# ALLIANCE FINANCIAL GROUP ANALYST BRIEFING

- 3 Months Ended 30 June 2011 -







# **AGENDA**

• 1Q FY2012 Financial Performance

- Key Messages
- Questions & Answers

#### Robust financial position



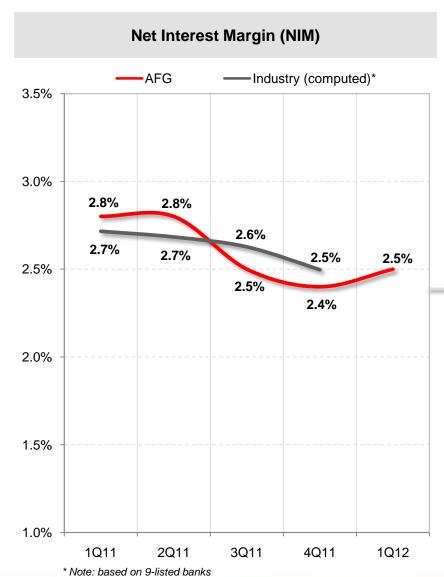
- Profit-after-tax (PAT) ended 30
   June 2011 of RM129.8mil
   improved 52.8% against the
   preceding quarter (+17.4% YoY).
- ROE surged to 15.1% from 13.0% in the last quarter. This compared to 14.5% a year ago.
- EPS improved from 5.5 sen in 4Q FY2011 to 8.5 sen in 1Q FY2012.

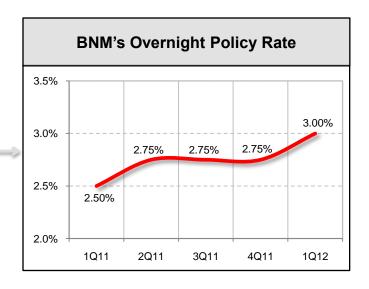
#### **△ Steady momentum in business earnings**

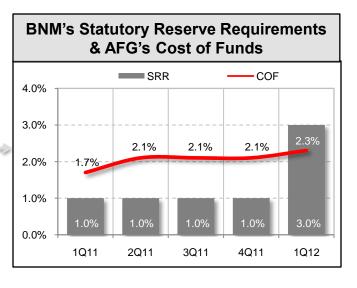
(RM 'mil)		FY 2		FY 2012	% YoY	
(IZIAI IIIII)	1Q	2Q	3Q	4Q	1Q	/6 TOT
Net Income	276.2	296.9	285.0	270.6	309.8	12.1%
Net Interest Income	169.1	174.2	168.0	159.9	168.8	(0.2%)
Islamic Banking Income	55.6	58.7	59.0	58.5	61.8	11.2%
Non-Interest Income	51.5	64.0	58.0	52.2	79.2	53.8%
Operating Expenses	(124.8)	(136.4)	(137.4)	(146.3)	(144.1)	15.4%
Operating Profit	151.4	160.6	147.6	122.8	165.0	9.0%
(Allowance for)/write- back of loss on loans and others	(1.1)	(22.9)	3.2	(8.4)	8.8	n.a.
Taxation & Zakat	(39.8)	(35.2)	(39.5)	(29.5)	(44.0)	10.7%
Profit after Taxation & Zakat	110.5	102.4	111.3	84.9	129.8	17.4%

- Profit-after-tax (PAT) rose 17.4% to RM129.8mil on the back of 12.1% growth in net income and net write-back.
- In line with the business expansion, overheads recorded an increase of 15.4%.
- Net write-back mainly arising from major loans recoveries.

# **△** Margins relatively stable





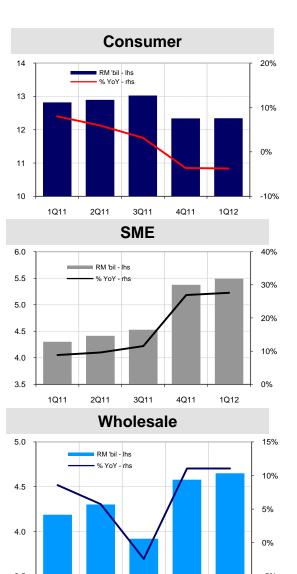


#### Loans growth driven by business banking

#### Loans breakdown by businesses

(RM 'bil)		FY 2012			
(KIVI DII)	1Q	2Q	3Q	4Q	1Q
Consumer	12.8	12.9	13.0	12.3	12.3
SME	4.3	4.4	4.5	5.4	5.5 <sup>*</sup>
Wholesale	4.2	4.3	3.9	4.6	4.6
Group Special Assets	0.2	0.2	0.2	0.1	0.1
Total	21.5	21.8	21.6	22.4	22.6

