



Media Release

RAM Ratings raises outlook on Alliance Bank and Alliance Islamic to positive, affirms A₁/P1 ratings

RAM Ratings has revised the outlook on the long-term ratings of Alliance Bank Malaysia Berhad (Alliance Bank or the Group) and Alliance Islamic Bank Berhad (Alliance Islamic) to positive from stable while maintaining the A₁/P1 financial institution ratings of the entities. The ratings of the entities' sukuk/debt facilities have also been affirmed (Table 1).

The positive outlook is underpinned by Alliance Bank's improving asset quality and further supported by its solid position in small and medium enterprise (SME) lending, favourable funding profile and excellent net interest margins (NIMs). We may upgrade the ratings in our next rating review if Alliance Bank is able to sustain current asset quality amid seasoning of newly-disbursed loans while maintaining healthy funding and capital positions.

After peaking at 2.6% in June 2023, Alliance Bank's gross impaired loan (GIL) ratio retreated to 2.1% in March 2024, driven by better recoveries from its consumer banking segment and strong loan growth. The GIL ratio of the Group's dominant SME segment stood at a commendable 1.9% as at end-March 2024, outperforming the industry's average of 3.0%. This is a testament to Alliance Bank's deep understanding of SMEs, effective risk management and sound lending practices. The Group's Alliance One Account portfolio – constituting 10% of total loans and previously a source of asset quality stress – has been strategically de-emphasised. We expect any potential impairments from this well-collateralised portfolio to have a manageable impact on credit costs.

Alliance Bank's pre-tax profit was a higher RM911 mil in FY Mar 2024 (FY Mar 2023: RM887 mil), boosted by loan expansion and lighter impairment charges. With an entrenched SME franchise, the Group consistently commands a high proportion of current and savings account (CASA) deposits (end-March 2024: 42%; industry: 31%) and a commendable 41% share of individual deposits. The sizeable CASA deposits share, coupled with a large base of SME loans, contributes favourably to the Group's NIM, which ranks among the best in the industry.

Sturdy loan expansion crimped the Group's common equity tier-1 capital ratio (without transitional arrangements) to 12.5% as at end-March 2024 (end-March 2023: 13.8%) but capital ratios are anticipated to hold steady. Moderation in loan growth this year, potentially lower dividend payout and earnings accretion from recent business growth will help preserve capital.

Under its four-year Acceler8 2027 strategy, Alliance Bank is focused on rebuilding its consumer banking book while maintaining the SME business as a core strength. Corporate banking services will be enhanced to offer a wider range of products to support businesses throughout their life cycles.

The financial institution ratings of the Group's core subsidiary, Alliance Islamic, are equated to Alliance Bank's, given its strategic importance to the Group.

Table 1: Ratings of entities under Alliance Banking Group

	Ratings
Alliance Bank Malaysia Berhad	
i. Financial Institution Ratings	A ₁ /Positive/P1
ii. RM500 million Commercial Papers Programme (2022/2029)	P1
iii. RM1.5 billion Senior Medium-Term Notes Programme (2015/2045)	A ₁ /Positive
iv. RM2.0 billion Subordinated Medium-Term Notes Programme (2015/2045)	A ₂ /Positive
v. RM1.0 billion Additional Tier-1 Capital Securities Programme (2017/-)	BBB ₁ /Positive
Alliance Islamic Bank Berhad	
i. Financial Institution Ratings	A ₁ /Positive/P1
ii. RM300 million Islamic Commercial Papers Programme (2019/2026)	P1
iii. RM2.5 billion Perpetual Sukuk Programme (2019/-):	
- RM1.2 billion Senior Sukuk Murabahah	A ₁ /Positive
- RM800 million Tier-2 Subordinated Sukuk Murabahah	A ₂ /Positive
- RM500 million Additional Tier-1 Sukuk Wakalah	BBB ₁ /Positive

Analytical contacts

Lee Yee Von
(603) 3385 2503
yeevon@ram.com.my

Wong Yin Ching, CFA
(603) 3385 2555
yinching@ram.com.my

Media contact

Sakinah Arifin
(603) 3385 2500
sakinah@ram.com.my



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