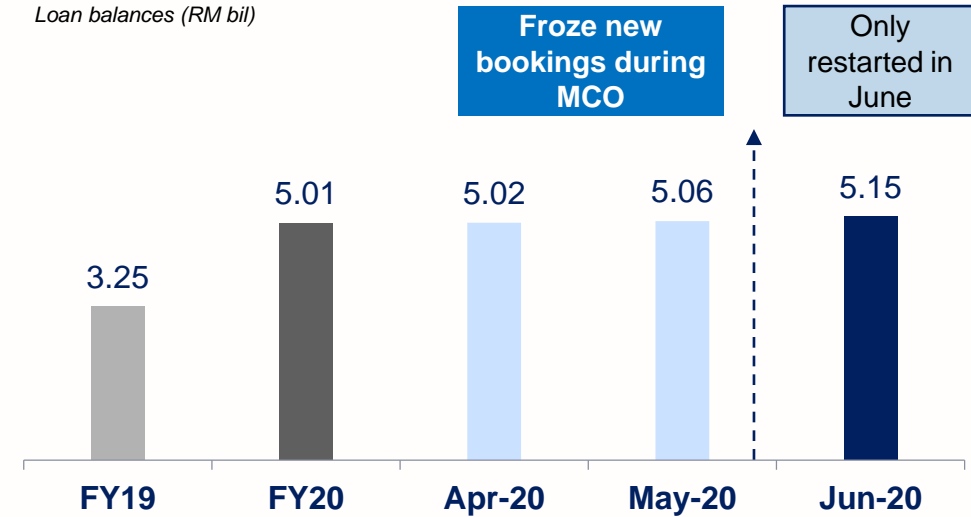
SME 1Q FY21 Performance

Loan balances (RM bil)



Alliance ONE Account (AOA) 1Q FY21 Performance

Loan balances (RM bil)