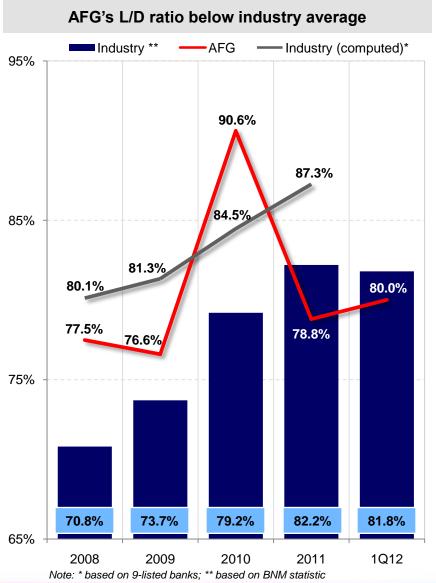
- Loans growth of +5.0% YoY in 1Q FY2012.
- Loans growth was primarily driven by business banking.
  - SME Banking adjusted loans rose 10.0%.
  - Wholesale Banking loans grew 11.0%.

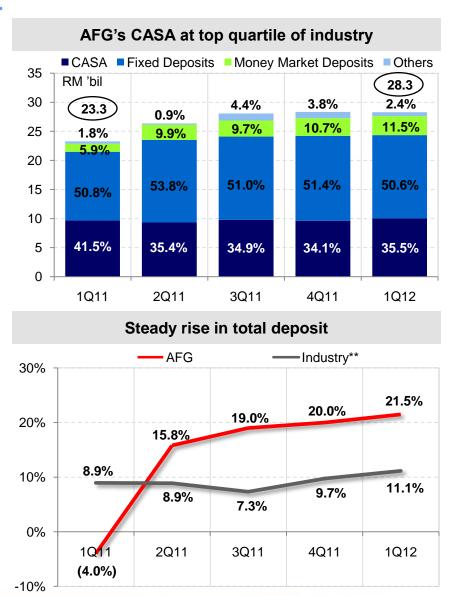


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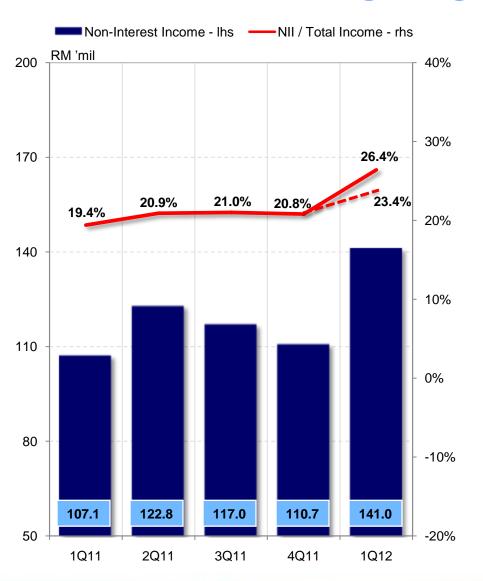
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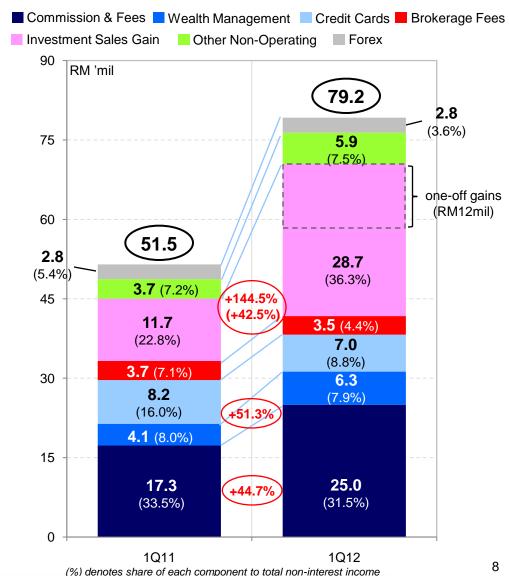
# Prudent liquidity management



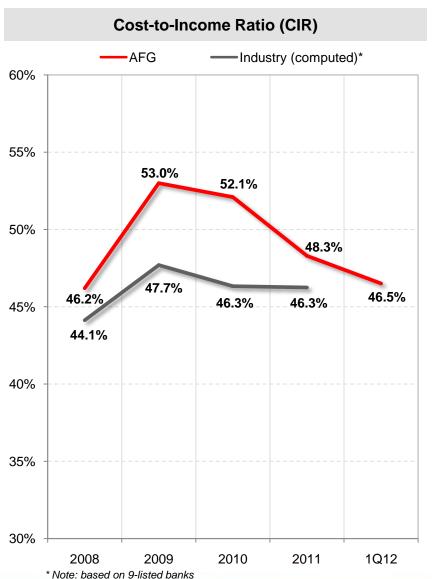


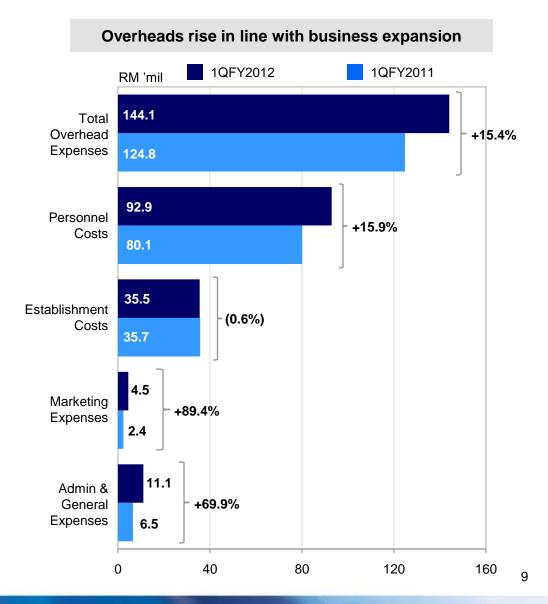
#### **△ Non-interest income gaining momentum**



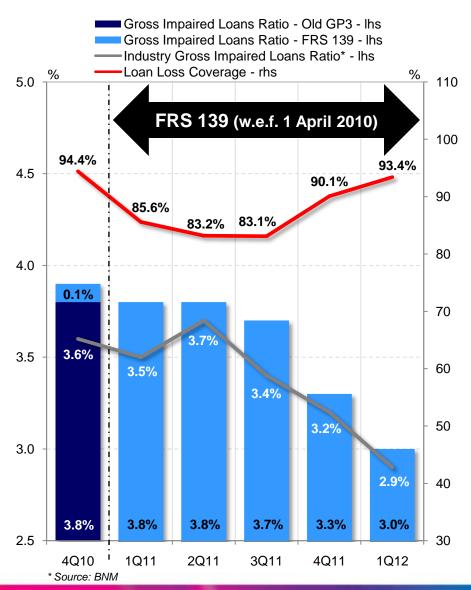


# CIR continued to improve





#### ▲ Further improvement on asset quality



- Asset quality demonstrated quarterover-quarter improvements:-
  - Gross impaired loans ratio improved further to 3.0% in 1Q FY2012.
  - Loan loss coverage increased from 90.1% to 93.4% in 1Q FY2012.

Note: Collective allowance for domestic loans is computed based on 1.5% requirement under the transitional provisions of the BNM guidelines on Classification and Impairment Provisions for Loans/Financing issued in January 2010.

#### Capital position remains strong

(RM 'bil)	FY 2010	FY 2011	1QFY11	1QFY12	% YoY
Tier 1 Capital	2.4	2.8	2.4	2.8	<b>1</b> 4.5%
Total Capital Base	3.3	3.7	3.4	3.7	<b>1</b> 1.0%
RWCR (%)	15.4	16.1	15.5	15.3	<b>(</b> 0.2)
Core Capital Ratio (%)	11.1	12.0	11.2	11.3	<b>△</b> 0.1

- Core capital remained healthy at 11.3% in 1Q FY2012.
- Risk-weighted capital ratio (RWCR) of 15.3% is higher than industry average of 13.9% in 1Q FY2012.
- Total capital base of RM3.7bil, increased by 11.0% YoY. Tier 1 capital represents 75% of total capital, improved further to RM2.8bil.
- Healthy capital structure enables us to meet most of BASEL III requirements.