SME Fulfilled via Tablet / Smartphone

- 1
BizSmart® Mobile for SMEs and Electronic Banker Acceptance / Trust Receipts

✓ Pilot: Jun '20
 ✓ Launch: Jul '20

- 2
Financial health calculator for RMs

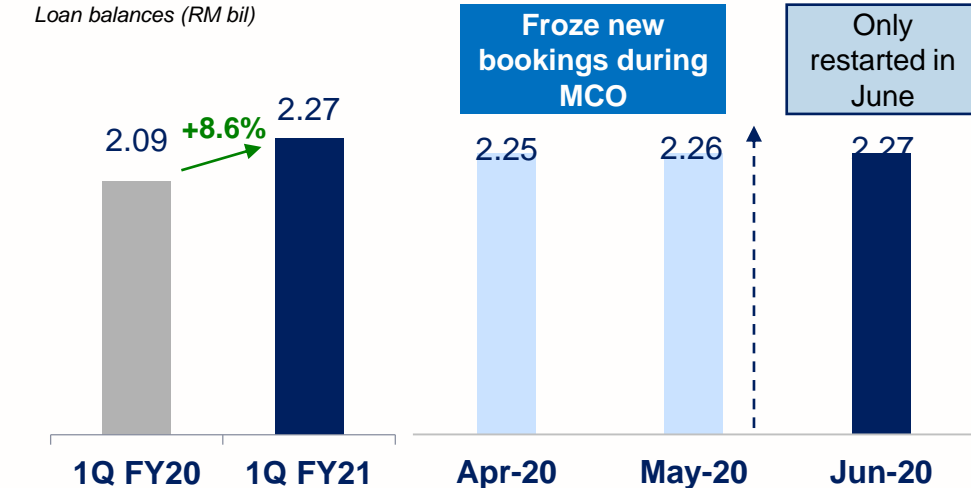
3QFY21

- 3
RM-assisted digital SME loan

3QFY21

Personal Loans 1Q FY21 Performance

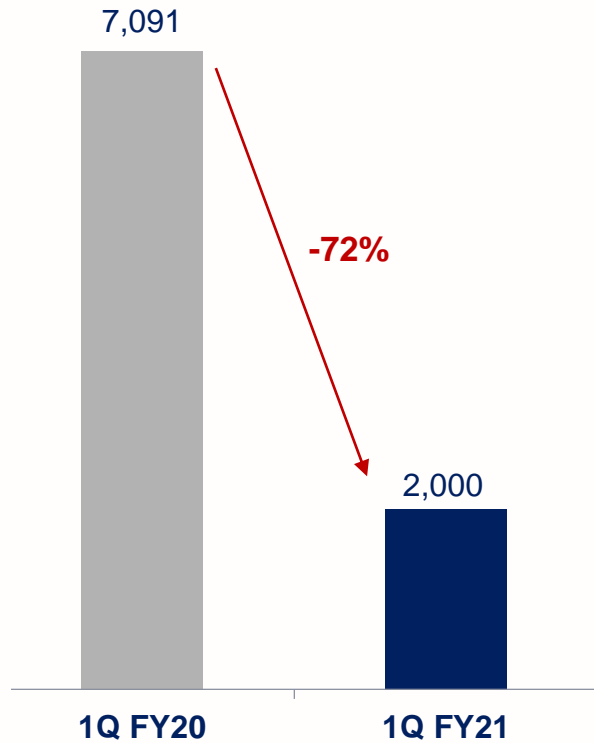
Loan balances (RM bil)



Although Alliance@Work new acquisition was impacted by the MCO, CASA balances still grew by 155% Y-O-Y

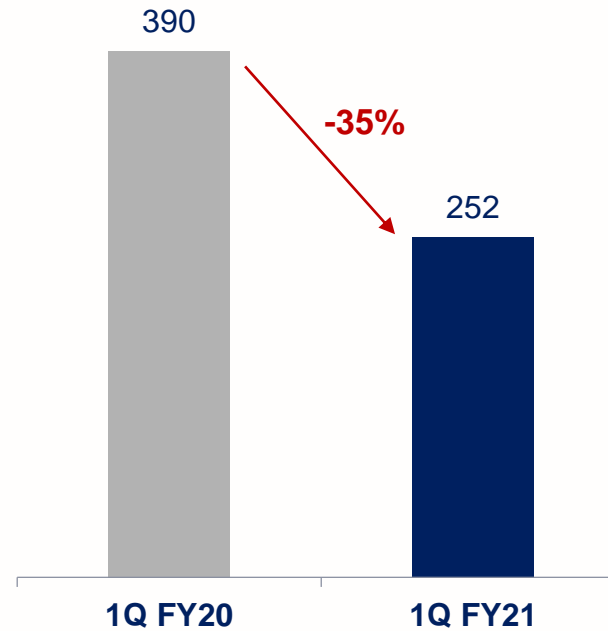
New local employees CASA acquired

Number of accounts opened



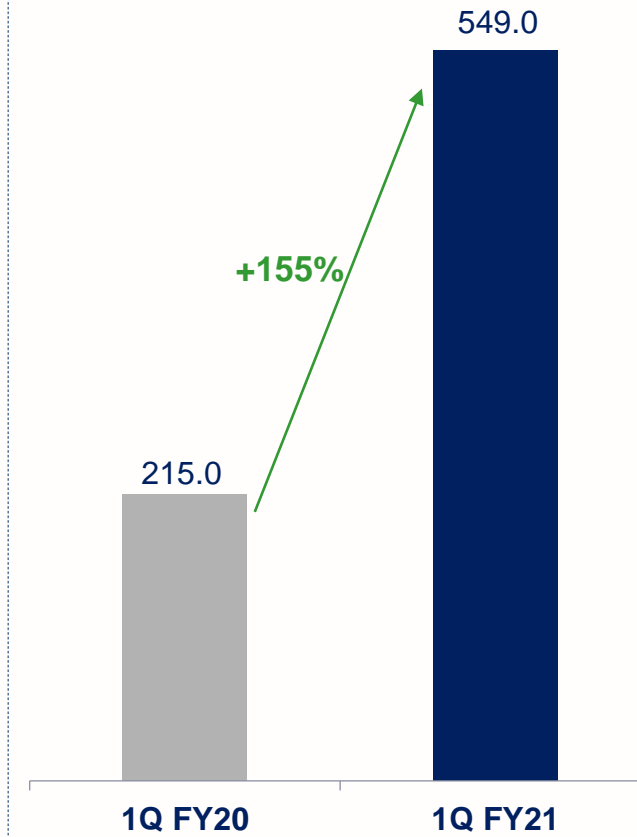
New company payroll accounts acquired

Number of accounts opened



CASA growth

CASA balances (RM 'mil)