# **△** Key financial ratios

		FY 2010	FY 2011					FY 2012	
				1Q	2Q	3Q	4Q	1Q	*
Profitability	<ul><li>NPAT (RM 'mil)</li><li>NIM</li></ul>	301.5 2.5	409.2 2.7	110.5 2.8	102.4 2.8	111.3 2.5	84.9 2.4	129.8 2.5	<b>*</b>
Business Performance	<ul><li>NII / Total Income</li><li>Cost Income Ratio</li><li>LD Ratio</li></ul>	22.4 52.1 90.6	20.8 48.3 78.8	19.4 45.2 92.6	20.9 45.9 82.8	21.0 48.2 77.2	20.8 54.1 78.8	26.4 46.5 80.0	<u>▲</u>
Asset Quality + Capital	<ul><li> Gross Impaired Loans</li><li> LLC</li><li> Core Capital</li><li> RWCR</li></ul>	3.8 94.4 11.1 15.4	3.3 90.1 12.0 16.1	3.8 85.6 11.2 15.5	3.8 83.2 11.9 16.1	3.7 83.1 11.8 15.9	3.3 90.1 12.0 16.1	3.0 93.4 11.3 15.3	<b>*</b>
Shareholder Value	• ROE • P/BV	10.5 1.5x	13.0 1.5x	14.5 1.4x	13.8 1.5x	13.8 1.4x	13.0 1.5x	15.1 1.5x	<b>A</b>

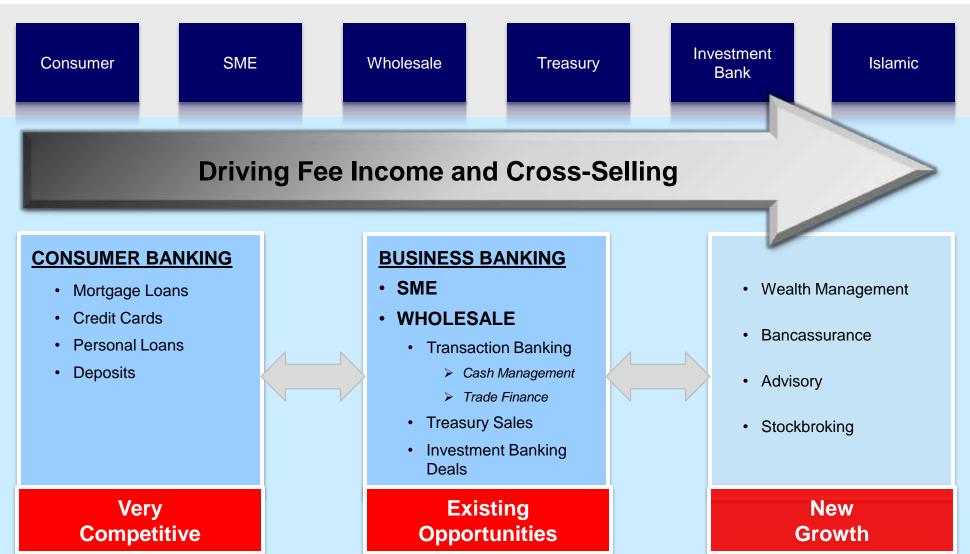
# **AGENDA**

• 1Q FY2012 Financial Performance

Key Messages

Questions & Answers

#### Building sustainable growth



#### △ Over the medium term (3-5 years), we will ...

#### Gross Impaired Loans

... be in line with industry average

#### CIR

... move to industry average (45 - 48%) through YoY improvements, driven by:

- targeted revenue growth
- productivity focus

#### ROE

... achieve industry average (14 - 16%) through YoY improvements, driven by:

- focus on underlying earnings
- effective capital management

# Dividend Policy

... pay "as much as we can afford, whenever we can"

... and increase non-interest income to be 30% of total revenue



#### The Bank remains strong and well positioned.

- Performed well in 1Q FY2012 despite competitive operating environment.
- Strong balance sheet and corporate governance.
- Clear niche position in Consumer and Business Banking segments.

#### Clear strategy and the right team to deliver it.

- Customer focus is key.
- Strong full senior management team now in place.
- Our strategy does not require us to do M&A.

#### **Achieving growth.**

- Focus on revenue growth.
- Leverage all our business franchises.
- · Ensure growth is value creating.



# **THANK YOU**

#### **Investor Relations**

Alliance Financial Group 31st Floor, Menara Multi-Purpose, Capital Square 8 Jalan Munshi Abdullah 50100 Kuala Lumpur, Malaysia www.alliancebank.com.my/investorrelations.html



Income Statement (RM 'mil)	FY2011	FY2010	% YoY	1QFY12	4QFY11	% QoQ	1QFY11	% YoY
Interest Income	1,203.5	1,063.0	13.2%	329.0	309.5	6.3%	276.7	18.9%
Interest Expense	(533.2)	(477.5)	11.7%	(160.2)	(149.6)	7.1%	(107.6)	48.9%
Net Interest Income	670.3	585.5	14.5%	168.8	159.9	5.6%	169.1	(0.2%)
Islamic Banking Income	232.7	245.8	(5.3%)	61.8	58.5	5.7%	55.6	11.2%
Non-Interest Income	225.7	233.2	(3.2%)	79.2	52.2	51.7%	51.5	53.8%
Net Income	1,128.7	1,064.5	6.0%	309.8	270.6	14.5%	276.2	12.1%
Operating Expenses	(544.9)	(554.6)	(1.8%)	(144.1)	(146.3)	(1.5%)	(124.8)	15.4%
Share of Loss in An Associate	(1.5)	0.0	-	(0.7)	(1.5)	(52.5%)	-	-
Operating Profit	582.3	509.9	14.2%	165.0	122.8	34.4%	151.4	9.0%
(Allowance for)/Write-Back of Loss on Loans	(33.3)	31.9	n.a.	7.9	(9.3)	n.a.	(0.5)	n.a.
Write-Back of/(Allowance for) Impairment	4.1	(132.9)	n.a.	0.9	0.9	n.a.	(0.6)	n.a.
Loan Impairment Allowances	(29.2)	(101.0)	n.a.	8.8	(8.4)	n.a.	(1.1)	n.a.
Profit before Taxation & Zakat	553.1	408.9	35.3%	173.8	114.4	52.0%	150.3	15.6%
Taxation & Zakat	(143.9)	(107.4)	34.0%	(44.0)	(29.5)	49.5%	(39.8)	10.7%
Profit after Taxation & Zakat	409.2	301.5	35.7%	129.8	84.9	52.8%	110.5	<b>17.4%</b>

#### **△** Breakdown of Loans by LOB

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12
Consumer	59.4%	59.2%	60.2%	59.8%	59.5%	59.1%	60.1%	55.0%	54.5%
SME	19.8%	19.6%	19.4%	19.8%	20.0%	20.2%	20.9%	24.0%	24.3%
Wholesale	19.3%	19.8%	19.1%	19.2%	19.4%	19.7%	18.1%	20.4%	20.5%
Group Special Assets	1.5%	1.4%	1.3%	1.2%	1.1%	1.0%	0.9%	0.6%	0.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

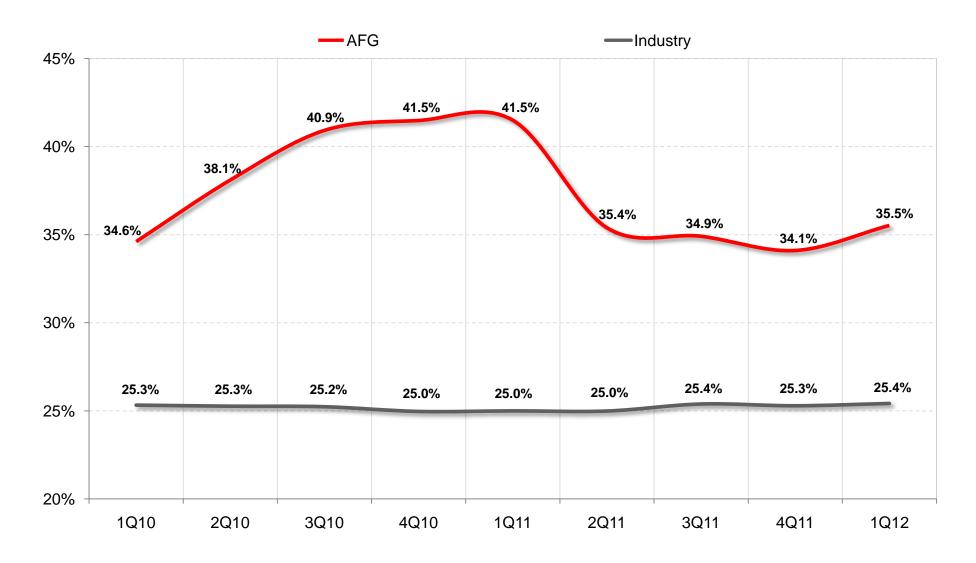
Economic Purpose	Loan (RM 'mil)	% YoY	Gross Impaired Loans (RM 'mil)	% Share	Gross Impaired Loans Rate (%)
Purchase of Securities	366.7	12.7%	10.3	1.5%	2.8%
Purchase of Transport Vehicles	668.1	(20.0%)	8.9	1.3%	1.3%
Purchase of Landed Property	11,611.5	3.4%	265.8	39.2%	2.3%
Purchase of Fixed Assets	102.1	23.9%	0.2	0.0%	0.2%
Personal Use	2,067.4	2.6%	30.4	4.5%	1.5%
Credit Cards	637.0	(6.3%)	10.5	1.5%	1.6%
Construction	260.6	4.7%	12.4	1.8%	4.8%
Working Capital	6,127.1	10.9%	292.9	43.2%	4.8%
Others	794.3	29.1%	47.3	7.0%	6.0%
Total	22,634.8	5.0%	678.7	100.0%	3.0%