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

FY21 YTD Progress: COVID-19 Management

Keeping Our Stakeholders Safe

Keeping the Bank Safe

Employees

Progressively returning to office to adapt the “New Normal” working life



- Majority returning to office since August 2020
- Work from home and staggered hours still available for case-by-case basis

Liquidity Management

Continued to have ample liquidity

- Sufficient liquidity** to mitigate any payment shock
 - Liquidity Coverage Ratio **>200%**
 - Loan-to-Funds ratio **>80%**

Customers

Continued to help our clients stay financially healthy post-pandemic

What do we offer?

Result so far

- | | | |
|----------|--|--|
| 1 | Automatic Moratorium (individual & SME) | <ul style="list-style-type: none"> RM23.2 billion or 53% High Opt out: 19% |
| 2 | Special Relief Facility (“SRF”) | <ul style="list-style-type: none"> RM627 million Helped >900 companies |
| 3 | Offer 3-month Extended Moratorium | <ul style="list-style-type: none"> Targeted 5% of loan book |
| 4 | Payment Relief Assistance | <ul style="list-style-type: none"> 15% of SME and 20% of Consumer banking Ongoing customer engagement till Sept-20 |

Credit Risk Management

Continued to enhance credit control

- Completed risk stratification** diagnosis, currently **engaging with all customers:**
 - Help** Medium/high risk - Restructured & Rescheduled
 - Grow** Variable business - Grant additional facilities
- Launched **Payment Relief Assistance** post moratorium in mid-July

Best Digital Bank in Malaysia



- Recognised by IDC Financial Insights Asia Pacific as the **Best Digital Bank in Malaysia** for:
 - **Branch-in-a-Tablet solution, quick and simple digital (paperless) customer experience**
 - **Individuals:** Open savings account, activate debit card, and online banking in **15 minutes**
 - **Businesses:** Account opening in “**1 day, 1 visit**”
 - Also enables **account opening outside the branch**
 - **90% of individual CASA** opened via the **Branch-in-a-Tablet solution**



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1 FY21 Financial Performance

- Revenue & Franchise Development
- Effective Risk Management

2 Going Forward

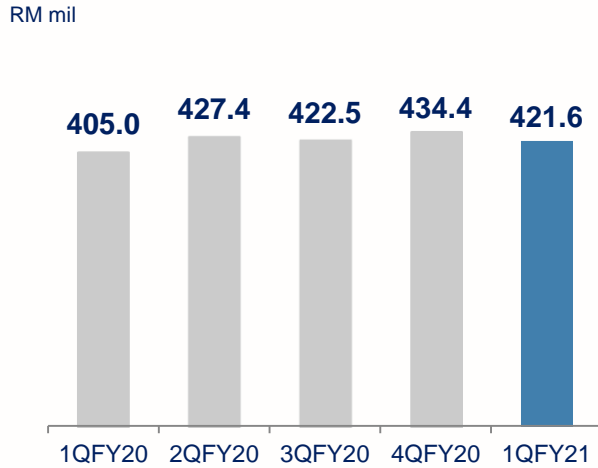
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 - FY21 Strategic Priorities
 - FY21 YTD Progress