Economio Durnoco	0/ Shara	Gross Impaired Loans Rate (%)							
Economic Purpose	% Share	1Q11	2Q11	3Q11	4Q11	1Q12			
Purchase of Securities	1.5%	5.4%	5.0%	3.8%	2.9%	2.8%			
Purchase of Transport Vehicles	1.3%	1.6%	1.3%	1.4%	1.3%	1.3%			
Purchase of Landed Property	39.2%	2.8%	2.8%	2.7%	2.5%	2.3%			
Purchase of Fixed Assets	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%			
Personal Use	4.5%	2.0%	1.9%	1.7%	1.8%	1.5%			
Credit Cards	1.5%	2.2%	2.2%	2.1%	1.9%	1.6%			
Construction	1.8%	8.9%	6.2%	6.1%	5.0%	4.8%			
Working Capital	43.2%	6.3%	6.6%	6.5%	5.2%	4.8%			
Others	7.0%	8.0%	7.9%	8.2%	9.4%	6.0%			
Total	100.0%	3.8%	3.8%	3.7%	3.3%	3.0%			

#### AFG's deposit profile

Dy Type of Deposite	0/ Chara	% YoY						
By Type of Deposits	% Share	1Q11	2Q11	3Q11	4Q11	1Q12		
CASA	35.5%	14.9%	7.8%	1.5%	(1.6%)	4.2%		
- Demand Deposits	29.6%	18.6%	10.2%	2.4%	(1.4%)	4.1%		
- Savings Deposits	5.9%	(0.6%)	(2.7%)	(2.6%)	(2.7%)	4.8%		
Fixed Deposits	50.6%	(12.8%)	8.8%	17.2%	19.4%	20.9%		
Money Market Deposits	11.5%	(11.0%)	376.9%	149.4%	162.1%	136.1%		
Negotiable Instruments of Deposits	2.2%	(47.1%)	(55.5%)	98.7%	142.7%	63.9%		
Structured Deposits	0.2%	32.1%	(33.9%)	34.9%	108.0%	28.2%		
Total Deposits	100.0%	(4.0%)	15.8%	19.0%	20.0%	21.5%		

#### **CASA** ratio vs. industry



## **△** The OSK-UOB US Legendary Fund

Alliance Bank is the exclusive distributor of the recently-launched OSK-UOB US Legendary Fund by the OSK-UOB Unit Trust Management Berhad.

The Fund, which was launched on 25 May 2011, will invest one hundred percent of its Net Asset Value in a Ringgit Malaysia denominated structured investment issued by a domestically incorporated financial institution with a rating of at least 'A' by the RAM Rating Services Berhad or its equivalent rating by any other reputable rating agency.



The structured investment has embedded options comprising the underlying reference, that is Berkshire Hathaway Inc - Class B shares and the Standard & Poor's 500 index, tailored to take advantage of the management capability of Warren Buffet. The positive performance of the company and its outperformance against the Standard and Poor's 500 Index ("SPX") will provide the Fund with returns during the recovery and rebuilding of the US economy.