3 Appendix – Financial Results

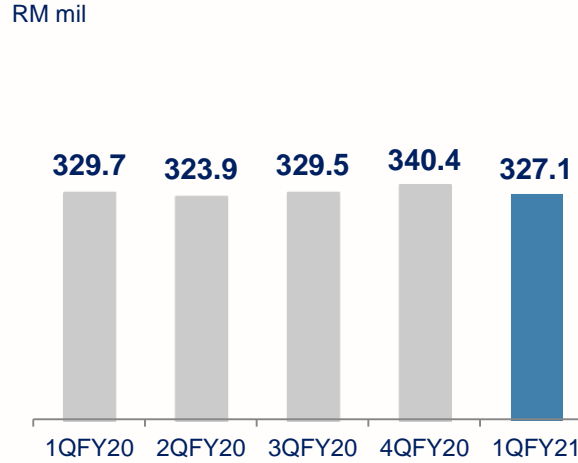
- 1QFY21

1QFY21 Net Profit grew 36.0% y-o-y to RM104.3 mil

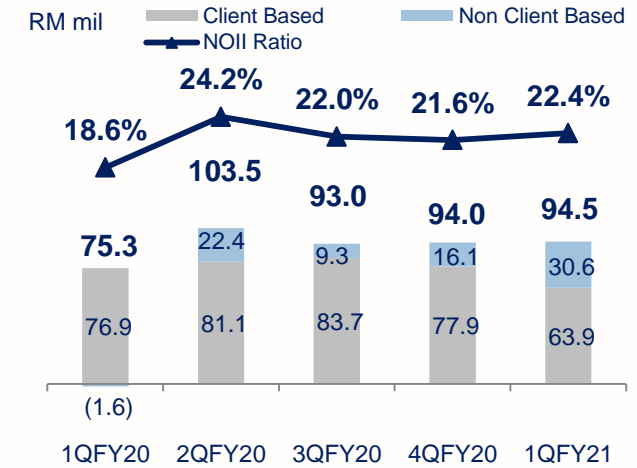
Revenue



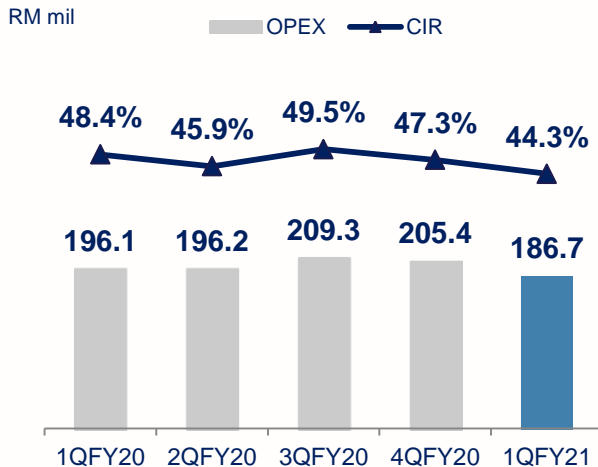
Net Interest Income & Islamic Net Financing Income