Berkshire Hathaway Inc. is a holding company with subsidiaries in a variety of business sectors including companies such as The Washington Post, Coca- Cola, American Express and Lowes. This company has a proven track record in earning power and in stock performance over the past 10 years, supported by a professional management team.

Source: Group Corporate Affairs

#### Alliance SME presents 2011 Women Entrepreneurs' Forum

**7 June 2011, Kuala Lumpur** - Moving towards its aim to be the best SME bank in Malaysia, Alliance SME is presenting the 2011 Women Entrepreneurs' Forum. Acknowledging that women today are significant contributors to the economic growth of Malaysia, the main objective of this forum is to extend the necessary support and assistance to empower women towards successful entrepreneurship.

Mr Steve Miller, Head of SME Banking at Alliance Bank said, "Our focus at Alliance SME is to nurture and develop the SME segment in Malaysia. In this ever challenging arena of globalisation, we constantly strive to equip the SME segment to face the increasing local and international challenges. This year, we are proud to embark on a woman-centric forum as we recognise that women entrepreneurs face different challenges and obstacles.

Working in partnership with Money Compass, the one-day forum provides Alliance SME a channel to reach out and provide a platform for aspiring women entrepreneurs to acquire invaluable advice to lead their respective businesses towards success and sustainability. Through this open communication, Alliance SME hopes to establish and enhance the existing business relationships with our existing and potential customers through every stage of their business with solutions tailored to their respective unique needs and requirements."

Organised by Money Compass, the event is scheduled to be held on 17 June 2011 at Double Tree Hotel, Kuala Lumpur. At the forum, 8 renowned and successful female entrepreneurs will be sharing their thoughts on successful women entrepreneurship, namely Gun Suk Ling, Fione Tan, Chew Hoong Ling, Winnie Loo, Michelle Hah, Seah Siew Yun, Brenda Yong and Datin Dr Clara Chee.



Ms Amy Seok, Principal Consultant, Money Compass said, "Women today play a major role in both the development of the economy and the family, playing multiple crucial roles namely, wife, mother and income supporter, if not the main breadwinner. Some are also founders of many successful businesses, leaders of international corporations and governments worldwide. What propels them towards success and how do they do it? This is an excellent platform for many women entrepreneurs to network, share and learn from each other on how and what they can do to build their life around their dreams."

Source: Alliance Bank's website

#### Alliance Bank champions SMEs' cause with APEA 2011

#### Alliance Bank champions SMEs' cause with APEA 2011

**Kuala Lumpur, 13 July 2011** - Responding to the government's call to support small-and- medium enterprises (SMEs), and in recognition of the efforts by local entrepreneurs, Alliance Bank Malaysia Berhad ("Alliance Bank" or "the Bank") is proud to be the official banking partner of the prestigious Asia Pacific Entrepreneurship Awards 2011 (APEA 2011) organised by Enterprise Asia.

"To rise above the challenges in today's competitive market and staying on course throughout the lifecycle of the business is no easy task. Collaborating with APEA 2011 further demonstrates the Bank's initiative to grow with SMEs and expand their business locally and abroad," said Mr. Steve Miller, Head of SME Banking, Alliance Bank.

During the media briefing, Miller also shared insights and outlook on the SME sector in Malaysia. "Alliance Bank understands the importance of supporting and developing the skill sets of the growing SME community in Malaysia. We do this by providing core solutions and services that are suited for every life stage of the business. We believe strongly in building long lasting relationships with customers in our goal to be the Best SME Bank," said Miller.



"Our SME customers today rightfully expect and demand unstinting support when facing business challenges in an uncertain world. Thus, the role of a bank is no longer one that is purely financial, but to also provide advisory services; and collaborate with customers on business ideas."

"In fact, one of the ways we are collaborating with our SME customers is through our "Free Banking For A Year" campaign. From now until end of January 2012, we are offering one-year transaction fee waivers for new current accounts opened together with the sign-up of our Alliance Online Banking services. The fee waivers apply to payroll, business ATM card, MEPS withdrawal, return cheque protection and auto sweep services' charges" said Miller.

Source: Alliance Bank's website

#### △ AIBB paves the way for SMEs to list on Bursa

#### Alliance Investment Bank Paves the Way for SMEs to List on Bursa

**Kuala Lumpur, 2 August 2011** - The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor (KLSCCCI) and ACCCIM Socio-Economic Research Centre (SERC) will organise a seminar on "Going for Initial Public Offering (IPO)" which will be held on Friday, 19 August 2011 at the Sime Darby Convention Centre, Kuala Lumpur.