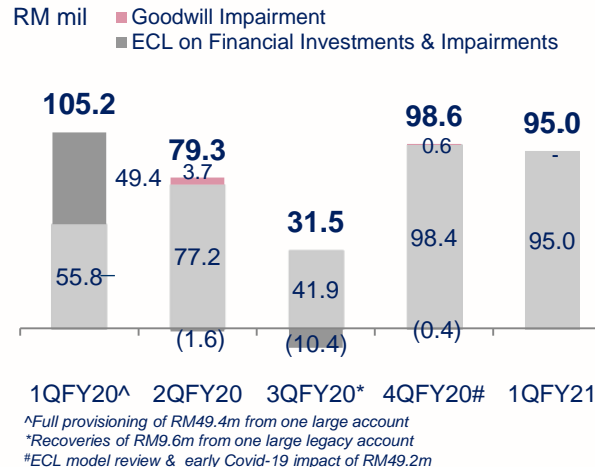
Non Interest Income & NOII Ratio



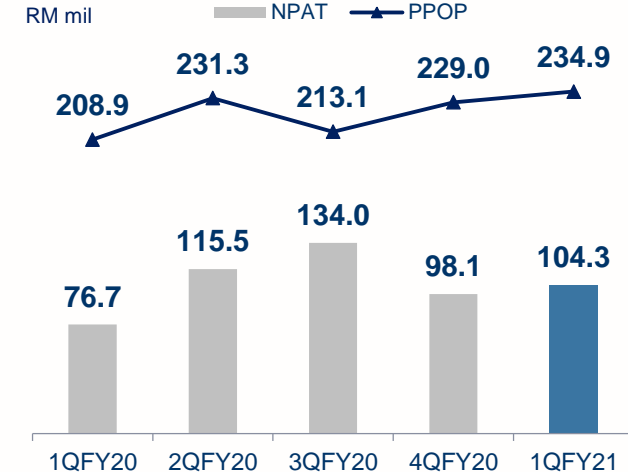
Operating Expenses & CIR Ratio



Expected Credit Losses ("ECL") & Goodwill Impairments



Pre-Provision Operating Profit & Net Profit



Note: Revenue and non interest income includes Islamic banking income



Income Statement	4QFY20 RM mil	1QFY21 RM mil	Q-o-Q Change Better / (Worse)	
			RM mil	%
Net Interest Income	254.5	241.2	(13.3)	(3.9%)
Islamic Net Financing Income	85.9	85.9		
Islamic Non-Financing Income	6.1	9.2	0.5	0.5%
Non-Interest Income	87.9	85.3		
Net Income*	434.4	421.6	(12.8)	(2.9%)
OPEX	205.4	186.7	18.7	9.1%
Pre-Provision Operating Profit (PPOP)	229.0	234.9	5.9	2.6%
Net Credit Cost	98.4	95.0	3.3	3.4%
Expected Credit Losses on Financial Investments	(0.4)	0.0	(0.4)	(>100%)
Impairment Losses on Non-financial Assets	0.6	-	0.6	>100%
Pre-tax Profit	130.4	139.8	9.4	7.2%
Net Profit After Tax	98.1	104.3	6.3	6.4%

- **Revenue** was at RM421.6 million:

- Net interest income dropped by RM13.3 mil or 3.9% q-o-q mainly impacted by OPR cuts.
 - ✓ Excluding OPR cut impact, normalised net interest income grew by 1.7% q-o-q
- Non-interest income grew by RM0.5 mil q-o-q:
 - ✓ Higher treasury & investment income
 - ✓ Offset by lower client based fee income

- **Operating expenses** improved by RM18.7 mil:

- Successfully reduce discretionary expenses in marketing expenses and IT & premises expenses

- **Positive JAW: 6.2%**, from better cost control efforts

- **Pre-provision Operating Profit (PPOP)** grew 2.6% q-o-q to RM234.9 mil

- **Lower net credit cost & impairment** q-o-q despite including high risk segments pre-emptive provision of RM58.2 million:

- Lower delinquency and default inflow due to no staging of individuals and SME account status until the end of the moratorium on 30 September 2020
- R&R accounts regularisation

- **Profit before tax** grew by 7.2% q-o-q to RM139.8 mil

- **Net profit after tax** grew by 6.4% q-o-q to RM104.3 mil

Notes:

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



Income Statement	1QFY20 RM mil	1QFY21 RM mil	Y-o-Y Change Better / (Worse)	
			RM mil	%
Net Interest Income	246.1	241.2	(2.6)	(0.8%)
Islamic Net Financing Income	83.6	85.9		
Islamic Non-Financing Income	9.5	9.2	19.2	25.5%
Non-Interest Income	65.8	85.3		
Net Income*	405.0	421.6	16.6	4.1%
OPEX	196.1	186.7	9.4	4.8%
Pre-Provision Operating Profit (PPOP)	208.9	234.9	26.0	12.4%
Net Credit Cost	55.8	95.0	(39.3)	(70.5%)
Expected Credit Losses on Financial Investments	49.4	0.0	49.4	>100%
Pre-tax Profit	103.8	139.8	36.0	34.7%
Net Profit After Tax	76.7	104.3	27.6	36.0%

- **Revenue** grew by RM16.6 mil or 4.1% y-o-y:
 - Non-interest income grew by RM19.2 mil y-o-y:
 - ✓ Higher treasury & investment income
 - ✓ Lower client based fee income
 - Net interest income dropped 0.8% y-o-y mainly impacted by OPR cuts
 - ✓ Excluding OPR cut impact & delinquency pricing revision, normalised net interest income grew by 9.8% y-o-y
- **Operating expenses** improved by RM9.4 mil:
 - Lower personnel expenses as the Bank moderated bonus provision, freeze increment for senior management and more stringent in hiring
 - Successfully reduce discretionary expenses in marketing expenses and IT & premises expenses
- **Positive JAW: 8.9%**, from higher revenue growth and better cost control efforts
- **Pre-provision Operating Profit (PPOP)** grew 12.4% y-o-y to RM234.9 mil
- **Lower net credit cost & impairment** y-o-y despite including high risk segments pre-emptive provision of RM58.2 million:
 - Lower delinquency and default inflow due to no staging of individuals and SME account status until the end of the moratorium on 30 September 2020
 - R&R accounts regularisation
- **Profit before tax** grew by 34.7% y-o-y to RM139.8 mil
- **Net profit after tax** grew by 27.6% y-o-y to RM104.3 mil