The seminar is presented by Alliance Investment Bank Berhad (AIBB) as principal speakers, promoted by the Associated Chinese Chambers of Commerce & Industry of Malaysia (ACCCIM) and co-organised by Klang Chinese Chamber of Commerce and Industry.

The talk will be delivered by experienced practitioners and will touch on, amongst other things, the listing guidelines, the process of taking a company for listing on Bursa Malaysia, the benefits and drawbacks of being listed, IPO valuations and share price performance of recently listed companies on Bursa Malaysia, as well as the market outlook.

Speaking at the press conference, Datuk David Chua, Vice President of the Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor (KLSCCCI), said "This is a not-to-be missed event as you can get all information on going for IPO with all relevant parties and professional advice. You must know your company's strengths and potential to grow. Whether your company is ready to be listed is an issue that the board of directors / management should look into."

"We view the conference as timely given the recent transparency and governance development initiatives undertaken by our regulatory authorities such as the Securities Commission and Bursa Malaysia Securities Berhad towards crystallising the nation's quest in making Malaysia's capital markets the preferred investment destination of choice," explained Mr. Sng Seow Wah, Group Chief Executive Officer of Alliance Bank Malaysia Berhad.

The "Going For IPO" Talk will be held in Sime Darby Convention Centre, Kuala Lumpur on Friday, 19 August 2011. The seminar is scheduled to begin at 9.00am and will end at 1.00pm followed by lunch. Speakers include Puar Chin Jong, Choy Kah Yew and Teh Chi-Cheun from AIBB; Ong Kien Hoe, Partner, Crowe Horwath; Cynthia Toh, Partner, Wong Beh & Toh; and Samantha Tai, Managing Director, Boardroom Services. In addition, there will be helpdesks in the foyer for participants who have further enquiries and/or require consultation on the IPO process.

Source: Alliance Investment Bank's website

## Alliance Family Takaful Investment-Linked Plan

#### Alliance Islamic Bank launches Shariah-Compliant Alliance Family Takaful Investment Linked Plan

**Kuala Lumpur, 1 June 2011** - Alliance Islamic Bank Berhad ("Alliance Islamic Bank"), a subsidiary of Alliance Bank Malaysia Berhad, today launched the Alliance Family Takaful Investment-Linked Plan, a Shariah-compliant family takaful investment-linked product. This product launch is a tripartite collaboration between Alliance Islamic Bank Berhad with Takaful Ikhlas Sdn Bhd ("Takaful IKHLAS"), a general and life takaful provider, and FWU Malaysia Sdn Bhd ("FWU Malaysia"), a subsidiary of German-based financial services provider, FWU Group.

"Alliance Islamic Bank is pleased to partner with Takaful IKHLAS and FWU Malaysia to provide tailored takaful products to our customers. This also serves to fill the gap of takaful provision and to meet the growing demand for Islamic banking and Takaful products. This partnership is in tandem with Bank Negara's promotion of Islamic Banking and Takaful in the country and supports the Government's overall aspiration to make Malaysia the regional hub for international Islamic banking, finance and insurance," said Tuan Haji Yahya Ibrahim, Chief Executive Officer of Alliance Islamic Bank.



The Alliance Family Takaful Investment-Linked Plan is a savings and investment plan that comes with family takaful coverage and is suitable for customers who wish to plan for their future financial needs such as for retirement, children's education or even solely for generating wealth purposes. The product is simple, relevant and contemporary, yet emphasises on convenience and speedy delivery. Through the product's hassle-free system, contracts can be concluded seamlessly within 15 minutes; customers only need to make a single trip to the bank branch.

More importantly, customers would also be able to enjoy a potential for better investment returns, through a unique investment architecture, with ethically and socially responsible underlying investments that are also Shariah compliant.

Customers may opt for either the Lump Sum Contribution or Regular Contribution Plan. The minimum contribution for the Lump Sum Plan is RM5,000 while the minimum for the Regular Contribution Plan is from as low as RM200 per month. From the investment perspective, customers may select suitable investment allocations between two strategies - Cash Strategy or Equity Strategies, depending on their risk appetite.

Source: Alliance Bank's website