Notes:

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

Balance Sheet	Mar 20 RM bil	Jun 20 RM bil	Q-o-Q Change	
			RM bil	%
Total Assets	61.0	62.0	1.0	1.6%
Treasury Assets*	12.8	13.1	0.3	2.8%
Net Loans	43.1	42.8	(0.3)	(0.6%)
Customer Based Funding ⁺	48.9	49.5	0.6	1.1%
CASA Deposits	18.1	18.5	0.4	1.9%
Shareholders' Funds	6.0	6.2	0.2	4.3%
Net Loans Growth (y-o-y)	1.9%	1.3%		
CASA Deposits Growth (y-o-y)	13.6%	15.9%		
Customer Based Funding ⁺ Growth (y-o-y)	6.5%	6.1%		

- **Net loans dropped** 0.6% q-o-q.
 - SME loans grew 2.6% q-o-q primary from the BNM Special Relief Facilities (“SRF”)
 - Consumer loans grew moderately by 0.5% q-o-q as we suspended production during Movement Control Order (“MCO”) in April and May
 - Corporate and commercial banking lowered by 9.1% q-o-q due to limited business demand during MCO
- **Customer based funding** grew by 1.1% q-o-q (industry total deposits: 2.7%^).
 - CASA deposits grew by 1.9% mainly driven by SavePlus (+RM0.3 bil) (industry: +7.2%^).
 - Successful fixed deposits campaigns (+RM1.0 bil)
- **Liquidity coverage ratio:** 212.2% (vs 156.7% in March 2020, industry: 149.2%^).

Notes:

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

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

^ BNM Monthly Statistical Bulletin June 2020

BNM Financial Institution Network June 2020 statistics





Balance Sheet	Jun 19 RM bil	Jun 20 RM bil	Y-o-Y Change	
			RM bil	%
Total Assets	57.3	62.0	4.7	8.1%
Treasury Assets*	10.4	13.1	2.7	26.2%
Net Loans	42.3	42.8	0.5	1.3%
Customer Based Funding ⁺	46.6	49.5	2.9	6.1%
CASA Deposits	15.9	18.5	2.6	15.9%
Shareholders' Funds	5.7	6.2	0.5	9.5%
Net Loans Growth (y-o-y)	6.1%	1.3%		
CASA Deposits Growth (y-o-y)	1.6%	15.9%		
Customer Based Funding ⁺ Growth (y-o-y)	8.8%	6.1%		

- **Net loans** grew by 1.3 % y-o-y.
 - SME loans grew of 9.1% y-o-y mainly from the successful Credit Guarantee Corporate (CGC) programme and the BNM Special Relief Facilities (“SRF”)
 - Consumer loans grew 2.3% y-o-y
 - Corporate and commercial banking lowered by 5.5% y-o-y due to limited business demand during MCO
- **Customer based funding** increased by 6.1% y-o-y (industry total deposits: +4.3%^).
 - CASA deposits grew by 15.9% mainly driven by SavePlus (+RM1.7 bil) (industry: +16.8%^).
 - Successful fixed deposits campaigns (+RM0.8 bil)
- **Liquidity coverage ratio:** 212.2% (vs 171.3% in June 2019, industry: 149.2%^).

Notes:

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

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

[^] BNM Monthly Statistical Bulletin June 2020

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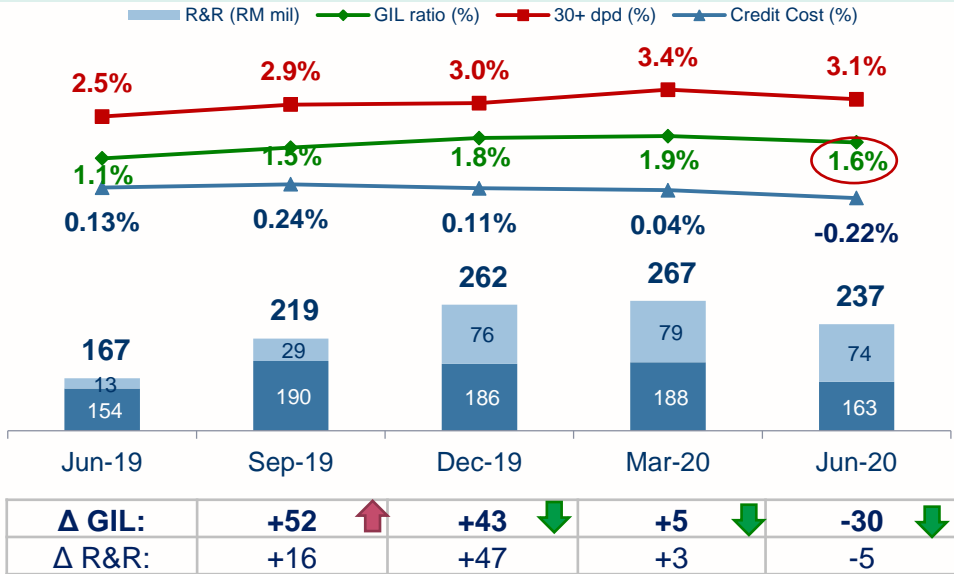
	Financial Ratios	1QFY20	4QFY20	1QFY21
Shareholder Value	Return on Equity	5.5%	7.1%	6.8%
	Earnings per Share	5.0sen	6.6sen	6.7sen
	Net Assets per Share	RM3.69	RM3.87	RM4.03
Efficiency	Net Interest Margin	2.37%	2.46%	2.21%
	Non-Interest Income Ratio	18.5%	21.6%	22.4%
	Cost to Income Ratio	48.7%	47.3%	44.3%
Balance Sheet Growth	Net Loans (RM bil)	42.3	43.1	42.8
	Customer Based Funding (RM bil)	46.6	48.9	49.5
Asset Quality	Period End net credit cost (basis points)	24.6	22.7	21.8
	Gross Impaired Loans Ratio	1.3%	2.0%	1.9%
	Net Impaired Loans Ratio	0.7%	1.3%	1.3%
	Loan Loss Coverage Ratio [^]	128.2%	101.4%	102.6%
Liquidity	CASA Ratio	35.1%	37.4%	37.6%
	Loan to Deposit Ratio	93.9%	90.2%	88.5%
	Loan to Fund Ratio	85.9%	83.6%	80.9%
	Liquidity Coverage Ratio	171.3%	156.7%	212.2%
Capital	Common Equity Tier 1 Capital Ratio	13.5%	13.7%	14.5%
	Tier 1 Capital Ratio	14.2%	14.4%	15.4%
	Total Capital Ratio	18.7%	18.7%	19.8%

Note: ^ Loan Loss Coverage includes Regulatory Reserve provision [excluding Regulatory Reserve: 86.8% at 1QFY21 (vs. 75.7% at 4QFY20)]

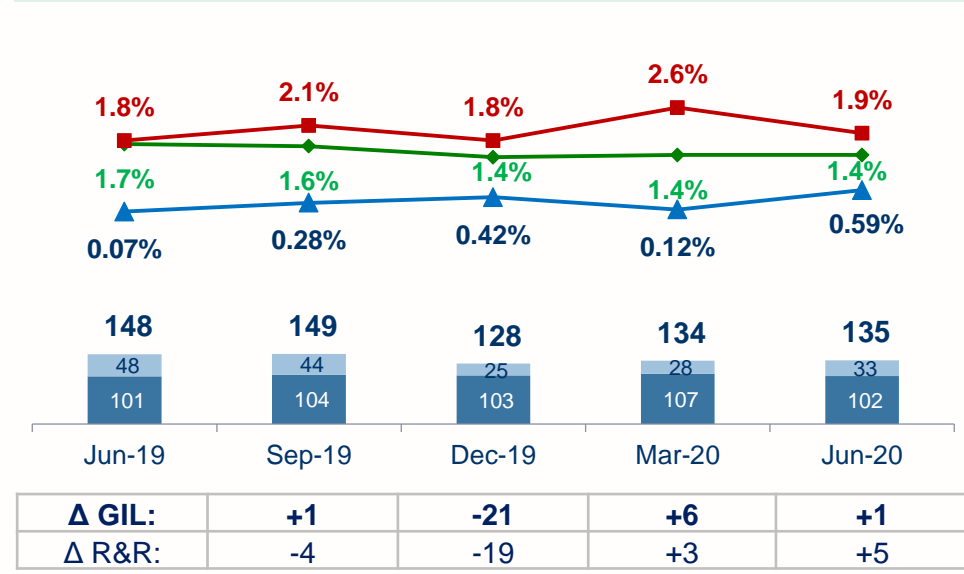


Impaired loans ratio improved q-o-q

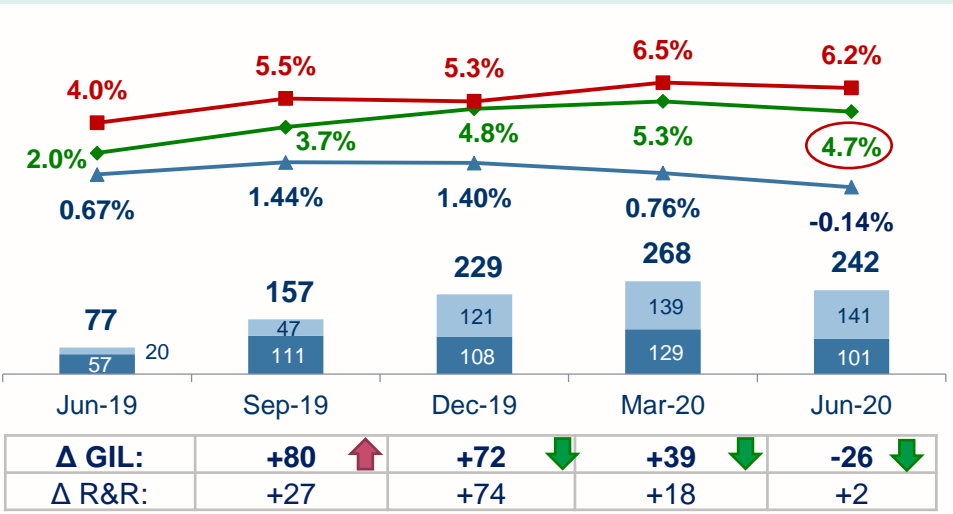
Classic Mortgage



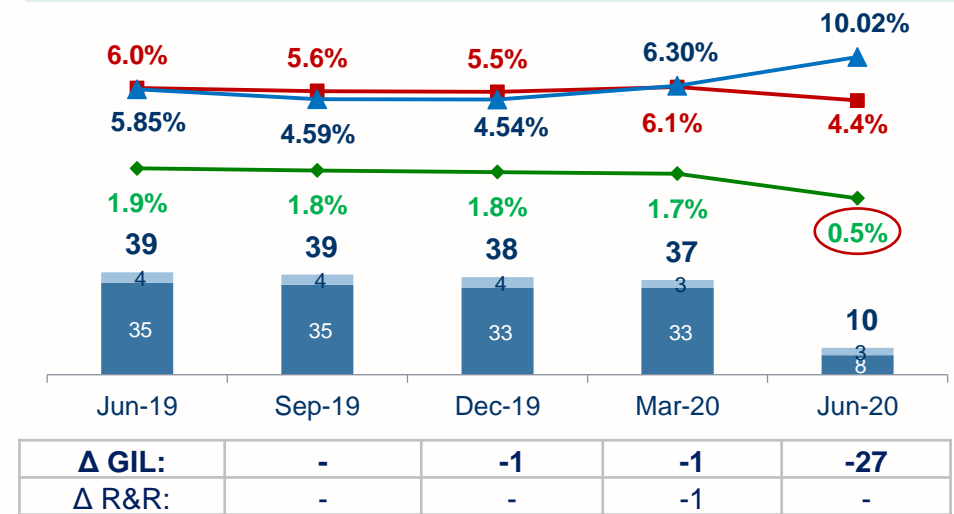
SME



Alliance ONE Account



Personal Financing



Thank You.

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